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**The Marketisation of Charitable Organisations  
in Social Development**

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# Abstract

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There has been significant change in charitable organisations in *Aotearoa/ New Zealand* since 1984 when government introduced a form of neo-liberal “new public management”. Research into the impact of these changes has focused on the broader voluntary or third sector and on the specific impact of contracting on particular aspects of change. This thesis explores the systemic marketising nature of neo-liberal change on charitable organisations engaged in social development and argues that the particular characteristics of charitable organisations are being changed by the encroachment of values and operating practices of the market. The thesis uses critical realist ontology to understand the holistic nature of these changes. The literature review identifies characteristics of charitable organisations, markets and government and the emergent, hybridising nature of the dependence of charitable organisations in *Aotearoa/ New Zealand* on government funding. The findings are drawn from case studies of three charitable organisations which were very different in size, structure, focus and stage of development. The case studies included interviews with leaders in governance and management whose involvement collectively spanned the twenty five years between 1985 and 2010 covered by the research.

The findings show significant change in charitable sector characteristics by 2010 and a strong influence of the market on the changes in all three organisations. While at least two of the organisations can be described as social enterprises, they lack some characteristics of market organisations which would define them as businesses and they continue to identify themselves as charitable organisations. However, the extent of marketisation calls into question the ability of the three organisations to address some needs of those with whom they work and to play an effective role as civil society organisations. The research questions the existing concept of mission drift as simply the inability of an organisation to meet its stated mission and suggests that the mission of an organisation is not only captured in organisational goals but also in its characteristics which define the organisation’s approach to its work.

# Acknowledgements

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This thesis was borne from my ongoing desire to understand the changes that occurred in 1984 when, as a politically active person, I became increasingly concerned about the deep changes occurring in our society. I have been fortunate to have had the benefit of being able to take part in life-long education in *Aotearoa*/New Zealand's flexible tertiary education system, in order to pursue this quest for understanding. At the same time, I have been able to observe the impact of change through my work in practical politics, in the trade union movement and with the charitable sector, principally in international development. Along the way I have met some academics who inspired me and I want to acknowledge Ray Watters, John McKinnon and, particularly, Harvey Franklin who collectively helped me to think critically, read widely, challenge orthodox views and apply what I learned to the world around me. They helped set me on the path to this thesis.

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who care deeply about their cause. I know, however, that many people were concerned about what has been happening to volunteer effort and democratic participation. I hope I have reflected their voices well and that this research provides a little insight into the processes at work.

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# Abbreviations

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ANGOA Association of Non Government Organisations of Aotearoa

CEO Chief Executive Officer

CORSO Council of Organisations for Relief Services Overseas

CSO Civil Society Organisation

CYFS Children Youth and Family Services

FPP First Past the Post

GM General Manager

MMP Mixed Member Proportional Representation

NFP Not-for-Profit

NGO Non-Government Organisation

NZQA New Zealand Qualifications Authority

OCVS Office of Community and Voluntary Sector

TEC Tertiary Education Commission

UK United Kingdom

# Chapter 1 Introduction

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The aim of this thesis is to understand the process and extent of marketisation, which occurred between 1985 and 2010, in three New Zealand charitable organisations involved in social development. In this chapter I will outline my motivation for conducting the research, and its broader rationale. I will identify my research questions and outline the structure through which I present my argument. The crux of the argument is that the particular characteristics of charitable organisations in New Zealand are being changed by the encroachment of the values and operating practices of the market in ways that distort their charitable status and undermine their capacities to perform as flexible, responsive, demand-led organisations whose charity is to address social concerns in society.

## **1.1 Personal Motivation**

This thesis has grown from a combination of my interest and experience in politics since the 1980s, and my work in the charitable sector since the 1990s. Throughout this time I have taken a keen interest in the response of a series of New Zealand governments towards the international shift to neo-liberal economic policies. Through academic study and political policy work, my work with trade unions, international development and domestic social sector umbrella groups and community organisations, I have sought better understanding of the changes which have occurred in *Aotearoa*/New Zealand. This thesis has also grown from a recognition of the impact these changes have had on the charitable sector and recognition that marketisation is antithetical to democratic engagement. The thesis

is my contribution to reflection on the nature of a healthy public sphere which “provides the spaces within which associations articulate their interests and objectives, enabling groups to sort through their differences and legitimise a consensus that is just and democratic” (Edwards, 2004, p. 90).

## **1.2 Background**

The New Zealand Government’s wholesale embrace of neo-liberal globalisation has produced a particularly rigorous economic policy environment which has embedded a market economy in the fabric of New Zealand society (Barry, 1998; Easton, B., 1997; Franklin, 1985; Harris, 1999; Kelsey 1993; Richardson, 1995). Schick (2001, p. 3) has described the reforms in New Zealand as having an unrivalled ‘conceptual coherence’. He describes them as a system in which the removal of critical elements threatens the whole edifice. The approach is one which no other, similar, country has adopted to the same extent.

Sandel (2009, p. 10) has argued that the hegemony of neo-liberal capitalism affects social processes to such an extent that we now live in market societies, rather than market economies. This marketisation of society has been described as:

a framework of market-oriented principles, values, practices, and vocabularies; as a process of penetration of essentially market-type relationships into arenas not previously deemed part of the market; or as a universal discourse that permeates everyday discourses but goes largely unquestioned (Simpson & Cheney, 2007, p. 191).

Market relationships became established in the social development sector in New Zealand in the 1990s, although this shift was signalled in the over-arching government policy changes in the 1980s. Many long term relationships had been

established between charitable organisations and government in the social sector by the 1980s. These relationships were forged on the basis of voluntary sector complementarity to government (Tennant, 2007).

When I began working with charitable organisations in the international development sector in 1994, there was a worldwide growth in the involvement of Non-Government Organisations (NGOs) in government social development activity which coincided with neo-liberal policies of shrinking states and devolution (Hulme and Edwards 1997, p. 5). In 1992, the first in a series of United Nations sustainable development conferences produced *Agenda 21*, in which there was a chapter on “Strengthening the Role of Non-Governmental Organisations: Partners for Sustainable Development”. (United Nations 1992). This chapter documented the agreement of governments and international inter-governmental bodies to:

- Allow NGOs to play a partnership role in sustainable development
- Improve Involvement of NGOs in policy and decision-making processes
- Establish mutually productive dialogue at national level with self-organised NGO networks
- Involve NGOs in setting up processes to achieve these things

Throughout the following decade I was involved in a range of international and national conferences, workshops, and discussions with government officials in *Aotearoa*/New Zealand, as part of an effort to identify ways to create practical processes of engagement between government and the voluntary sector. This engagement was conducted, however, in an environment where the neo-liberal policies adopted by government were significantly changing the collaborative nature of relationships which had previously existed.

Post 1990, when contracting was established, many voluntary sector organisations found themselves involved in competitive tendering for fixed term contracts and competing against organisations with which they had previously enjoyed cooperative relationships. Some organisations also found themselves competing with the private sector on an unequally resourced playing field. The balance of power, in determining the work that charitable organisations do, shifted significantly towards government (Cordery & Halford, 2010).

The turmoil and confusion which occurred as organisations adapted to cope with their new environment was captured in New Zealand by the Report of the Community and Voluntary Sector Working Party (2001). The report highlighted a wide range of funding, accountability, programme control and relationship difficulties which were attributed to contracting. While, internationally, government had committed to improving its working relationship with the voluntary sector, within New Zealand the relationship became a directive one, although there were differences between different government entities.

The major difficulty faced by many voluntary sector organisations was, and remains, their reliance on government funding, a result of New Zealand's particular historical conditions. This was related to the complementary role the organisations had played to Government in the New Zealand welfare system (Tennant, 2007, p215). Within the field of organisation and management, ideas on resource dependency, stakeholders and institutions and isomorphism suggest that dependence on particular sources of funding can result in organisations behaving more like their funder in some instances (Dunn, 2008; Di Maggio & Powell, 1983; Ghobadian, Viney & Redwood, 2009; Halfpenny & Reid, 2002). The organisations I

worked with already mirrored some bureaucratic aspects of government prior to the 1990s, but in the post 1990 contract period they began to adopt market-style corporate governance and managerialism, and they began to replace volunteers with specialised professionalised staff.

Some of these changes have been ascribed to social changes from the 1960s and 1970s onwards where more women entered the workforce with less time to volunteer, and people with higher education levels led to the development of professionalism in all walks of life (Larner and Craig, 2005). From the 1980s, individualism, marketisation, competition, consumerism and commoditisation of society as a whole became orthodoxy (Harris 1999 pp. 20-21). The use of consumer/retailer transactions as normative forms of social relations, and the central imperative of choice in a growing range of social transactions indicated that there was a general shift occurring in society (Gilbert, 2008, p. 2).

As marketisation of society has become established, challenges have arisen to traditional models of charitable organisation. They have come from proponents of social enterprise who claim that harnessing the market for social purposes provides people with greater dignity and empowerment (Frances, 2008), or more money (Palotta, 2008). Charities have often included income generation activity such as charity shops in their fundraising repertoire but, these amateur exercises, run by volunteers have become increasingly professionalised (Broadbridge & Parsons, 2003). Charitable fundraising in general has become more professional and business-like with many larger organisations becoming involved in business sponsorship, cause-related marketing and the commodification of fundraising, all of which integrate the organisations into the market environment. Both Frances

(2008) and Pallotta (2008) have argued for change in the rules which govern charity to make them more compatible with the market but, in contrast, Nickel and Eikenberry (2009) argue that the increasing use of market mechanisms and discourses of consumption in philanthropy is a problem. The celebration of consumption that often accompanies marketised fundraising hides the nature of problems and disables the potential for change: "Consumption philanthropy is precisely the message that one need only commit to further consumption in order to transform the social order" (p. 979).

Some research characterises the shifts and ambivalencies in the NGO and voluntary sector's relationship with government as a new form of 'hybrid' organisation in which some of the characteristics of the market are transferred into the 'non-market' sector (Billis 2010a, 2010b) and my experience in the NGO sector gave me some insight into the ways in which these shifts were occurring.

### **1.3 Rationale**

There is therefore, evidence that marketisation is occurring in the voluntary sector in New Zealand and that contributory causes are government policies and changes in social conditions. There are four rationale for this research: first, there is a paucity of New Zealand research on marketisation in general and no attempts to codify the nature of the marketisation that has and is occurring; second, the extent to which 'hybridity' is evident in New Zealand, particularly in the voluntary sector, has not been addressed; and third, there is little voluntary sector research which specifically addresses and profiles the charitable nature of most voluntary organisations that contract with government, and even less that considers the

implications for social development of the marketisation of charitable work. Finally, I was familiar with a number of national charitable organisations and believed they could provide rich, case-based research material. Each of these rationales is discussed in a little more detail in sections 1.4 to 1.7 to further establish the purpose of the thesis.

### **1.3.1 The nature and causes of marketisation**

While contracting in the New Zealand voluntary sector has been extensively researched (ANGOA, 2008; Cull, 1993; Grey and Sedgwick, 2013; Larner and Craig, 2005; Munford and Sanders, 2001; Nowland-Foreman, 1995, 1998, 2000; O'Brien, Sanders & Tennant, 2009), the broader underlying system of marketisation has been examined only in relation to participation and communication in retirement villages (Simpson and Cheney, 2007) and in the education (Mamoe, 1999; Watson, 2000) and culture sectors (Sturgess, 2009). It has not been researched in the social services or development sector. Research on marketisation of the voluntary sector has been addressed in the United States by Edwards (2008), Eikenberry (2009), Eikenberry and Kluver (2004), Nickel and Eikenberry (2009), Salamon (1993), Weisbrod (2000), and Young (1998) and I have also identified research in Canada (Evans, Richmond and Shields, 2005) and in the United Kingdom (Mackay, Moro, Teasdale and Clifford, 2011; Teasdale, Buckingham and Rees, 2013; Chew, 2008). The main themes of these researchers have been the impact of marketisation on the not-for-profit sector and civil society, centred largely on the erosion of the caring values and practices of the sector and the transfer of market practices such as consumerism, financial accountability and market-focused fundraising, into the not-for-profit sector. Eikenberry and Edwards have both focused on the wider

implications of marketisation on society's ability to pursue social justice, equality and democratic participation. Their work has inspired my research.

### **1.3.2 Hybridity in the New Zealand voluntary sector**

The transfer of market and government characteristics into the voluntary sector is the focus of a growing body of research on hybridity. Billis and Glennerster (1998) explored the idea that voluntary organisations have a comparative advantage over other sectors when dealing with some forms of disadvantage because of their ability to absorb some characteristics from other sectors. Billis (2010b) then developed a tentative theory which has identified four forms of hybridity in the voluntary sector and argues that a crucial issue is the retention of identity which arises from an organisation maintaining its "roots" in a single sector. Although research identifies the hybridity as a result of contracting, I can find no specific research on the nature of hybridity in the voluntary sector in New Zealand and this thesis contributes to an understanding of hybridity in a New Zealand context.

### **1.3.3 Charitable organisations**

A study which examines the import of other sector characteristics into the voluntary sector must first identify the respective characteristics of these sectors. There have been some recent attempts to define the voluntary sector in New Zealand. One was New Zealand's contribution to the international Johns Hopkins Comparative Nonprofit Sector Project (Tennant, Sanders, O'Brien and Castle, 2006) and another was the Community and Voluntary Sector Working Party (2001). New Zealand voluntary sector organisations participated in a Commonwealth Foundation Study which encompassed all Commonwealth countries (Ball and Dunn, 1995). Models of voluntary sector organisation are often situated within

models of society which have three or four sectors, comprising government, markets and civil society and sometimes the family (see Fowler, 1997, pp. 23-31; Buckingham 2009, p. 7; and, Billis, 2010a, pp. 55-57).

Some of the the models are very broad in an effort to encompass all organisations which could be described as voluntary. This is a particularly challenging area, thus this thesis will seek to develop a model of a specific type of voluntary sector organisation, the charitable organisation. Research on the nature of charitable organisation tends to be confined to the legal and taxation field. This means that the focus on charitable action is frequently sidelined in discussion about the voluntary sector in social development. However, I will argue that these organisations have a specific set of values, and that their purpose is particularly relevant to notions of a “good society” which is inherent in descriptions of civil society (see, for example, Anheier (2004) or Christoffersen, Beyeler, Eichenberger, Nannestad & Paldam (2014) that offer definitions of the idea of ‘civil society’).

#### **1.4 A Case Study approach**

Although research using case studies does not necessarily generate replicable and transferrable findings, the detailed examination of three anonymised organisations, each different in size, focus of work and in aspects of structure, allows a picture of the impact of marketisation to emerge. This picture, drawn from three hundred and forty four pages of interview transcripts collected from thirty one individuals, identifies, based on an assessment of similarities and differences, the marketised status of the organisations and thereby provides a model for describing and understanding the status of other organisations. This provides a

starting point for further research as well as a wider lens through which to view the current state of play. The organisations will not be identified in this research for reasons of confidentiality. This allows the reader to focus on the issues in the case studies, rather than the personalities of the organisations.

## **1.5 Research questions**

The rationale for the research underpins the central question of the thesis: What is the extent of marketisation in charitable organisations involved in social development and how does marketisation affect their role and status as civil society organisations? Five specific research questions framed the data collection, which entailed reviewing literature, document analysis and interviewing key informants, and data analysis based on a critical realist approach (see Chapters 5, 6 and 7]. These were:

1. What are the characteristics of charitable organisations in social development?
2. What is the nature of markets and marketisation?
3. How have market characteristics embedded themselves in the structure and programmes of charitable organisations?
4. What impact has marketisation had on the characteristics of the charitable sector?
5. What role have charitable organisation leaders at governance and senior management level played in their organisation's approach to marketising change?

The thesis argues that New Zealand charitable organisations are in a period of radical change that is poorly documented and weakly understood. It further argues that clarification of the extent and nature of these changes is needed if debate about the future roles of these organisations is to be robust and well informed. It assumes that the implications of these changes will be reflected in democratic participation and in the practices of the key players, including the charitable organisations themselves, the sector as a whole, and government agencies. What constitutes the very idea of 'charity' and 'charitable' organisation is under review.

## **1.6 Structuring the Argument**

The topic of this thesis is broad and multidisciplinary. In order to marshal the argument into some logical format I have organised it, following this general introduction in Chapter 1, into four parts, each of which is further divided into chapters.

Part 1, which focuses on sector characteristics and the concept of hybridity contains three chapters and covers the introductory background and context material as well as introducing the central concept of hybridity. Chapter 2 examines the concept of civil society. Chapter 3 surveys the funding environment, and Chapter 4 outlines Billis' (2010a & b) 'Theory of Hybridity'.

Part 2, the theoretical framework and methodology also comprises three chapters. Chapter 5 discusses the identification of the critical realist ontological frame and the role of retrodution, the development of the research design is outlined in Chapter 6, and the processes of data gathering and analysis described in Chapter 7.

Part 3 comprises the findings and four chapters divide the material. Chapter 8 provides a profile of the three organisations in the research by overviewing the changes experienced in each over the twenty five years between 1985 and 2010. Chapter 9 identifies three principal influences on change in the organisations during this time period. Chapters 10, 11, and 12 delve deeper to examine the nature of the consequences of change: increasing professionalisation (Chapter 10); shifting accountability towards government (Chapter 11); and the impact on the organisations of alternative funding sources (Chapter 12).

Finally, Part 4 looks more closely at marketisation and its implications in the final discussion in Chapter 13. It presents the important contribution of the 'marketised status' table and the 'indicators of marketisation' both of which represent original scholarship drawn from the findings. This findings discussion also focuses on the implications of marketisation on the comparative advantage of the organisations, the role of hybridity and the systemic nature of the charitable characteristics in mission drift.

Conclusions round out the thesis in Chapter 14 and bring to the fore reflections on the ways the organisations have or have not maintained their roots in the charitable sector, and the wider implications of their marketisation for their civil society characteristics. Given the breadth of arguments addressed in the thesis, the conclusion also points to the avenues for further research that have been beyond the scope of the current work.

# PART 1

## Chapter 2 Characteristics of Charitable Organisations

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Charitable organisations, the focus of this research, are frequently conflated with not-for-profit organisations. Although these organisations have many similarities, charitable organisations are distinct. Situated within civil society which is, with government and the market and sometimes the family, one sector in many models of social organisation, charitable organisations are a subset of the not-for-profit, voluntary or nongovernmental organisations which form the organizing tools of civil society. Charitable organisations, particularly those involved in human welfare, operate on a set of values, some of which derive from being not-for-profit organisations, but others, those which provide them with their distinction, arise from their charitable status and the focus of the work they do. The argument of this thesis, that the particular characteristics of charitable organisations are being changed by the encroachment of values and operating practices of the market, begin from an in-depth understanding of what 'charitable' implies in the context of civil society. This chapter will examine literature about the nature of civil society, of not-for-profit or voluntary organisations and identify how the defining

characteristics of each combine with charitable status and values to produce the charitable organisation.

## **2.1 The Concept of Civil Society**

Civil society has been variously described as a “loose and baggy monster” (Kendall & Knapp, 1995, pp. 66-95), as a place of “creative chaos” (Dharendorf, 1996, p. 238), and a place where pursuit of the common good, individual rights and tolerance constitute the essential component (Sievers, 2004, p. 4). It is: “a sphere of our communal life in which we answer together the most important questions: what is our purpose, what is the right way to act, and what is the common good” (Elshtain, 1999, p. 13).

Civil Society is often depicted as one of three or four sectors. It is juxtaposed with the state, the market, and sometimes the family (Billis, 2010b, p. 5; Datson, 1998, p. 87; Fowler, 1997, p. 23; Sievers, 2004, p. 5). Each sector has a set of core, although often highly contested, characteristics. The boundaries between the sectors are frequently described as overlapping, porous or blurred, identifying the fluid, socially-derived construction of each (Billis, 2010b, p. 8; Fowler, 1997, pp. 20–31). Efforts to define civil society tend to focus upon the organisations which exist within the sector, which are, according to the World Bank (2013):

... the wide array of nongovernmental and not-for-profit organisations that have a presence in public life, expressing the interests and values of their members or others, based on ethical, cultural, political, scientific, religious or philanthropic considerations. Civil Society Organisations (CSOs) therefore refer to a wide array of organisations: community groups, nongovernmental organisations (NGOs), labor unions, indigenous

groups, charitable organisations, faith-based organisations, professional associations, and foundations.

Edwards (2004) argues, however, that it is the civil society ecosystem, and not the organisations that matter. The more varied and independent the civil society ecosystem is the more likelihood of its sustainability. Summarizing a range of research on civil society, Edwards argued that elements of three models can be combined to increase its utility both as an explanation and a vehicle for action (p. 91). Firstly, civil society is an area for developing common interests and collective action that is separate from states and markets. While the boundaries between the differing sectors of society are fluid and contested, there is a core set of attributes which distinguish each part from the other. This concept of civil society rests on an associational world that is free and voluntary, uncoerced by states or by market incentives.

Edwards' second model of civil society is a normative one in which people aspire to their conception of an ideal society through their associational life. Despite the myriad of different conceptions, according to Edwards there is a set of common attributes including tolerance, nondiscrimination, nonviolence, trust and cooperation, and freedom and democracy, although the latter attributes are qualified by their varied political and cultural definitions (Edwards, 2004, pp. 38–39).

Edwards distinguishes, within this model, the difference between a society that is civil because it possesses high levels of trust and cooperation and one that is civil because it succeeds in solving particular public policy dilemmas in ways that are just and effective. Edwards acknowledges that the notion that a normative view of civil society is necessarily about positive values is a challenging one, however, and

not universal. He cites Carothers (1999) view that civil society is a bewildering array of the good the bad and the bizarre, including every group from the local militia to the parent teacher association, and Van Rooy (1998), warning about the dangers that words can mean all things to all people. There is a tension between ideas of civil society as a neutral space in which all aspirations can be met and ideas which place more emphasis on the civility of society. Edwards's model is more relevant to a world in which charitable organisations exist, particularly because their status depends on the notion of their benefit to the public.

Edwards's third model of civil society is as an arena for public cooperation, discussion and interaction which underpins democracy and development.

Edwards describes this "public" as a "whole polity that cares about the common good and has the capacity to deliberate about it democratically" (pp. 54-55). For Edwards, inclusive and objective public deliberation is feasible only through channels that are not completely captured by states and markets.

Combining these models Edwards describes a civil society sector which is characterized by the ability to pursue visions of a good society, associational life that leads to change and a public sphere within which pursuit of political consensus is possible. Edwards argues that a healthy civil society environment can be created by focusing on forms of associational life that are relatively independent, fostering conditions in which associations can function independently and collectively, and supporting political linkages in associational life. In this thesis I argue that, as an important component of civil society, associations, particularly charitable organisations in the social development sphere, are characterized by their pursuit of visions of a good society, their need

for change in order to achieve their vision, and the need to build consensus around the issues they stand for. While there is some debate about whether charitable organisations ameliorate social problems or work to change them, I contend that ideally all would seek to change the circumstances of those they help and that, by existing, they have taken the first step towards the change they seek and the vision they espouse. While many charitable organisations do not like to be associated with political activity, Tennant (2007, pp. 122-192) has shown that close contact with the political sphere has been a feature of the voluntary welfare sector in New Zealand.

## **2.2 The Nature of the Not-for-profit Sector**

Nonprofit organisations, of which charitable organisations are a significant subset, are challenging to define. This section will examine attempts to define a sector that is variously described as voluntary, not-for-profit, third, community and voluntary sector or nongovernmental, in order to identify a further set of attributes which help clarify the nature of charitable organisations.

Three studies, by university researchers (Tennant, et al., 2006), government (Community and Voluntary Sector Working Party, 2001), and intergovernment organisations (Ball & Dunn, 1995), have developed definitions of not-for-profit organisations which have involved organisations in *Aotearoa*/New Zealand, either as the focus of, or as participants in the research. Despite the range of terminologies identifying the subject organisations, the definitions produced have many similarities and some notable differences (see Table 1).

The difficulties of describing organisations in civil society are apparent in Table 2.1. The Johns Hopkins Comparative Nonprofit Sector Project (Tennant et al, 2006) focused on New Zealand nonprofits as part of an examination of the nonprofit sector in forty one countries. Despite noting a unique shape and character created within the New Zealand nonprofit sector by *iwi*/Māori organisations, the researchers arrived at a definition which was congruent with the international project. The generality of the “structural–operational” approach used allowed for the most comprehensive inclusion of voluntary sector organisations (Dollery and Wallis, 2003, p. 116), however in the United Kingdom it was found that the definition was so broad it included organisations not normally regarded as part of the sector, such as universities (Seddon, 2007, p. 10).

The Commonwealth Foundation definition (Ball & Dunn, 1995), was arrived at as part of a study of nongovernment organisations which involved community representatives from fifty two countries, including New Zealand. This study was participatory but, because of the dominance of developing countries, was biased towards organisations actively involved in international development either as donors or recipients. The study is therefore weighted towards organisations involved in social development.

The Working Party on community and voluntary sector and *iwi*/Māori organisations was solely focused on New Zealand. It was highly participatory and, despite attempts to be all encompassing, also tended to focus on social development organisations.

**Table 2.1: Some Definitions of Voluntary Organisations**

Organisational Attributes	Defining the Nonprofit Sector: New Zealand. (Tennant, et al., 2006) The Johns Hopkins Comparative Nonprofit Sector Project	Community and Voluntary Sector Working Party (2001)	Commonwealth Foundation (Ball & Dunn, 1995)
Voluntary	Non-compulsory or voluntary – involvement not required by law, as a condition of citizenship or determined by birth		Voluntary – not required to be formed, not prohibited from being formed and an element of voluntary participation in their structure
Independent/self-governing	Private, in that they are not controlled by government Self-governing, in that they have their own processes of control	Structural or operational: separate from government, collectively owned and/or self-governed on the basis of <i>kaitiakitanga</i> or stewardship rather than ownership, and not returning profits to owner or directors	Independent within terms of local law, they are controlled by those who formed them or mandated by delegates such as a committee or board
Nonprofit	Nonprofit distributing, in that they cannot distribute surplus to owners, officers or members	Purpose: a primary focus on doing the work itself, on contributing to the social good arising from the activity of the organisation, rather than living or making a profit from it	Not-for-profit – there is no private or personal gain other than through employment, and when revenue is generated it is disbursed for the purposes of the organisation
Specific set of values		Clear set of values: in particular, independence (freedom of association), altruism, <i>aroha</i> (compassion), <i>manaakitanga</i> (caring for each other), <i>pono</i> (trust), cooperation and interdependence, stewardship, hope and passion	Not self-serving in aims and values in that they exist to improve the circumstances and prospects of disadvantaged people to realize their potential or achieve their rights and “to act on concerns and issues which are detrimental to the well-being, circumstances or prospects of people or society as a whole” (p58)
Specific functions		Fulfilling all or any of the following: advocacy and working for change; mutual aid; developing local solutions to local problems; providing avenues for citizen participation and up skilling; expressing and fostering culture and identity; and developing networks of goodwill, sharing and trust	

Source: Ball and Dunn, 1995 p19; OCVS 2002, pp. 36–41; Tennant, et al., 2006 pp. 32–41.

All definitions agreed that the sector is independent or self-governing and nonprofit. There are two differing interpretations of the term voluntary. One requires an element of voluntary participation while the other requires only that the organisation be voluntarily established without coercion. The definition in the Community and Voluntary Sector Working Party is silent on this aspect possibly because of the problematic nature of the concept within *iwi*/Māori organisations where *marae*-based life involves levels of obligation to participate in community life that sit uneasily beside non-Maori understandings of the term voluntary (OCVS, 2007, pp. 12–16).

Two of the definitions attributed sets of values to the sector and only one outlined functions of the sector as part of the definition.

The nonprofit sector as a whole has been attributed with the role of society's "value guardians" (Eikenberry & Kluver, 2004, p. 135), while the existence of a particular set of values in the sector is thought to have an impact on the way the sector works and what work the sector does (Fowler, 1997, pp. 33–36; Smillie, 1995, p. 32). The inclusion of values as attributes in the Commonwealth Foundation and the Community and Voluntary Sector definitions indicate that this aspect of their organisation is important for participants focused on social development. Not all nonprofit, community and voluntary sector or NGO bodies "improve the circumstances and prospects of disadvantaged people to realize their potential or achieve their rights ... [or] ... act on concerns and issues which are detrimental to the well-being, circumstances or prospects of people or society as a whole" (Ball and Dunn, 1995, p. 19).

Nonprofit groups, such as sports and arts groups and even some community centres and medical and educational trusts, can work on the basis of mutual self-help without dealing with disadvantage or with society at large. Similarly the Community and Voluntary Sector's definition includes *aroha* (compassion) and *manaakitanga* (caring for each other) which do not necessarily exist in the group preserving history, running the local basketball team or the local arts festival committee. The values described by Ball and Dunn and the Community and Voluntary Sector Working Party largely belong to the part of the voluntary and not-for-profit sector involved in charitable social development activity. None of this precludes the wider nonprofit sector from having values and the Community and Voluntary Sector Working Party (2001) did identify values that may apply to all nonprofit organisations such as independence, altruism, *pono* or trust, cooperation and interconnectedness.

The three pieces of research have identified attributes, from the practical to the ideal, some of which apply to all nonprofit organisations and others which only relate to those which are focused on human welfare. Interest in the common good, the public sphere, hope, and working to change issues detrimental to society as a whole, can all be encompassed within Edwards' vision of a good society, as can ideas of tolerance, nondiscrimination, nonviolence, trust, fostering cultures of caring for each other and efforts to achieve individual rights, including working to redress disadvantage. This interest in the common good and the rights of others is a feature of the non-self-serving, nonprofit and altruistic nature of the organisations of civil society.

Collective action, public cooperation, interdependence and citizen participation which is free, voluntary and self-governing, and involves members of independent organisations and volunteers, are all part of Edwards' associational life that can lead to change. This type of activity requires discussion and interaction, deliberation and negotiation based on freedom of association and trust. Many of these elements are also integral to the democratic environment and a public sphere in which people seek to secure political consensus, particularly citizen participation and freedom of association.

Researchers have identified other characteristics differentiating the sector (Ball and Dunn 1995; Fowler, 1997; Community and Voluntary Sector Working Party, 2001; Sievers, 2004; and Uphoff, 1985). Fowler (1997), focusing on voluntary organisations in the social development or welfare field, has developed operating principles of organisational type and duration, external relationships, resourcing and feedback mechanisms which can be seen in Table 2.2 to produce different characteristics in each sector.

**Table 2.2: Fowler's Sector Operating Principles.**

Characteristic	Sectors		
	Government	Business	Voluntary <sup>1</sup>
Relationship to those served based on:	Mutual obligation	Financial transactions	Personal commitment
Duration:	Permanent	Momentary	Temporary
Approach to external environment:	Control and authority	Conditioning and isolation	Negotiation and integration
Resources from:	Citizens	Customers	Donors
Feedback on performance	(in)direct politics	Direct from market indicators	"Constructed" from multiple users

Source: Fowler 1997, p. 27.

<sup>1</sup> Service providers not mutual benefit organisations

Among the characteristics identified is personal commitment to those being served. This can be related to altruism which, in this context, is found in personal values, and self-motivation and contrasts with command and control attributes of government and financial and other incentives used by the business sector. Other characteristics are: the temporary duration of relationships which arise from the service oriented nature of voluntary sector work; the negotiation that is necessary for integration of the organisation's work into its communities; the reliance on donor funding for resourcing the organisation, and the complex feedback mechanisms required to understand the efficacy of the work being done.

Billis (2010b, pp. 46–65), also focusing on human welfare organisations, uses a Weberian approach to build a typology of organisations in the three sectors. (See table 2.3). Using five structural elements which include ownership, governance, operational priorities, human resource base and financial resource base, Billis produces an analytical framework of ideal type organisations and their accountabilities in which principles applicable to each sector can be compared. These third sector organisations are membership based, privately elected, prioritize mission, involve members and volunteers in association and are funded by dues, donations and legacies. Some aspects of this description may not resonate with people currently active in charitable organisations but Billis explains that most current organisations are already hybrids, displaying elements of other organisational types, and the framework is designed to expose the extent to which this is occurring. The model also faced challenges in determining ownership and form, because in traditional terms nonprofit organisations have no owners and their form is varied. These problems were resolved by employing a decision-

making approach where ownership is located in those who are responsible for “boundary-shaping” or making strategic decisions and the general form best suited to the many different types of organisation was deemed to be “associational”.

**Table 2.3: Billis’ Ideal Types and Accountabilities**

<b>Core Elements</b>	<b>Private Sector Principles</b>	<b>Public Sector Principles</b>	<b>Third Sector Principles</b>
<b>Ownership</b>	Shareholders	Citizens	Members
<b>Governance</b>	Share ownership size	Elections	Private elections
<b>Operational Priorities</b>	Market forces and individual choice	Public services and collective choice	Commitment about distinctive mission
<b>Distinctive Human Resources</b>	Paid employees in managerially controlled <i>Firm</i>	Paid public servants in legally backed <i>Bureau</i>	Members and volunteers in <i>Association</i>
<b>Distinctive Other Resources</b>	Sales, fees	Taxes	Dues, donations and legacies

Source: Billis 2010b, p. 55.

Both Fowler’s and Billis’s models produce categories which can be compared across sectors enabling differences to be made more apparent. Categories such as these are ideal types only; they cannot describe the variety of organisations within the sector. Some organisations, such as those dealing with disabilities, may have lifelong relationships with their clients, others, particularly those operating under government contracts, may need no major negotiation with clients to engage and integrate themselves. Few organisations rely solely on donor funding in New Zealand, although most organisations would be involved in complex feedback processes.

In summary, the ideal nonprofit organisation works within an environment where visions of a good society are pursued, has an associational life that leads to change and seeks to secure political consensus within the public sphere. This is achieved through membership-based association and volunteers who share a personal

commitment to a distinctive mission. It operates through organisational structures which are voluntary, independent and self-governing. It espouses values such as altruism, *pono* or trust, cooperation and interconnectedness. Its external relationships with clients are, in the main, temporary. It uses negotiation to integrate itself with the communities in which it works, is funded by donors, dues and legacies, and must construct its own feedback mechanisms. Many of these organisations work in the human welfare area and are charitable. While the characteristics described form a large part of their nature, they are insufficient to delineate the particular nature of charitable organisations.

### **2.3 The Nature of Charity**

Charity is an expression of human friendship, love and caring, and takes many forms. One form is organized, collective concern expressed through the establishment of charitable organisations. In this section I will explore the nature of charity, and how it has developed in New Zealand, particularly in relation to the Welfare State. I will identify the difference between nonprofit and charitable organisation and add these characteristics to those already identified.

Concern for the welfare of the family, tribe or clan is documented in many civilizations and is embedded in many of the major religions of the world in the principle of charity or benevolence towards others. The practice of charity involves either individual or collective action which can be momentary or prolonged, random or institutionalized. People can demonstrate charity which ranges from disinterest to that which is self-serving depending on the degree of altruism, mutualism or reciprocity involved (Promoting Generosity Initiative, 2008). In

particular, in religious traditions, charity encompasses acts of selflessness, and the rejection of materialism as well as celebration of material wealth and good fortune in the manner of the great philanthropists (Bishop and Green, 2008). Charity is found in diverse religions but is also found in the secular world through “humanistic service” (Smillie, 1995, p. 22–23).

Charity in late nineteenth century New Zealand has been described as having three elements: “compassion, where charity is an unconditional response to immediate need; testimony, where it was used to bear witness to the notion of a loving God; and personal regeneration, where it became a means of changing lives” (Bowpitt, cited in Tennant 2007, p. 22). Of these, the element of personal regeneration was the most influential on New Zealand at its European settlement. Practical aid and personal care led to a culture of reformation and social ordering of society (Tennant, 2007, p22). The others, Anglican charity and working class Salvationism, were also models available to immigrants and all three elements are still recognizable in modern charitable organisation. The modern world, however, also comprises secular organisations in which compassion and personal regeneration are the dominant elements.

Over time, attitudes towards charity have dictated how human welfare services have been delivered in society. Services developed through charitable action have not necessarily remained in the charitable sphere. The colonization of New Zealand brought with it the social and legal structures of the United Kingdom where the private provision of charity by individuals and by groups existed side by side with civic provision through Parish Councils, local government and, latterly, the state. Tennant (2007) says that in the earliest days, New Zealand’s small settler

population was more inclined toward state provision of welfare because of lack of both resources and population. In time, however, organisations founded by individuals developed. This was a process of organisation-building which often moved outwards from individuals, who had been moved to social action by some life experience, into wider society. Some of the institutions they built eventually formed a mutually beneficial relationship with government which led, through development of the welfare state, to the transfer of some charitable activities to the state (p. 12).

There has been a diversity of opinion about the respective merits of charity and state provision in modern society. Preston, (1998, pp. 76–77) for example, points to those who regard poverty as a result of structural injustice and forces beyond the control of the needy, seeing charity as a humiliating and demeaning process and government-provided welfare as a right or entitlement. The impersonal nature of state welfare, and its erstwhile concern for equity and equality, has been thought to preserve the dignity of beneficiaries, protecting them from humiliation and discouraging condescension on the part of the giver. Over time many charitable activities became absorbed into the welfare state and what remained was seen as an innovative complement to the core role of the state, often responding to immediate and newly-identified needs.

Another school of thought regards state welfare as a moral hazard and charity is considered a preferable alternative. In this approach, the state assumes responsibility only for those things charitable organisations cannot adequately address (Green, 1998, pp. 5–15; Richardson, R. 1995, p. 207). On both sides of these arguments there is criticism of modern charity for its emphasis on indirect

fund raising which enables people to purchase charitable activity from a distance; removing them from direct involvement with those they are helping (Davis, 1998, p. 53).

## **2.4 The Organisation of Charity**

Private charitable activity, on any but the most personal scale, requires institutional structures to support the wide range of the work that is done. From the religious organisation of the Middle Ages to the civil society based nonprofit structures of the present day, charity has required organizing tools to convert myriad individual acts of generosity and kindness into the systematic welfare and social development that contributes to society. Today these organizing tools range from religious organisations to trusts, incorporated societies and businesses.

Religious organisations are, in law, deemed to be charitable in themselves but the other organisations are not necessarily charitable. What makes them so is their purpose and activity.

In New Zealand, charity is governed by the precedent of English Laws. The purposes and activities which can be legally defined as charity were first set out in the English Statute of Charitable Uses of 1604. (Seddon, 2007, p. 16; Tennant, 2007, pp. 21–22). In 1891, a court case presided over by Lord Macnaghten resulted in a judgment which marshalled the uses into four “Heads of Charity”. These are: the relief of poverty; the advancement of religion; the advancement of education; and “trusts for other purposes beneficial to the community, not falling under any of the previous heads” (Cordery and Baskerville-Morley, 2005, p. 4). Macnaghten’s judgment was designed to ensure that the distribution of charity continued to be

based on the principles and focus of the preamble in the 1604 statute. The Common Law status of the Statute has ensured that, through a legal process of “path dependency”, charitable purposes have changed only incrementally, generally as a result of challenges to interpretations of the law (ibid). Despite a desire by many countries, that have inherited English law and its processes, to create charitable purposes which are more dynamic and responsive to changing times, most efforts have resulted in interpretive change rather than any fundamental change of the precepts and, although New Zealand has its own Charities legislation, it has not strayed far from its English roots.

Organisations whose purposes accord with one or more of the four heads of charity and have been approved by Charities Commission in New Zealand, a body which is appointed and run by the government (Charities Act, 2005)<sup>2</sup> are registered as charities, although unregistered organisations can still pursue charitable purposes of their own. Approved organisations become income-tax exempt and achieve donee status<sup>3</sup>. Those who provide approved organisations with financial support receive tax credits on their donations. This recognition is monitored by Government. This endorsement is important to many people who provide funding, and charities are concerned to maintain their registered status for fear of losing both financial and moral support.

The conservative nature of charitable law has caused people working within charitable organisations that deal with human welfare to find themselves

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<sup>2</sup> The Charities Commission core functions were moved to the Department of Internal Affairs on July 1<sup>st</sup> 2012 and now come under “Charities Services” in the Department’s Service Delivery and Operations Branch (Charities Amendment Act (No 2), 2012)

<sup>3</sup> Donee status enables donors to a qualifying organisation to receive an income tax credit on donations up to the value of their income for work carried out in New Zealand. Donee status also applies to a list of charitable organisations working overseas which are approved by Parliament.

conflicted when trying to address issues such as poverty, the causes of which are often deeply rooted in structural problems in society. Charity can simply lead to the amelioration of social problems. Charitable organisations that work to change social structures which undermine and oppress people must tread carefully for fear they will lose their charitable status.<sup>4</sup> The perception of political neutrality, which developed in the English system, is also considered important in the New Zealand system where advocacy is circumscribed and attempts by charities to seek legislative change, while not prohibited, are often frowned upon and only permitted as an adjunct to their work, rather than the core purpose (NZ Charities Commission, 2008)<sup>5</sup>.

In summary, charity is a contested concept, which is perceived in different ways according to changing political and social viewpoints. Formally, charitable organisations must pursue activities which conform to a set of principles which underpin the four “Heads of Charity”. It is this focus which makes charitable organisations different from other not-for-profit organisations. Although the potential focus of charitable purposes is large, Macnaghten’s judgment has situated charity in specific areas. Although altruism is not the sole preserve of charitable organisations, it is fundamental to them, particularly those which work in the field of human welfare. For those that tackle issues of poverty or disadvantage, the values of *aroha* or compassion, and *manaakitanga* or care and concern, are key characteristics. It is particularly in this area that organisations enact the values set

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<sup>4</sup>The New Zealand organisation CORSO lost its charitable status in 1979 as a result of its focus on poverty within New Zealand. The reason given was its status as an international charity although it was generally thought that its campaign was an embarrassment to the government – see Sutton, Cordery, Baskerville (2007).

<sup>5</sup> A ruling by the Supreme Court in May 2013 has significantly liberalised this approach but the implications of the ruling have not yet become clear. (Hayes Knight, 2014)  
<http://www.hayesknight.co.nz/home/news/news-items/2014/8/10/greenpeace%E2%80%99s-legal-win-%E2%80%93-what-it-means-for-nz-charities.aspx>

out by Commonwealth organisations that “improve the circumstances and prospects of disadvantaged people to realize their potential or achieve their rights” or “act on concerns and issues which are detrimental to the well-being, circumstances or prospects of people or society as a whole” (Ball and Dunn, 1995)

Charities can therefore be defined, ideally, as organisations which work within an environment where visions of a good society are pursued. They have an associational life that leads to change and they seek to secure political consensus in the public sphere. They are membership-based associations and have volunteers who share a personal commitment to the organisation’s mission but the charitable mission is confined to particular purposes set out in law and regulated by government and which provides them, and their supporters, with particular financial benefits. As with other organisations in civil society, they operate through organisational structures which are voluntary, independent and self-governing. They espouse values such as altruism, *pono* or trust, cooperation and interconnectedness but to those are added *aroha* or compassion and *manaakitanga* or caring for each other. Finally, their external relationships with clients are, as with other organisations in the not-for-profit sector, largely temporary. They use negotiation to integrate themselves with the communities in which they work, are funded by donors, dues and legacies, and must construct their own feedback mechanisms.

## **2.5 Summary**

The centrality of a particular set of values and functions in the charitable sector differentiates charities from other not-for-profit organisations which are already

differentiated from the organisations in other sectors. This leads to a question about whether marketisation pressures result in shifting values and changed operational practices in the charitable sector that undermine or in some ways adversely affect the nature of their charity? The propensity of larger not-for-profits to behave in the same way as businesses and differently from membership-based organisations has caused Uphoff (1985), to limit his definition of the third sector to community, membership and self-help groups, because “there is a fiduciary relationship between NGO staff and trustees and those who provide NGOs with their funds which is greater than their obligation to the recipients of NGO services” (p. 21).

In Edwards’ (2004) study of civil society, a case was made for focusing on creation of a healthy ecosystem rather than on the nature of the organisations within the system. While recognizing the importance of an environment which is conducive towards creative and flexible organisational structures, the environment described by Edwards is dependent on a lack of coercion or capture by states and markets. There is much evidence that, in the last twenty to thirty years encroachment of markets has occurred in civil society through organisational change brought about by government. The following chapter will examine the market oriented change that has occurred through neoliberalism, in particular the impact this is thought to have had on charitable organisations.

# Chapter 3 The Funding Environment

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Few charitable organisations conform to ideal characteristics. Billis (2010a) describes voluntary organisations as “hybrids” because they have absorbed the characteristics of organisations from other sectors with which they interact (p. 3). Literature on resource dependency and isomorphism (Di Maggio and Powell, 1983; Kanter, 1972, pp. 153-154), suggests that organisations absorb aspects of their character from their funders. In New Zealand, while statistics on the extent of different sources of funding for charitable organisations in the social development field are difficult to find, not-for-profit organisations, in general, receive the bulk of their funding from fees (Sanders, O’Brien, Tennant, Sokolowski and Salamon, 2008, pp. 17-18). However some social development organisations receive the bulk of their funding from government (Cordery and Halford, 2010, p. 16). A survey of not-for-profit organisations in Australia and New Zealand highlighted the importance of government funding for the social services sector:

In organisations where government grants and contracts feature (in both New Zealand and Australia), they are a significant source of funding. Ninety percent of such organisations say contracts are “important” or “extremely important”. Those organisations in the social services sector are most likely to rely on government grants and contracts (77%) and generally deliver services for which government agencies are the default funder (Grant Thornton, 2013/2014, p. 31).

Other funding comes from private donations either directly through fundraising, or indirectly through philanthropic organisations. Funding also comes from sale of goods and from business through sponsorship or other activities.

In this chapter I will, firstly, describe the characteristics of the government sector and the influence of government on charitable organisations in New Zealand prior to the onset of neo-liberal political and economic change in the 1980s. Then I will show how, in the neo-liberal era, resource dependency and isomorphic principles have made some charitable organisations susceptible to the influence of the market because of the marketisation of government.

### **3.1 Resource Dependency And Isomorphism.**

Management literature has provided some useful theories about the problems experienced by organisations dependent on external resources. Resource dependency seeks to identify an organisation's sources of funding, and the other resources an organisation requires to function, in order to understand the influences which are exerted (Pfeffer and Salancik, 1978 cited in Eikenberry and Kluver, 2004, p. 133). Combining institutional theory with resource dependency theory, Eikenberry and Kluver (2004) describe how organisations are embedded within the institutions and systems of their environment and, through this, provide an insight into how voluntary organisations interact with the suppliers of critical sources of funding. They identify the danger of "mission drift" where the organisation moves away from its internally derived purpose, to meet the needs of the funder. Ghobadian et al., (2009), combine resource dependency with stakeholder theory (Freeman, cited in Ghobadian et al., 2009), which identifies those with an interest in the organisation, and salience theory (Mitchell, Agle and Wood, cited in Ghobadian et al., 2009), which attempts to determine the strength of that interest, to identify the influence funders exert. All lead to an understanding that close resource ties with external organisations can result in the

transfer of characteristics from the organisation with power to the weaker organisation through a process of “isomorphism” (Kanter, 1972, p. 153).

Di Maggio and Powell (1983), developing work by Kanter, identified three types of institutional isomorphism: coercive, where external influences cause direct change in the organisation; mimetic, where organisations copy traits which are perceived to provide them with an advantage in dealing with their environment; and normative, where professional values and practices of employees induce similarities across organisations (p. 150). All three types of isomorphism can be seen when Tennant (2007) describes the consequences of government subsidisation of welfare programmes run by churches in Christchurch in the 1950s. The subsidies directly resulted in development of separate social service structures, the use of paid professional staff not necessarily aligned with church values and a reluctance to speak out against government policy (p. 190). Coercive isomorphism is evident in Government’s requirement for paid professional staff. The underplaying of the religious aspects of the organisation’s work in the secular government funding environment is evidence of mimetic isomorphism, indicating efforts to maintain funding and develop the confidence of their funder. This evidence of mimetic isomorphism, is also evident in the self-imposed inhibitions on campaigning and outspokenness in many charitable organisations (Helmig, Jegers and Lapsley, 2004, p. 105). Lastly, normative isomorphism results in the growth of professional staff and managers and a reduction in volunteering because the employees in the funding organisation feel more at ease with similarly qualified counterparts. This latter aspect can be inferred as existing in the larger organisations in the sector, because of the ease with which personnel shifted

between government and the voluntary sector during this period (Tennant 2007, pp. 188-189).

## **3.2 The Changing Government Sector**

At this juncture, in order to understand the influences on charitable organisations in their funding relationships, I develop a model of government characteristics and identify the extent to which these were evident in the charitable sector prior to the 1980s. From the 1980s neo-liberal processes introduced marketisation to government. I develop a further model of market characteristics and explore the import of these characteristics into charitable organisations in the post 1984 years.

### **3.2.1. Characteristics of government**

In tripartite models of society (see for example Billis, 2010b; Fowler, 1997; Buckingham 2010; Jessop 2002), civil society, government or the public sector, and the market or business sector, make up society as a whole. This section will review the nature of the government sector in New Zealand. I will use the two models of society developed by Billis (2010b) and Fowler (1997) which were used to develop characteristics of the charitable sector in Chapter 2, to maintain consistency when comparing the sectors. Table 2.3 shows Billis' decision-making and accountability model of core structural elements of three sectors in society in which the public sector has: ownership by citizens; governance by election; resourcing by paid public servants in legally backed bureaux; and funding by taxation (pp. 46-65). While this describes and differentiates the government from other sectors, it fails to provide an explanation about the way in which the sector works, particularly in its relationships with external actors.

Fowler's (1997) comparison of operating principles, reproduced in table 2.2 enhances Billis' description by identifying the differences between the approaches of organisations in each sector to their work. As with Billis, this model is generalised, tending towards the ideal. Fowler's government model describes three key aspects of internal processes of hierarchy and command. While state and citizen relationships exist within a permanent set of mutual obligations negotiated through the political process, governments are also in a position of power which enables them to legislate and enforce. Their resourcing is achieved by this combination of mutual obligation and enforcement, through the taxation process (Fowler 1997, p. 21). The particular characteristics of governments relevant to this research are the mutual obligations negotiated through the political process, the exercise of power and the nature of bureaucracy.

Mutual obligation between citizen and the state is at the heart of state provision of human welfare services. This need not be delivered directly by the state but can be wholly or partly funded by it through private and voluntary organisations. These arrangements are negotiated through a bureaucracy which is: "a tool, or a mechanism created for the successful and efficient implementation of a certain goal or goals ... the epitome of rationality and of efficient implementation of goals and provision of services" (Eisenstadt, 1959, p. 303).

Bureaucracy, with its emphasis on hierarchy, efficiency and professionalism, is also regarded as an instrument of power which can control people and spheres of life (Eisenstadt, 1959). Drawing on classical sociological approaches, public administration and theory of organisation, Eisenstadt argues that bureaucratic power is subject to continual expansion and replication either for its own sake or

on behalf of those who control it. Although Eisenstadt's research is dated, the fundamental nature of this characteristic has not changed and it helps to explain the impact the state has upon other organisations which come within its sphere of influence.

### **3.2.2 Government funding in New Zealand pre-1984**

The relationship between the state and the voluntary sector in New Zealand became increasingly close and complex as the 20<sup>th</sup> century progressed. In the only history of voluntary welfare organisations in New Zealand, Tennant (2007) says that by the 1950s government funded the voluntary sector through a mix of grants-in-aid and special grants, salaries, capital subsidies and deficit funding (p. 185). Some organisations in the charitable sector developed a close relationship with government, one of which has been described as a "partnership" in which there was a high alignment of goals and mutual recognition (Tennant, 2007, p. 190). The relationship with government in the post war era was a complex one where government departments:

gave help with travel and training, and sometimes office space, library facilities, free broadcasting time and other publicity to community groups. What price can be put on films made by the National Film unit showing children happily at play at children's health camps, or the 1956 film 'Treatment of Cerebral Palsy in New Zealand', made by the unit with the cooperation of the Crippled Children's Society. Visits by overseas 'experts' in various fields were assisted with government funds. For some years, organisations such as Prisoners' Aid and Rehabilitation and Marriage Guidance Council used the Justice Department's Mt Crawford training facility for meetings, conferences and training sessions (Tennant, 2007, p. 186).

This partnership approach clouded the reality of a relationship distorted by government's financial power. This led to dependency and increasing lack of

autonomy on the part of the charitable sector (Tennant, 2007, p. 190). Government funding, prior to the 1980s, had, therefore, some potential ability to change the nature of charitable organisations in a range of ways.

Using the “pure” characteristics of the sector identified in Chapter 2, charitable organisations, firstly, work within an environment where visions of a good society are pursued. While voluntary sector organisations do not have a monopoly on visions of a good society, they have the freedom to choose any vision of a good society they wish. Missions that fit within the confines of the four Heads of Charity set out in the Charities Act (2005) define voluntary organisations as charities. Seddon (2007) highlights the role of grants in England where charitable organisation was little different from New Zealand: “grants were never unconditional, but the profiles of many organisations were mixed in terms of service provision, information and advice activities and campaigning. Grants often supported all of these and core administrative work” (p. 46).

There was an alignment of purpose between the Welfare State and charitable organisations in the social development field. While government sought to shape the work in ways it understood, charitable organisations had a strong influence over its conduct and direction. In general government funding supported the work of organisations, rather than directing it (Tennant, 2007 pp. 90-102).

Prior to the 1980s charitable organisation structures maintained a strong voluntary component but became increasingly professionalised. One influence, as outlined above, was the growth of the welfare state and the role played in concert with it by voluntary organisations. There was an easy flow of expertise between the sectors (Tennant, 2007, p. 186) which would have been conducive to processes

of normative isomorphism, providing a strong catalyst for professional development, while allowing organisations to maintain a feeling of control over their own methods of operating. At the same time the welfare state bureaucracy was keen to utilise the volunteer component of the voluntary sector, providing recognition for this characteristic of charitable organisation (Tennant, 2007, p. 189).

The values of the sector, particularly those of trust, cooperation and interconnectedness, were largely compatible with a government sector which was stable, where employees were long term and where funding of the sector was designed to support the compassionate and caring aspects of community life, rather than change it. There were strong links between politicians, government department officials and individuals in the voluntary sector (Tennant 2007, p. 122). This closeness could, however, give the impression that some organisations had “cozy” relationships with government to the exclusion of less connected or established organisations (Tennant, pp. 183-185).

Associational life, the voluntary coming together of people to pursue a common interest, has been supported by government in some form throughout New Zealand’s history and charitable organisations have worked to secure political consensus through discrete lobbying and some forms of campaigning. However, funding relationships with government inhibited organisations from becoming too oppositional either through self-imposed constraint or by government action. One example of this was the withdrawal of funding and tax exempt status from the New Zealand international development agency CORSO when, in the late 1970s it

mounted a campaign against the rise in poverty under the Muldoon government (Sutton, Cordery & Baskerville, 2009; Tennant 2007, pp. 130-131).

One characteristic which was largely unaffected by government funding was the feedback mechanism used by charitable organisations. Fowler (2002) identified the service-providing charitable organisation's characteristic of a mechanism constructed from stakeholder opinions of the organisation's credibility and legitimacy as cumbersome and problematic (pp. 26-27). For many charitable organisations in the pre-contract era accountability was a combination of annual reporting to the membership and reporting on activity and finances to the funder. The impact of the organisation's work was rarely tested and although there is evidence of scepticism about the efficacy of volunteer effort this appears to have had little impact on government support (Tennant 2007, p. 116).

There is then, evidence that prior to the political and economic changes of the 1980s, government funding of the self-organized social development activities of some of its citizens involved bureaucratic control and the exercise of power. As a result charitable organisations were either coerced into more professional practice or were induced by mimetic or normative processes. Advocacy was largely self-regulated but CORSO demonstrated that an invisible line existed across which organisations wandered at their peril. Government funding was, therefore, having an impact on the voluntary sector in New Zealand, albeit in a mostly benign and accommodating environment

### **3.2.3 The advent of neo-liberalism**

There is extensive literature on the social, political and economic changes in New Zealand since the 1970s, (Barry, 1998; Easton, 1997; Franklin 1985; Harris, 1999;

Kelsey 1993; Richardson, C., 1998). This literature describes New Zealand's voluntary adoption in 1984 of the neo-liberal 'Washington Consensus'<sup>6</sup>, which included devolution and privatisation of government services (Harris, 1999, pp. 19-32). The market-led change which occurred in government, as a result of these policies, changed the nature of bureaucracy and its relationship with the charitable sector.

Neoliberal ideology is underpinned by an assumption that political and economic life is a matter of individual freedom and initiative where a free-market society and a minimal state are key objectives and where the market is extended to more and more areas of life, including a preference for market-based solutions to social problems, and the use of market terminology (Earl, 2008, p. 42; Easton, B, 1997, p. 254; Eikenberry, 2009, p. 584). Earl (2008) says that a dominant ideology is related to the ubiquitous and incessant circulation of power in society where no-one can stand outside its field of operation and where the mobilisation of certain ideas are part of the exercise of power (pp. 11-12). Definitional shifts in language mean that previously understood words take on a new connotation without people being fully aware of this (Kelsey, 1993, pp. 78-79), something Easton, B. (1997), relates to the ability of those in power to set the terms of the debate (p. 254). Sandel (2009), argues that in market societies the consumerism paradigm has invaded many aspects of daily life. The use of consumer/retailer transactions as the normative form of social relations, and the central imperative of choice in a growing range of social transactions are indicators of this shift (Gilbert, 2008, p. 2). Consumer choice is the driver of product differentiation, image branding and the

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<sup>6</sup> a name given by John Williamson of the International Institute for Economics in Washington DC to a 'list of policy initiatives' which were being urged on Latin American countries by the IMF, US Treasury and the World Bank in response to Third World Debt Crisis ( Harris, 1999, p20).

manufacturing of needs through advertising (Barber, 2007, p. 196). The adoption of neo-liberal policies by the NZ government led to the transformation of government departments into business-like structures, with many of the market-based characteristics of the business model.

#### **3.2.4 The market-based business model.**

The two sectoral models created by Billis (2010b) and Fowler (2002) and shown in Tables 2.2 (p. 24) and 2.3 (p.26), show that market organisations are characterised in eight ways. First, by shareholder ownership based on financial power. Decisions are made by those with the greatest financial stake in the company, people who are focused on the value of their investment and the financial dividend produced. The efficacy of decisions are measured in financial terms. Second, governance in business operates through strategy and policy in managerially controlled firms. Third, paid employment, which is resourced from sales and fees, and fourth, in corporate governance, policy and strategy are developed with input from management but decisions are made by a board. Once made, implementation of a decision is the task of the chief executive officer (CEO) with whom performance measurements are negotiated and against which s/he is judged. In the fifth characteristic, funds to pay staff come from sales and fees so that number and quality of staff is tightly geared towards income. Sixth, market forces which are the operational priorities of the sector lead to promotion of individual choice through competition and fragmentation. Seventh, at their purest, relationships in the market sector tend to be momentary financial transactions with customers; and eighth, efforts to maintain recurring relationships result in a sector which works to condition and control its environment based on feedback

derived from market indicators. The prioritisation of these market mechanisms in government was designed to counter what was perceived by some as a bloated and inward looking public service but it also significantly changed the approach of the public sector employees towards the charitable organisations with whom they developed contracts.

### **3.2.5 Marketisation of government**

In 1984, this new approach to governance instituted market mechanisms and new systems of accountability in government departments (The Treasury 1984). These were set in place through adoption of the State Sector Act 1988 and the Public Finance Act 1989. Although the hierarchical form of bureaucracy remained, the layers and structures were thinned down, flattened and simplified in an effort to make them more business-like:

To reform core activities, planners took their inspiration from public choice theory, principal-agent theory, transaction-cost theory, and the new public management literature ... Agency theory was perhaps the most powerful of these concepts. This literature addresses the nature of contracts between two parties: the principal (or government) and the agent (or bureaucrats). In New Zealand planners believed that the problem was not with the bureaucracy—the civil service had many well-qualified and capable managers and staff who were responding in a rational way to the set of incentives they faced—but with the incentives themselves. The reforms were therefore intended to replicate, as closely as possible, the types of incentive structures for performance that might be found in a well-functioning private-sector concern, while taking into account the distinctive character of public services (Bale and Dale, 1998, p. 108).

Literature on the commercialisation of government describes contracting-out of government services and core government work, the introduction of user-pays and the running of government departments as businesses and, in particular, new

objectives of efficiency, fiscal discipline, and resource allocation on the basis of government strategic priorities and objectives (Easton, B, 1997, pp. 25-35; Schick, 2001). Government staff have been required to assume more responsibility and accountability in these new government structures. They have become more managerial, have developed user-pays services and have learned to stabilise and condition their environment through public relations, advertising and reduction of disruption in the workplace. The reforms were designed to reduce the size of the public sector and reduce the cost of its residual work. One way in which this has been achieved has been through devolution of social services to providers from the voluntary, charitable and private sectors. In doing so, market characteristics have been channelled through processes of resource dependency and isomorphism identified at the beginning of this chapter.

### **3.3 The Changing Government Relationship with the Charitable Sector**

Many core government services were devolved to the private and voluntary sector. Although early figures have been difficult to estimate, O'Brien et al. (2009), estimate the voluntary sector increased its funding from government sources by approximately \$840 million between 1986 and 2002 (p. 13), and they argue that the sector became an alternative, rather than a complementary supplier of core government services (p. 14). The principal mechanism in this devolution process has been the contract, which has been used to achieve transparency, through contestability and competition, as well as accountability and control (O'Brien et al. 2009, p. 27). Government created a market in which an expanding group of voluntary sector organisations, including charities, compete, not only with each

other for funding, but also, frequently, with private sector organisations (Nowland–Foreman, 1995, pp. 46-47). Contracting has changed the nature of the relationship from one of investment in a sector which is pursuing mutually compatible goals, to a purchasing arrangement in which the sector is meeting goals and objectives of government which may or may not align well with the sector's own priorities. Contracting has become an effective conduit for the market characteristics of government:

There is, then, a diverse body of evidence that both Labour-led and National-led governments have sought to shape sector activity to achieve their social and economic goals. In doing this, they have encouraged sector organisations to operate on rationalist and bureaucratic principles that characterise the public sector reforms. This means that they have tended to favour professionalised and more hierarchical models over others, particularly when the transfer of funds from the state are involved (Sanders and O'Brien, 2009, p. 25).<sup>7</sup>

Although the opportunity for increased or new funding was welcomed by many organisations, tighter specification of outputs and outcomes, combined with new funding conditions meant that funds no longer covered all the operations of the organisation and alternative funding sources were required.

### **3.3.1 Alternative funding sources**

The second manifestation of resource dependency and isomorphism is caused, firstly, by the market-focused nature of modern fundraising which often uses business marketing methods to reach the public and which can involve partnership with businesses. Secondly, there is a growing interest in social

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<sup>7</sup> The Labour Party was a majority government for two terms between 1984 and 1990. National was a majority government from 1990 to 1993 when First-Past-The-Post (FPP) electoral systems were in place. After 1993, Mixed Member Proportional Representation (MMP) was established and subsequent governments were either coalition or minority governments led by either National in 1993-1999 and in 2008, or Labour in 1999 to 2008.

enterprise where charitable organisations can make their own money from business activity. While public and philanthropic fundraising has always been a source of funding for charitable organisations in New Zealand, the particular conditions identified by Tennant (2007) meant that, for social service organisations, it was often secondary to government funding (p. 216). Non-government fundraising has, however, been an established source of alternative funding alongside forms of business sponsorship and income generation, all of which have the potential to reduce dependence on government funding. These forms of fundraising have the ability to provide a route for infiltration of market characteristics into the charitable sector. This can be seen with donor funding which, of itself, supports charitable values. However, encouraging donations relies increasingly on market methods. This section will review processes of marketisation in private charitable fundraising in the neo-liberal environment.

### **3.3.2 Charitable giving**

Charitable organisations have often engaged with the market to raise funds. Even the relatively social bazaars and garden fêtes of turn of the century Auckland which “provided occasions for community interaction, fun and pleasure, female intimacy and quiet moments” (Tennant, 2009, p. 42) also involved the sale of goods and entertainment, with the profits going to the worthy cause. While these events, which accord well with the collective operational approach of the ideal charitable organisation, have remained in place in a variety of modern forms, modern fundraising aims to capitalise on a charity’s strengths in a wider marketplace. In the United Kingdom, Saxton (2008) has argued that charities are the owners of strong brands rooted in a distinctive set of beliefs which can be

packaged and communicated to motivate carefully targeted groups of people to give. Since the 1980s technological change has opened up new forms of fundraising in the charitable sector which have been less human resource intensive than in the past. These have utilised marketing and public relations in ways traditionally associated with the business sector (Saxton 2008, p. 2).

Charities are seeking to engage with an increasingly sophisticated, media aware and marketised public whose motivation to give is complex and diverse. Dalton, Madden, Chamberlain, Carr & Lyons (2008) show that many charities have turned to more sophisticated marketing tools to address the modern environment. They have increased choice for donors through providing a range of options, including the commodification of donations. Charities now use devices such as “virtual gifts”,<sup>8</sup> pseudo consumer transactions which are, in reality, simply donations. Charities also partner with businesses in cause-related marketing campaigns which enables a business to condition its market through association with a good cause, while the charity which promotes the cause receives a small percentage of each consumer transaction.<sup>9</sup>

In an era in which individualism, marketisation, competition, consumerism and commoditisation of society as a whole have become orthodoxy (Harris, 1999, pp. 20-21), the shifting social environment has given generosity many forms and meanings (Dalton, et al., 2008, pp. 501-502). According to the Promoting Generosity Initiative (2008), charitable giving ranges from one-off giving on an emotionally generated impulse, to regular support based on deeper, more careful

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<sup>8</sup> A Save the Children email circular (2009) advertises “hot products for 2010” and urges supporters to buy virtual gifts such as “plumpy nuts” for \$18, equipping a school for a year for \$262, or a yak for \$432, as the “perfect Christmas gifts”.

<sup>9</sup> See the Breast Cancer Foundation website:<http://nzbcf.org.nz/INVOLVEYOURBUSINESS/Cause-relatedMarketing.aspx>, which lists a range of partners including Dove® soap and Magnum® Ice cream

thought; and from disinterested altruism to reciprocity and material benefit. Those who need some material benefit in return for giving engage in “consumption philanthropy” something which, Nickel and Eikenberry (2009) argue, allows people to “celebrate the culture of global capitalism while sympathising with its victims” (p. 979).

### **3.3.3 The power of the market**

Palotta (2008), has defended the use of the power of the market to increase the funds available to charitable organisations arguing that the private sector is a more efficient fundraiser and has a wider reach (p. 9). Entrepreneurs such as Pallotta argue that the rules governing charity were made for a time when charity was small and local and are inadequate in addressing the global problems of the modern world. Palotta developed an intermediary fundraising business which significantly increased the income of existing charities by using business marketing models and encouraging fundraising through consumption. Donors have, at times, withheld funding from charities using models such as Pallotta advocates. Many dislike profit-making in a charitable context and still perceive an important difference between business and charity.<sup>10</sup> This dislike of business involvement in charitable fundraising is not universal, however, and some types of collaboration, such as cause-related marketing, are becoming increasingly popular as it dovetails well with modern enthusiasm for socially responsible business. Another type of charitable involvement with business which is increasingly discussed is the use of the business model to generate income for charitable organisations or even constitute the charitable activity itself.

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<sup>10</sup> This perceived differentiation has been evident in public concern about the high cost of intermediary fundraising, when the charity Kids Can contracted out its telethon fundraising to a third party in New Zealand. (Brown, 2009).

### **3.3.4 Social entrepreneurialism**

Social entrepreneurs promote the market as a powerful tool for social change (Bishop & Green, 2008; Frances, 2008; Pallotta, 2008). Frances (2008), describes the true social entrepreneur as someone who “locates the interface between a social goal and building a consumer base for the service that delivers that goal” (p. 8).

The social enterprise approach is seen to deliver greater empowerment of people as they become independent of charity and of the attitudes which charity fosters. Charities who wish to engage with the market are often driven by internal and external, social, economic, legal and strategic positioning factors to develop “hybrid organisational forms” (Chew 2008, p. 16). In Chew’s study of Community Interest Companies, a new legal form which was established in the United Kingdom in recent years, a range of tensions were identified within the charitable organisations which had established subsidiary companies of this type because of the differing structures and objectives of the respective organisational forms. It was recognised that the complex and varied goals which drove those structures required “beyond business-like approaches to manage” (ibid, p. 30). Chew’s study raised issues about direction and control, in both parent and subsidiary organisation, which point to a need for knowledgeable and careful leadership at both levels. (ibid., pp. 31-35). In New Zealand, funding for social enterprise has been hard to identify but there is increasing pressure within the sector to explore this approach (Jefferies, 2005). While Frances, (2008), and Pallotta, (2008), argue for change in the rules which govern charity to make them more compatible with the market, Nickel and Eikenberry (2009) argue that the increasing use of market

mechanisms in philanthropy is a problem. The celebration of consumption hides the problems created and, in the process, disables the potential for change through philanthropy (p. 979).

Information about the specific use of market-oriented fundraising is sparse in New Zealand. Studies of sources of philanthropic funding in New Zealand and Australia such as the Grant Thornton Not for Profit Sector Survey (2013/14) suggest that not-for-profit organisations in New Zealand are trying to become less dependent on government funding (p. 30).

This overview serves to highlight some of the issues which arise when charitable organisations engage with the market to raise money. Organisations are unlikely to be coerced into adoption of market practices but increased use of market mechanisms in fundraising activity, and employment of people with market backgrounds for this purpose, has the potential for mimetic or normative isomorphism to develop that shifts organisations in a market direction. Adoption of market fundraising practices has the potential to erode charitable values of altruism, *aroha* or compassion and *manaakitanga* or caring.

### **3.4 Summary**

Government has been a major market influence on the charitable sector. The historically high dependence of New Zealand charities on government funding has exposed them to isomorphic processes which have been the conduit for the market characteristics of commercialised government. Efforts to develop alternative funding, which can free charitable organisations from these pressures, shift the sector into a competitive fundraising marketplace or towards a business approach

which, at its purest is an alternative to charity rather than a supplement. Market characteristics have the potential to change the characteristics of charitable organisations. In the next chapter I will examine current evidence about the nature of this change and its impact on organisations in the charitable sector.

# Chapter 4      Hybridity & Changing Characteristics

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Since the 1980s the influence of the market has extended far beyond that established by government prior to the onset of neo-liberalism, embedding itself in the structures, programmes and practices of the sector. Hybridity in the charitable sector has become entrenched and structures have become more formal and business-like in character. Billis and Glennerster (1998) have argued that the ability of voluntary organisations to absorb characteristics of other sectors gives them flexibility which enhances their particular strengths in working more effectively with some types of client. While this view is supported by research which points to the benefits of these changes (Gardiner 1998, p. 67; O'Brien et al., 2009, pp. 25-27; Community & Voluntary Sector Working Party 2001, pp.18 & 91; Tennant, 2007, p. 215; Datson, 1998, p. 91), Billis and Glennerster have also suggested that the informal nature of the sector, particularly the characteristics which allow the maintenance of close links between the sector organisations and their clients, have been placed at risk by efforts to shape the sector in the likeness of its funders (Billis and Glennerster, 2002).

In this chapter, I begin with a brief review of Billis' (2010b) theory of hybridity and I examine evidence that there has been a shift from shallow to entrenched forms of hybridity in New Zealand charitable organisations. I next discuss the impact that the market characteristics, inherent in this shift, have had on voluntary sector organisations. I will focus on three elements: mission drift; programme change;

and, organisational change. I conclude by reviewing Billis and Glennerster's (1998) theory of comparative advantage of voluntary organisations, setting the foundations for my questions about the extent to which market characteristics have become embedded in charitable organisations.

#### **4.1 A Theory of Hybridity**

Billis (2010b), drawing on work on organisational ambiguity by Leach (1976), describes an organisation which possesses "significant" characteristics of more than one sector as a "hybrid" and says that these organisations have "roots" and therefore have primary adherence to the principles of just one sector (p. 56).<sup>11</sup>

Billis argues that third sector organisations, of which charitable organisations in this research are a part, have "a deep rooted and fundamentally different way of responding to problems" (p. 8). Using this "prime sector approach" which sets out the ideal form of the public, private and third sectors which make up society, Billis has suggested that there is a clear cut-off point where decisions can change the fundamental nature of the organisation (ibid, p. 57). Billis suggests that, with the increasing complexity which has developed in all three sectors in recent years, both public policymakers and stakeholders must be clear about where accountability lies in the organisations with which they are dealing (ibid).

Billis' theory involves two levels of hybridity. "Shallow hybridity" exists in organisations which undergo gentle change through persuasion by Boards. "Entrenched hybridity" involves external pressures through grants, contract sales and other resources which result in changes at governance and operational level of the organisation. These changes include the domination of paid staff, the

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<sup>11</sup> Billis' Third Sector Organisation principles are set out in Table 2.3 on p.26 of this thesis.

coexistence of hierarchical organisation with associational principles, and the import of alien principles drawn from private and public spheres. According to Billis (2010c), the paid staff structure leads to increased focus on individual and organisational survival and brings different language and ways of operating into the organisation. While mission-drift may also be part of this mix, Billis does not regard it as inevitable (pp. 60-61).

Billis also refers to “organic hybridity” where the steady accumulation of external resources leads to change, and “enacted hybridity” where hybrid organisations are established with apparently independent, often legal, structures (2010b, p. 61). The four categories of hybrid which result, are Organic Shallow, Organic Entrenched, Shallow Enacted and Enacted Entrenched.

**Table 4.1 Billis’ Categories of Hybrid Organisations**

Type	Organic	Enacted
State		
Shallow	a) Organic Shallow	b) Enacted Shallow
Entrenched	c) Organic Entrenched	d) Enacted Entrenched

Source: Billis (2010), p241.

The two categories which are relevant to this research are Organic Shallow and Organic Entrenched. Organic Shallow organisations are characterised by small numbers of paid staff, a local base, significant volunteer participation and a high degree of overlap between the various roles in an organisation (Billis, 2010c, pp. 241-242). An Organic Entrenched organisation grows steadily through resources from public contracts and commercial initiatives, has a multi-level hierarchy of paid staff, is dependent on external resources and senior staff play a significant role (ibid, pp. 242-243).

The characteristics of charitable organisations set out in Chapter 2 of this thesis are characteristics of an ideal organisation. They are a synthesis of Fowler's (1997, pp. 22-28) operational and Billis' (2010b, pp. 52-56) decision-making approaches to the development of voluntary or third sector characteristics. They suggest that charitable organisations in New Zealand, prior to the government shift to neo-liberalism, would have straddled Billis' Organic Shallow and Organic Entrenched categories with the majority of organisations falling into the Organic Shallow category or somewhere in between. Many were not local but their staff numbers were lower and their volunteer participation was higher than at present. As has been described, in New Zealand, government funding was a contributor to change prior to the 1980s but the changes left room for considerable flexibility in the operation of voluntary organisations. The new structures of charitable organisations in social development that emerged post the neo-liberal reforms of 1984 fit within the Organic Entrenched category described by Billis. This fit derives, largely, from the market based nature of their funding arrangements.

## **4.2 The Impact of Market Characteristics on the Charitable Sector**

The ideal charitable organisation, summarised in Chapter 2, is a combination of civil society, decision-making, structural and operational characteristics. Over time, the characteristics of many organisations in the charitable sector have changed. By the 1980s, voluntary organisations were already becoming increasingly professional and had developed hierarchical bureaucratic management. Some of this has been absorbed from government but some has been attributed to such things as social change resulting from higher education (Larner

& Craig 2005, p. 411). In general, charitable organisations at this time operated with a strong degree of autonomy and volunteer involvement. From 1984 charitable organisations became increasingly involved in agency relationships with government which exposed them to the market characteristics outlined in Chapter 3 of this thesis.

These market characteristics, which were a combination of Billis' (2010b), decision-making principles and Fowler's (1987) operational characteristics, were summed up in Chapter 3 as: the pursuit of a free market society and a minimal state; the use of market-based solutions to social problems through the use of competition, contestability, efficiency and choice; and the intensification of business-like structures and processes such as corporate governance, managerialism, and professionalism; and feedback mechanisms which rely on financial indicators. This section will focus on evidence of the migration of these characteristics from the market into the mission of charitable organisations in New Zealand.

#### **4.2.1 Mission-drift**

The self-interested individualism and contractual exchange which exist at the heart of the free market contrast strongly with the cooperative, collective and altruistic values of charitable organisations. Free market society operates on the premise that exchange is performed by equal and willing parties. However in Australia 'the power asymmetry between governments and NFPs can mean that the latter have little or no say in determining the implementation of policies and programs in which they may be involved' (Housego and O'Brien, 2012, p. 216).

The dependence of the sector on government funding and the lack of immediately available alternate sources of income have meant that charitable organisations are “price-takers” in the new market economy, where they have no negotiating power and the weaker party must accept the terms set down by the stronger one. They are also vulnerable to co-option into government agendas. The impact of this power imbalance was mitigated in the past by pursuit of the common or public good to which both charitable organisations and government aspired. In the neo-liberal environment, identification of common goals can be achieved by partnership processes which actively focus on common ground (Larner & Craig, 2005, pp. 414-415). However Larner & Craig identify the on-going existence of mechanisms of the neo-liberal state such as the Public Finance Act as a restriction on the development of meaningful relationships (p. 420). In most circumstances, agency relationships work against consideration of common goals. The use of the market mechanism of the contract to identify the most cost efficient deliverer of services meets government’s purposes. Only the larger and more entrenched of organisations are likely to have sufficient standing to negotiate with government prior to the creation of the contract.

According to one of the founding documents of the New Zealand approach to neo-liberalism, it is not necessary to work towards common goals in the marketplace:

A particular advantage of a market is that it co-ordinates activities even in the absence of any agreement on priorities or ends.

Governments tend to rank their objectives or ends in a hierarchical order: markets do not. An exchange in the market place serves the different ends of each party to the exchange even though the end each has in mind is not known to the other. It is this characteristic that creates the essential affinity between a market economy and a pluralist society: market participants can

co-operate harmoniously in the market place without a need to agree on ends or purposes ( New Zealand Treasury, 1987, p. 4).

Taken at face value, the change to market arrangements should have had little impact on charitable organisations. By being able to choose those transactions with government which suited their purposes, charitable organisations should have been able to maintain their own focus on vision and mission. The experience of the charitable sector post 1987 has, however, been at odds with the idea of affinity between markets and pluralistic society. Despite research which shows that those who work in some organisations retain the view that accountability to their mission is higher than to their funders (Cribb 2005, p. 127), researchers have identified the potential for “mission-drift”, where an organisation makes a series of decisions about parts of its work which, taken as a whole, move it away from its mission.

Examples of mission-drift are not abundant in New Zealand voluntary sector literature. In the United Kingdom, a 2010 survey of charities and social enterprises (Panel on the Independence of the Voluntary Sector, 2012), noted emerging evidence of mission-drift as general services, such as giving advice and helping people access services, declined, while there was a “dramatic” increase in the growth of public service contracting (p. 16). This shift in itself is not evidence of mission-drift if the public service contracting seeks to address the same objectives as the organisation; however there is evidence in New Zealand, that contracting can put pressure on an organisation’s essential values and divert it from ways of operating that are core to those values. Darkins (2010) identifies the difficulties experienced by Northland community organisations, some of which, faced with government contracting, made decisions to change focus and move away from

their original charitable purpose (pp. 34-35). Barnes (2006) describes a Hamilton based agency which was grappling with the difference between its own strength-based approach to client needs and the government's deficit focus. The Agency hoped to persuade government to fund its own approach but was concerned that, to retain funds, it might have to revert to government models of working instead (pp. 102-103). In a more dramatic example, the Christchurch organisation, Supergrans, announced its closure because its original aim to provide long-term, in-home mentoring had been overtaken by demand for short term budget help which now represented 85 percent of the organisation's work. The organisation received 67 percent of its funding from the Ministry of Social Development but felt that the Ministry's "expectations had not matched the organisation's values" (Matthewson, 2013). The government's shorter term priorities meant that no funding was available to develop Supergrans' original purpose.

The common factor in these examples is the dependence of charitable organisations on government funding. Billis (2010b) argues that hybrid organisations do not operate on a continuum between one sector and another and may be faced with a choice about which sector's principles they adhere to, necessitating what he calls "boundary shaping decisions" (p. 57), which involve transition, merger or closure. When faced with the choice between accessing available funding and maintaining the organisation's vision or mission, not all organisations are willing or able to make the decision Supergrans did to close down. For both Barnes' Hamilton-based organisations and Supergrans, one way of maintaining their mission-focus would have been through diversification of funding, reducing reliance on a single funder. However, alternative funding may

also contribute to mission drift where the methods and focus of fundraising divert organisations from their values and purpose.

Modern fundraising is qualitatively different from the donations, dues and legacies described in the ideal charitable organisation model. Where, formerly, fundraising relied on the amateur, and mainly local, efforts of volunteers, modern fundraising requires the expertise of professional marketers and fundraisers whose training in commerce brings a stronger market focus into charitable organisations.

Technologies, such as computers and the internet, broaden the scope for support, potentially providing charitable organisations with greater ability to pursue their own mission. However, as shown in Chapter 3, this has led to increased use of market mechanisms such as: individualism and choice, consumerism, consumption, the commodification of identifiable and quantifiable aspects of wider social development programmes and involvement in market conditioning for the private sector. An extension of this approach is the development of social enterprise, also described in Chapter 3. When created within a charitable organisation this produces a Shallow Enacted hybrid organisation. While its form has been promoted within New Zealand, recent research suggests it has yet to gain traction (Kaplan, 2013, p. iv).

Market-based fundraising and social business should provide charitable organisations with greater freedom to pursue their own mission through independent funding, but the cultural differences between the charitable and the market sectors are an ever-present challenge for organisational mission. There is evidence from the United States that while organisations there are careful to ensure that the activities they undertake enhance, or are at least neutral in relation

to their mission (Young, 1998, p. 295), missions were described as very “broad”, making mission relevance difficult to specify (p. 279). Dalton & Casey (2008) caution that a focus must be maintained on the organisation’s mission to ensure that social outcomes are not set aside in the pursuit of profit (pp.180-181).

The examples of mission-drift in this section have focused on differences between funder and recipient in programme requirements and organisational values and also on the consequences of an increased focus on market-based fundraising. Mission drift is a cumulatively building process and decision-makers in the organisation may not be aware that it is happening for a long time. The co-existence of different sector characteristics within the hybrid organisation, coupled with short term funding pressures, increase the organisation’s susceptibility to characteristics most likely to promote the organisation’s financial sustainability. As market-focused hybridity intensifies, boundary issues become important and require vigilance on the part of decision-makers. While Billis (2010c) asserts that mission drift is not an inevitable consequence of hybridity, he suggests that a “strong and pervasive mission” is required (p. 245).

Mission drift is one indicator of marketisation. Other indicators can be found in the way in which market characteristics are having an impact the work of the organisation.

#### **4.2.2 Programme change**

A second set of indicators can be found in the results of the government’s use of the market to achieve social policy outcomes. The New Zealand Treasury (1984) developed principles for framing social policy which included: a focus on individual choice; use of market mechanisms and the removal of impediments to

their smooth operation; price as an incentive for producers and a minimiser of resource use; clear rationales for public policy where potential benefits are weighed against costs and alternate resource use; reduced expenditure; increased efficiency; targeting; user-pays; and, ensuring appropriate financial incentives are in place to guide individual decision-making, which created market-based solutions to social problems (p. 259, reproduced in Appendix 1, this thesis).

Although 30 years, and several governments on both sides of the political spectrum, have passed since the introduction of neo-liberal policy in New Zealand, the above principles underpinning this ideological approach to social policy have remained substantially in place. This approach has sat uncomfortably with the compassionate, caring and altruistic characteristics of charitable organisations which have traditionally worked in a cooperative and interconnected way to address social problems.

The transactional process of contracting is the core relationship mechanism in the neo-liberal environment. The creation of a quasi-marketplace through competitive tendering allows the price mechanism to determine allocation of resources. In theory this allows the market to produce the most cost-effective results as the Treasury briefing suggests:

Voluntary contracting or market exchange is thus a powerful process that allows interdependencies between individuals to be reconciled, facilitates organisational solutions to the problem of scarcity and enables scarce resources to flow to their most highly valued uses. In the context of simple transactions or exchanges, market contracting has many beneficial features (The Treasury 1984, p. 15).

As several commentators have argued, a significant change has been the loss of trust-based relationship between the charitable sector and government and its replacement with the risk-avoiding, objective and rational contract mechanism, the impact of which has been widely addressed in New Zealand (Barnes, 2006; Cribb, 2005; Nowland-Foreman, 1998; O'Brien et al., 2009; Tennant, 2007). In overview, this New Zealand research indicates that market related change in voluntary agencies in the service sector can be located in four areas. First, market influenced change can be seen in accountability, where there has been a shift from internal to external accountability, a narrowing of programme focus and a shift in organisational resources towards ensuring contract acquisition, monitoring and the reporting of measurable results; Second, such market change can be seen in the programme area where there has been a shift from volunteer to professional service delivery and a loss of campaigning and advocacy. Third, it is evident in the management shift from coordination of service delivery by those with professional expertise in programmes, administrative personnel and volunteers to those with professional management expertise; and, finally, it is also apparent in the shift to corporate governance and the separation of governance and management of the organisation. The following section will address accountability and programme changes and sections 4.3.2 and 4.3.3 will address the changes in management and governance.

#### **4.2.3 Accountability**

Contracting has created new demands on charitable organisations and appears to have shifted their organisational focus away from their members and clients towards a more market oriented focus on financial performance and countable

outcomes. Organisations have had to spend staff time on preparing and negotiating contracts and reporting. Tennant (2007, p. 200) identified “burdensome” reporting demands on organisations and the lack of any relationship between contract preparation requirements and the size of funding. Even where organisations are in receipt of part-funding they are required to provide full accountability, including evidence of professional practice and success measures (Barnes, 2006. p. 109). The pressure to respond to narrow contract measures detracts from the wider needs of clients (Cribb, 2006, p. 151). These accountability requirements become more of a burden in small organisations, because of their more intensive focus on application and reporting requirements. They also contribute to short term and unstable employment, unrealistic approaches to social development and an increase in staff replacement and training costs (Cull, 1993, pp. 16-17).

Although government funding has played a much larger part in most charitable organisation funding, and a shift has been identified in organisational accountability towards this source of funds, Cribb’s (2005) research on accountability, which surveyed members and staff in four New Zealand voluntary organisations, indicates that within the organisations there are different perspectives on accountability. Most respondents prioritised the organisation’s accountability to clients and staff but those directly involved in government contracting, the CEOs and Managers, placed a higher priority on accountability to funders than other members of the organisation (p. 123). This raises the possibility that where professional staff become more prominent in running an organisation the focus of accountability may shift to a greater market orientation. The business background of many management and professional fundraising and marketing

staff, particularly, has the potential to bring a range of market mechanisms and market approaches into the organisation.

#### **4.2.4 Social development**

Market mechanisms of competition, contestability, transactional exchange, transparency, targeting and consumerism contrast particularly with the cooperation, interconnectedness, trust, negotiation, integration and altruism which are hallmarks of the charitable sector. While some commentators have welcomed the focus and efficiency that market change has brought to the sector (Community & Voluntary Sector Working Party 2001, pp. 18, & 91; Datson, 1998, p. 91; Gardiner 1998, p. 67; O'Brien et al., 2009, pp. 25-27; Tennant, 2007, p. 215), there is concern that the narrowing of focus and fragmentation inherent in market mechanisms has the potential to divert or even prevent the charitable sector addressing the larger underlying causes of social issues. This section will examine what is known about the impact of market mechanisms on the work of the sector and particularly the reduction in advocacy which has occurred.

Larner & Craig (2005) have summed up the impact of the contract environment and its impact on those who worked in voluntary organisations:

For many community activists the impact of competitive contractualism on existing collaborative modes of working was devastating. Explicit competition undercut trust, and contractual obligations narrowed operational focus to individual clients and specific objectives. Community workers found themselves compelled to devote disproportionate time representing their work through reporting frameworks they found objectionable and alien. Client focus, teamed with a new emphasis on confidentiality, served to undermine day-to-day interagency practice. New providers entering the market profoundly and continually fractionated existing fields of working. Relationships with central government funding agencies were characterised by bruising and repetitive negotiations, and

the emphasis on narrowly specified outputs submerged issues widely understood as needing more broad-based and longer-term interventions. (p.409)

The short term and uncertain nature of contracts and the reliance on metrics to determine success has been problematic for organisations which understand the long term nature of social development and the weaknesses of using numbers as a proxy for social change. To compound this, overseas evidence indicates that the uncertain nature of contracting may incline charitable organisations to contract out some services themselves, passing on the problems of insecurity and instability to those who work for the organisation (Buckingham 2009, p. 244).

Targeting, which the NZ government has used to narrow the allocation of resources in the social sector, is designed to ensure that the needs of those who previously escaped the attention of social development programmes are identified and addressed (The Treasury 1984, p. 255). This has been seen as having particular benefit to those in the Maori community who have been able to address their own needs (Walker, 2004) although it is unclear whether this can be attributed to the market process or particular policy changes which occurred simultaneously within New Zealand. The combination of targeting with contracting has led to some untoward consequences in the social development field. Barnes (2006) reports on the development of two classes of poverty in the programme of a charitable organisation where government contracts rewarded the organisation on its ability to help people move themselves out of the situations which underpinned their poverty. The organisations became less likely to involve people who were unable or unwilling to make the required changes, creating a group of “deserving” and “undeserving” poor (Barnes, 2006, pp. 108-109). Cull (1993) has

also identified this “cherry-picking” of clients as a feature of contracting, especially in more recently developed results-oriented contracts. When organisations only get paid on results they are less likely to include people with more intractable social problems in their programmes. The poorest clients can be marginalised by the organisation’s need to maintain income and also by the increasing use of user-pays for some services (pp. 21-22). Targeting of income to narrowly defined criteria also marginalises some forms of advocacy which was a traditional part of programme work.

In Barnes (2006), one interviewee discusses the difficulty of undertaking advocacy in a contract environment:

We work now in a sort of managerialist model that imposes extra demands upon us in terms of developing commercial systems and working with them keeps us extraordinarily busy because we are under-resourced. It's not just about delivering services, it's about creating systems and structures and maintaining them. Doing all that, who gets any time or energy for activism? (p. 104).

Tackling the bigger issues is often done through public campaigning and both overt and discreet political advocacy. The narrow focus on service delivery can divert energy away from systemic solutions at the policy level. Even where charitable organisations maintain their focus on the bigger picture, the contracting process can inhibit action to make serious change.

In a study of eleven charitable organisations in New Zealand, Elliot and Haigh (2012) describe a shift in advocacy among charitable organisations, from radical action to institutional advocacy, which is the result of caution when dealing with governments to whom they are contracted. This caution derives in part from stipulations in commercial contracts but also to concern on the part of the sector to

maintain good relationships with government. Elliot and Haigh (2012), point to advocacy being organised into three typologies, political, managerial and technical. Activists are more likely to engage in political activity while managers utilise managerial and technical information (Samuels cited in Elliot & Haigh, 2010, p. 10). The respondents in Elliott and Haigh's research made repeated references to the need to learn the language of the market to be heard in the present environment and the need, in recent years, to be more discreet and avoid being strident and outspoken. The research found that addressing the contract infrastructure leaves little time to campaign for bigger change and in many instances the contract prohibits campaigning for change in government policy. Even where this does not happen, fear of losing a contract can have the same effect. Significantly Elliott & Haigh's (2012) research found that organisations less reliant on contracts placed advocacy at the centre of their work (p. 19).

Elliott and Haigh's research shows that increasing allocation of resources towards contract acquisition and support, a narrow, short term focus on work, the inability to meet the needs of all the organisation's clients, and the use of measurable and countable results for assessing programme value, as well as the demise of advocacy and campaigning, have all affected the ability of charitable organisations to play the more holistic and process oriented role they have traditionally played. These outcomes also serve as a further set of indicators of the shift towards entrenched hybridity of charitable organisations. In particular the diminishing role of activists, or volunteers, highlights the professionalism and managerialism which has become the norm in many voluntary organisations.

### **4.3 Organisational Change**

Prior to the 1980s many voluntary organisations were run by the volunteers who often played an active role in managing aspects of the organisations. (Tennant, 2007, p. 202). Billis (2010b) describes the shift to Shallow Hybridity which occurs when an organisation employs its first paid staff, a move which brings with it new concerns for financial sustainability and oversight (pp. 59-60). In the contract environment, the emphasis on cost efficiency and effective management increased the number of paid staff. At the same time social changes were placing pressure on volunteering. This section will review the contract related changes in volunteering and professionalization, the growth of managerialism and the development of corporate governance which have had a strong impact on the nature of voluntary organisation.

#### **4.3.1 Volunteering and professionalism**

The reduction in volunteering, which has been a feature of the charitable organisations since the 1960s, has been attributed to a range of social and economic circumstances such as expanding leisure activities and double income households. There is evidence, however that market characteristics such as efficiency, professionalism and managerialism, coupled with the growing regulatory environment, which is a feature of neo-liberalism designed to mitigate risk in the contracting environment, are contributing to this decline (O'Brien et al., 2009, pp. 10-11). Tennant et al., (2008) suggest, for example:

The decline of certain kinds of non-profit organisations has been linked with an overall shortage of volunteers, and the replacement of “traditional” volunteers (especially middle class, middle-aged women) by corporate, “social enterprise” and short term, task-oriented volunteers (Wilson 2001: 34–5, 56–7). Volunteers

sometimes felt oppressed by the increased training demands, accountabilities and compliance with legislation that became part of the not-for-profit sector. As greater professionalism was required within the sector, organisations were increasingly characterised by more paid staff with consequences for funding and for dependency upon the state (p. 31).

This section will examine research on volunteering which suggests that, while the shift of earlier volunteers into professional roles may bring activism into charitable organisations, market characteristics inhibit the particular qualities found in the volunteer role. Paid staff often have logistical difficulties in accommodating volunteers, particularly when many contracted tasks can only be undertaken by qualified people (Barnes, 2006, p. 108). Despite these problems, professional processes have continued to grow.

McAllum (2012) identifies the tendency of business management models to prioritise professional approaches to work over that of volunteers. The study describes three perspectives of professionalism: 'bureaucratic', which emphasises "expert" knowledge, derived from training and qualification; 'marketised', where membership of a professional body fosters the development and application of expert knowledge; and 'rationalised', where people display "appropriate" emotions which allow them to operate in a detached and objective manner (p. 64). A volunteer is generally perceived to be inexpert, unskilled and people-oriented, the antithesis of professional. Professionals are expected to maintain a detached approach to their work (pp. 65-66), but volunteers tend to identify closely with those that they serve, develop emotional closeness or even display emotion. McAllum argues that business-oriented management models favour marketised

and rationalised models of professionalism and threaten public spiritedness of not-for-profits, particularly by devaluing the “lived-experiences” of people.

In a marketised environment, which favours business management models, professional management and staff and increasingly professionalised volunteers may replace general volunteers in the organisation as a result of isomorphic processes. They may provide more technically effective services than in the past but may increase the emotional distance between the organisation and its clients. The use of the word ‘may’ is important here because Larner and Craig (2005) have made a case for a more positive outcome from the progress of neo-liberalism during 2000s in New Zealand, when a Labour government tried to soften the neo-liberal landscape by developing a partnership or collaborative approach with the voluntary sector. Larner and Craig (2005) argue that the hostile contract environment drove social workers with similar professional backgrounds to collaborate more actively in voluntary sector partnerships which “sharpened their position and practice against prevailing winds seen as socially divisive” (p. 410). They also argue that the people who participated in the voluntary sector prior to and in the early period of neo-liberalism had benefitted from mass tertiary education and identity politics struggles: “Thus, while these “social movements” had begun from the grassroots struggles defined in opposition to mainstream institutions, during this period activists were more increasingly likely to engage from within these institutions’ (Larner & Craig, 2005, p. 411).

Despite these new approaches and the enhanced skills of this new form of community activism, Larner and Craig describe the difficulty of addressing the political issues social workers found in their communities, in an environment that

only recognised technical solutions, or which turns contests into collaboration (p. 419).

The marginalisation of volunteers and their replacement by paid professionals described in this section leads to further entrenchment of market characteristics in voluntary sector organisations. Even when professionals have prior experience as volunteers, their professional role can inhibit them undertaking activities of a more passionate and emotive nature. A willingness to accommodate volunteers within an organisation is circumscribed by the contract focus on professional standards and the imperative to mitigate risk. While professional staff may have common ground with volunteers, the involvement in contracting has led to the emergence of a new layer of professional managers who bring a business focus to organisational performance. (Grey & Sedgwick, 2013, pp. 13-14).

#### **4.3.2 Managerialism**

In the late 1980s in New Zealand, the Treasury developed an argument for improving the efficiency and effectiveness and accountability of government managers through the adoption of market practices. They recognised differences in output between market and non-market organisations which required different management (Treasury, 1987, p. 205). Their solution to the problem of differentiated outputs was to develop methods for achieving parallel efficiency and accountability with market based organisations, one of which was that “the managers of agencies should have the freedom to choose the best mixture of inputs to get the agreed output, within the overall financial limits set by the Government” (p. 288). The corporate governance and management structures which were established in government then migrated into the charitable sector. This section

will examine the impact of managerialism on the charitable sector and its impact on the less formal and volunteer involving organisational structures of charitable organisation.

The NZ Treasury's (1987) critique of government management described a lack of clearly defined goals, management plans, and effective control mechanisms to meet output requirements. This same critique could have been levelled at charitable organisations which were often volunteer run, internally focused and opaque. The agency relationships, which enabled the development of greater autonomy in government management, resulted in charitable organisations being drawn into devolved processes which engendered a normative management style. The displacement of managers in the public sector who had professional specialism in public sector department work, by generic managers (Larner and Craig, 2005, p. 409) was replicated in the charitable sector through isomorphic processes. Consideration of management efficiency and effectiveness from a government perspective was part of contract negotiation, placing pressure on organisations to make mimetic isomorphic changes to provide government with confidence they could work in the new environment (ANGOA, 2009, p. 15).

Nowland-Foreman (1998), writing about the New Zealand voluntary sector, describes one particular, successful, large, national, voluntary social service organisation which wrote in its 1991 annual report that it was becoming more efficient, effective and business-like. The organisation built up its internal management systems, separately costed its different "products", abolished its branches and developed a single flat management structure, reduced overhead costs and produced 10 percent extra hours for the same money and moved to a

totally paid workforce (p. 109). Nowland-Foreman describes a progressive set of funding “technologies” which place ever-increasing demands on the funded organisation (pp. 113-114). These demands include more specification, supervision and reporting, increased administrative and overhead costs, management of complex financial flows, increasing fiscal risk, and increasing requirement for competitive behaviour. The growing transfer of funds into the sector meant that changes needed to be made:

As Renouf pointed out, the requirements of industrial, employment and taxation legislation meant that ‘lay people’ giving three or four voluntary hours a month could no longer manage a complex organisation (Tennant, 2007, p. 206).

Larner & Craig (2005) also highlight the need for growing organisations to employ staff to perform new tasks such as the accounting and reporting required in a contract culture (p. 408). Tennant (2007), describes some national charitable organisations with turnovers which, by 2006, were competing with large New Zealand businesses (p. 213). Tennant also cites enthusiastic support within the sector for corporate management models (p. 213), but describes the tensions which developed in a charitable organisation, in 2001, when a business case prepared by its chief executive, who focused on contributing to government’s key directions, was rejected by the governing body. The chief executive’s perception of blurred lines between governance and management cited by Tennant indicate that the new managerial approach brought with it greater expectations of managerial independence than had traditionally been expected in the charitable sector (p. 207). Tennant comments that:

Management demands were even more challenging for the non-profit sector than for ordinary customer-focused, for profit bodies because of their 'multiple stakeholders' who include consumers, local communities, and central and local government.

Accountability requirements were often higher for non-profits, as well as being more complex (p. 213).

Although the business focus of new managerialism is well embedded in the sector it has not been well researched in New Zealand. Its existence within the sector is an indicator of entrenchment of market characteristics, the same characteristics which permeated government. A key feature of this new management is its coupling with corporate governance which confines volunteer governance to a high level policy and strategy role.

#### **4.3.3 Corporate governance**

Prior to the shifts in the 1980s and 1990s, accountability in the voluntary sector was to members through an annual meeting. Those elected to committees were notoriously "hands-on" often undertaking administrative as well as decision-making roles. A member of a charitable organisation could be a governing committee member, volunteer service deliverer, and fund-raiser at one and the same time. As charitable organisations changed to meet the new contracting environment, the corporate model of governance began to replace traditional governance. The corporate model addresses the issue of role confusion between staff and volunteers providing "unambiguous answers to 'who should do what'" (McClusky, 2002, p. 544). The model separates policy and service provision, reflecting the governance of the firm where day-to-day decision-making authority has been delegated to management by the governing board. The manager is tasked with interpreting and implementing, the high level policy and strategies of the

board, the development of which s/he and other senior staff may have participated in, or even led. The manager is made accountable through board meetings and annual performance reviews.

The widespread adoption of the corporate governance model may have been based on the perception that the model conveys organisational legitimacy because of its alignment with funder perceptions of good governance. However, the model has contributed to changing the nature of charitable organisations by removing volunteers from involvement in the day to day work of the organisation. This gives professional management more authority over the organisation's work and allows them to mediate the volunteer governance member's understanding of the organisation. The model also requires that governance members have particular skills in policy development and the ability to decipher the expert knowledge of staff, something which can further disadvantage general members.

Mowbray and Ingley (2012), in a study of sixty four Australian and New Zealand for-profit and not-for-profit organisations, found that the organisations which performed best operated where the board provided team leadership within a 'third team' (p. 12) space and where there was both formal and informal interaction between the board and senior staff. In illustrating this new approach to governance, Mowbray and Ingley have also described the mechanisms of traditional charitable sector governance which operated at many levels within the organisation:

Interviewees identified interactions between directors and executives as occurring in both formal and informal settings, rather than in formal meetings alone. It is during both the formal and informal interactions in third team settings that relationships

are built and knowledge sourcing occurs. General comments from interviewees regarding knowledge sourcing are captured thus: ... from what I've seen, it happens when you are informally chatting about something and an idea will just come up and can be ... and something comes out of that and the particular knowledge of the director turns out to be helpful (Mowbray & Ingley, 2012, p. 14).

The space for this type of interaction is greatly reduced in corporate systems of governance whereas it was abundant in traditional forms of voluntary sector governance. This may have contributed to the creativity and innovation with which the voluntary sector is often attributed.

Mowbray and Ingley (2012) identified this process of 'knowledge sourcing as a reciprocal activity between the directors and executive' (p. 14). Their findings identify an aspect of the charitable sector from which its reputation for innovation likely stemmed but one which appears to be struggling to survive in the current market-led corporate model. McClusky (2002, p. 545), argues that one size fits all models of governance are fundamentally flawed because of their inability to address all the varying typologies of not-for-profit organisations. He proposes a more flexible model which allows for the intermingling of staff and volunteer roles at various levels depending on the purpose of each organisation.

The separation of governance and management is a further indicator of the entrenchment of market values in charitable organisations. These market values can have significant impact on the traditional approach of the organisation to its work. While the demise of volunteering has placed strains on traditional organisation, this may have been exacerbated by the shift of market characteristics into the charitable sector. The establishment of corporate governance may provide legitimacy for a process which appears to simplify accountability in complex

organisations, clarify roles and improve efficiency and effectiveness in organisations that were regarded as messy.

This chapter has shown that entrenched hybrid organisations in the charitable sector: are susceptible to mission drift; must allocate increased resources for contract acquisition and maintenance; develop a narrower, shorter term focus on their work; may be unable to meet the needs of all their clients; are likely to use countable measures to determine the value of their work; are less likely to campaign and advocate on issues that are difficult for funders; are likely to employ professional managers and replace volunteers with skilled professional staff; and lastly, are likely to have a corporate governance structure with clear separation of governance and management. The shift to market hybridity begs a question about what is special about charitable organisations that may be lost in this shift. It is this question which is considered in the final section.

#### **4.4 The Theory of Comparative Advantage**

In research which looked at the structural differences between civil society, state and private sector “human service” organisations, Billis & Glennerster (1998) argued that the “bewildering complexity of overlapping roles” (p. 81) and hybrid structures of voluntary sector organisations, which they refer to as its “ambiguity”, overcomes problems found by state and market organisations in areas of personal, societal and, to some extent, community disadvantage:

We also suggested that stakeholder ‘ambiguity’ is a key distinguishing feature of voluntary agencies, e.g., they can share the characteristics of public and private bureaucracies as well as the features of the pure membership association ... the use of volunteers is a critical feature (Billis & Glennerster, 1998, p. 86).

The ambiguity of roles and responsibilities and the messy structures described by Billis and Glennerster are considered a source of strength for the mission of the agency. Care and engagement are not constrained by bureaucracy and rules or contractual arrangements. The authors argue that voluntary organisations which respond to pressures to reduce ambiguity through structural change and professionalization are more likely to lose their advantage to their clients. This advantage can also be lost when receipt of government funding exposes the organisations to the concerns and prejudices of voters, which, in turn, influences politicians, and therefore funding priorities. This may inhibit the organisations' ability to deal with some problems.

The streamlining that is the focus of managerialism is designed to reduce ambiguity, clarify and professionalise individual roles and make structures more transparent. The governance and management split, which is the governance model adopted by the NZ Government, and the model that has been replicated in the voluntary sector, is one example of this streamlining process.

The theory of comparative advantage that Billis and Glennerster (1998) have developed, suggests that the voluntary sector has a comparative advantage in the following circumstances: areas of "personal disadvantage" where people, as the result of age or infirmity need a proxy to look after their best interests; "societal disadvantage", where people suffer some form of stigma, such as of those experiencing drug addiction; and, "community disadvantage", where generally accepted social and market systems are not operating or where median voter pressure which guides the state, may be weak (pp. 87-94). This comparative

advantage derives directly from the ambiguity of voluntary sector organisations and can be diminished:

If paid staff, governing body, and users are all quite separate, all the problems faced by agencies in other sectors begin to appear. If service volunteers begin to depart the agency and/or begin to move out of any governance roles as well, ambiguity diminishes ... Stakeholder ambiguity cannot be eliminated without destroying comparative advantage. On the other hand we would not wish to give the impression that ambiguity necessarily implies a confused organisation – rather it implies a flexible, changing and informal structure (Billis & Glennerster, 1998, p. 97).

Strict, instrumental separations between staff not only encourage and maintain intra-organisational distance but also, particular forms of knowledge that flow from across-agency interaction are compromised or lost.

Although Billis & Glennerster's theory is tentative and the authors indicate that further work needs to be done, it provides some explanation for the existence of charitable organisations, particularly their "deep rooted and fundamentally different way of responding to problems" (Billis, 2010a, p. 8) which was noted at the beginning of this chapter. If, as Billis argues in his exploration of a theory of hybridity, a voluntary organisation must retain "roots" in the voluntary sector, how do we know when the process of marketisation is endangering an organisation's identity and is there any evidence that this endangerment is happening in charitable organisations in New Zealand?

## **4.5 Summary**

In this chapter, I have reviewed a theory of hybridity which seeks to explain the existence of market and, to a lesser extent government, organisational

characteristics in the third sector of which charitable organisations are a part. I have used a combination of operational and decision-making characteristics of charitable and market organisations as a framework for my examination of literature that has discussed change in the voluntary sector since the 1980s. From this, I have identified some indicators of change which point to increasingly market-oriented or, as described by Billis, “organic entrenched hybridity” within New Zealand charitable organisations engaged in social development. I have then reviewed a theory of comparative advantage which suggests that some hybridity, and ambiguity of roles, can provide welfare oriented organisations with advantage in their work. These advantages may be destroyed or compromised by a shift to a greater government or market orientation. Hybridity theory suggests that both internal and external stakeholders must be aware of an organisation’s perception of its roots in such an environment. While the empirical literature has largely tackled aspects of change in charitable organisations, this literature review has suggested that marketising change is a systemic process. Building on the insights from this review, my research will focus on how organisational leaders have understood and responded to the challenge of neo-liberal change on behalf of their organisations. The review of literature in Chapters 2, 3 and 4 led me to raise the questions and sub-questions set out at the conclusion of Chapter 1 and they will be explored in the remainder of this thesis in the context of three case studies. The nature of this literature review and these research questions provides a guide to the selection of critical realist ontology and a retroductive methodology for my research.

# Part Two

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## Chapter 5 Critical Realist Ontology

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The nature of this study's research questions provide a guide to the paradigmatic approach and to the identification of methodology used in this research. The paradigm which informs and guides this inquiry is critical realism. Lincoln and Guba (2004), suggest basic beliefs can be identified by posing three fundamental questions: the ontological question, "what is the form and nature of reality and, therefore, what is there that can be known about it?"; the epistemological question, "what is the nature of the relationship between the knower, or would-be knower, and what can be known?"; and the methodological question, "how can the inquirer (would be knower) go about finding out whatever he or she believes can be known?" (p. 108). The authors use this framework to analyse four paradigms: positivism, post-positivism, critical theory and constructivism. In this chapter I will set out how I identified critical realist ontology as best fitting the questions being asked and my own world view.

### **5.1 Positivism and Economic Theories of Non-profit**

#### **Organisations**

In my initial reviews of theoretical writing about the charitable sector, I identified a strong economic rationalist approach which positioned organisations as non-profit or not-for-profit. This approach operates largely within the realist ontology of the positivist paradigm, in which a real world, which operates through

immutable laws and mechanisms, can be identified by the researcher. Lincoln and Guba (2004) describe positivism and postpositivism as the “received view” (p. 106) of science in which efforts are made to verify or falsify apriori hypotheses. Positivist economic theorising that the not-for-profit sector is the result of government failure or market failure can be observed in Billis & Glennerster’s (1998) reference to theories of market and government failure which they referenced in the development of their theory of comparative advantage. (See also, for example, Weisbrod’s theory of the non-profit sector as a result of government failure, and Hansmann’s trust theory of market failure, discussed in Kingma, (2003, p. 53 -65). The positivist approach has been criticised for: distortion caused by lack of context; the lack of insight into human behaviour; the external focus and claims to objectivity; the nomothetic/ ideographic disjunction where generalisations cannot be applied to the individual; and a focus on quantitative normative inquiry which excludes more creative or divergent insights (Lincoln and Guba, 2004, p. 106). In the same vein, Lawson argues that economic approaches based on formal mathematical and statistical methods lack relevance in open social systems (cited in Downward & Mearman, 2007, p. 79) and McKay, Moro, Teasdale & Clifford (2011), identify an argument that an economic approach fails to address non-market activities such as philanthropy, volunteering and collective behavior (p. 3), highlighting some practical problems in the application of positivist ontologies in the social sphere.

My own academic grounding in the Scottish education system of the 1960s and 1970s has produced a tendency towards thinking in the positivist paradigm.

However my subsequent academic experience and the experience of working with

charitable organisation engaged in social development has provided some insights into the difficulty of generalising theory from one context to another and also the difficulty of pursuing research in a truly objective way. Lastly in seeking to pursue 'how' and 'why' questions in this thesis, I am seeking explanations beyond the scope of positivist enquiry. This led me to an early decision not to pursue a positivist approach but rather to explore analytical opportunities offered through critical social theory and the ideas of critical realism and retroducton in particular.

### **5.1.1 Critical theory**

My background in community, trade union and political activism, particularly where issues of social justice and equity are concerned, gives me a particular interest in the role of critical social theory in analysing competing power interests between groups and individuals within society, and in its ability to highlight the potential of power to produce inequalities and human suffering (Kincheloe & McLaren 2008, p. 93). Power imbalances are already evident among the different groups of actors in the tripartite social structure outlined in previous chapters. I am also interested in the way in which different critical theories "set out to explore our fundamental beliefs about existence and question the guiding structures and suppositions that organise our interactions (Malpas & Wake, 2006, pp. ix-x). Lincoln and Guba (2004) ascribe to the critical theory approach a "restorative" and "emancipatory" purpose enabled through critique and transformation (p. 113). This approach sits comfortably with my world view. While the impact of neo-liberal policy on the charitable sector during the last thirty years is relatively well researched, I seek to contribute a deeper understanding of the nature and processes of change within charitable organisations which have resulted.

In the course of my survey of paradigms, the question of how real the social structures I am dealing with has however become an issue. Lincoln and Guba's (2004) ontological description of critical theory involves an assumed reality that was once "plastic" but having been shaped over time by a range of social, cultural, economic and other factors is then "crystallised" into structures that "for all practical purposes" are "real" but which are inappropriately taken as such (p. 110).

Lincoln and Guba (2004) suggest that in such an inquiry the investigator takes the role of instigator and facilitator "implying that the inquirer understands a priori what transformations are needed." (p. 113) I find some discomfort with such an approach. While it would be impossible to work within the charitable sector, with my background and political understanding of the world, and not have ideas, I do not believe I have preconceived answers.

I also find the dialogical and dialectical methodological process outlined by Lincoln and Guba uncomfortably simplistic, as, for example, when they suggest that critical process enables: "a dialectical dialogue which transforms ignorance and misapprehensions (accepting historically mediated structures as immutable) into more informed consciousness (seeing how structures might be changed and comprehending the actions required to effect change)" (p. 110). The historically mediated structures of neo-liberalism may be mutable, but they have had the perverse outcome of reifying the 'market' to such an extent that market structures have become so powerfully embedded in social and cultural life, that 'informed consciousness' of change is difficult to fathom.

This thesis references historically mediated structures at many levels, and my central argument pivots on a relatively essentialised idea of ‘charity’ in as much as ‘charity’ is assumed to have elements of purpose that are ‘non-negotiable’ – particularly the dual concepts of volunteering and giving. The concept of charity has changed over time. This is inevitable (and directly the result of the dialogical processes that Lincoln and Guba allude to). In its initial use in the English language in Christian biblical translations, ‘charity’ was a verb denoting a human capacity for care toward others – it comprised one of the three active Christian virtues alongside ‘faith’ and ‘hope’. Charity now has been nominalized to give us the idea of ‘a’ charity – a structure through which humans can be organised to dispense care in systematic ways according to established criteria of need. While the deep Christian roots of Anglo-European charitable organisations are no longer necessarily overtly acknowledged in 21<sup>st</sup> century New Zealand charities, the idea persists that purposes of charitable organisations are different from other commoditizing agencies or organisations such as sports trusts. The record of how, or the extent to which, dialectical dialogical processes have been responsible for the mutability of the idea of charity is beyond the scope of this thesis.

However, this thesis does seek to identify the causes of change in charitable organisations, the extent to which these can be attributed to the market processes of neo-liberalism, and whether these changes are affecting identifiable characteristics of charitable organisation. I am interested in how systems which have provided space for people in society to undertake voluntary action to make their world better, and which have existed in their modern form for several centuries, while still in existence, have undergone significant change in the space of

a few decades. The purpose of the thesis is emancipatory in that by identifying causes, consciousness can be extended. By examining and understanding the process of change in a disparate group of charitable organisations since the 1980s, I seek to identify the influences on change and responses to these influences, including paths of resistance and opportunity, but also capitulation. I seek to understand the nature of these charitable organisations, influences on them and the progress of change. Lincoln and Guba (2004) identify the criterion for progress in critical theory as restitution and emancipation *over time* (my emphasis) (p. 113) and I have no difficulty in recognising this as a laudable ultimate goal so that a critical aspect is important to my thesis.

The goal of identifying ideas which may be useful to the wider sector requires, however, doing more than accepting that “what can be known is inextricably intertwined with the interaction between a particular investigator and a particular object” (Lincoln & Guba, 2004, p. 110), but requires the hope that the identification of causality within and between some structures may have implications beyond the particular organisations being studied. No two social organisations respond to their environment in the same way but I am interested in the general similarity of change which has occurred in a range of different charitable organisations since the onset of neo-liberalism in the 1980s. The identification of core properties and the implication that these core properties protect the fundamental social purpose of charitable organisation, speaks to the possibility that there is a contingent, time-bound reality within the structures. This, and the recognition that there is reality in the structures in this thesis, has led me to consider critical realism as the methodological frame.

### 5.1.2 Critical realism

Any detailed account of the current debates about critical realism versus radical constructivism are beyond the scope of this discussion (but see Steinmetz (1998), for a concise review and Healy (2013) for a provocative critique). What is relevant to an historically oriented social science research project such as this thesis is the critical realist acceptance that “the social cannot completely free itself from the constraints of the biological and physical levels” (Steinmetz, 1998, p. 171).

According to Patomaki & Wight (2000) the debate about reality can be a misleading one (p. 216). The authors cite Bhaskar’s view that the debate should be about what kind of realist one should be rather than whether to be a realist: “all philosophies, cognitive discourses and practical activities presuppose a realism – in the sense of some ontology or general account of the world.” (p. 223). This section will provide a more detailed description of critical realist ontology, drawing on the work of authors in a range of disciplines including education, geography, international relations, sociology, economics and organisation. In particular this section will set out the critical realist focus on separating ontology and epistemology, its stratified ontology which underpins the notions of “depth” and “emergence” and the iterative nature of inquiry and the acknowledgement of the open nature of social process which result in a reality which, while it exists may never be fully known. Working through this theoretical minefield was a personally necessary strategy. It helped clarify my own understanding about the potential value and relevance of taking a question which was vexing to me (what was happening to charitable organisations in New Zealand and what was causing

these changes to occur) and seeing the extent to which discussion of these questions had wider social importance.

### *The epistemic fallacy.*

The central point of Bhaskar's critical realism, is that ontology must be distinguished from epistemology, to avoid the 'epistemic fallacy' which confuses the nature of reality with knowledge of reality (Fairclough 2005, p922). Rather, a distinction is made between transitive objects, such as theories and explanations of events which researchers develop to "construe aspects of reality", and which are "necessarily partial, imperfect and subject to revision" and intransitive objects which are real objects that exist whether we are aware of them or not (Ayers 2011, p. 347). In doing so critical realists reject, 'judgemental relativism', in which representations of the world are accorded equal weight, and seek ways of determining which representations are better than others (Fairclough 2005, p. 922). Understanding the idea of the epistemic fallacy in these terms allowed me to work more confidently at the boundary between thinking of charities as socially constructed with some 'essential' defining characteristics.

### *Depth ontology, stratification and causality*

According to Gorski (2013), a core aspect of critical realism is its stratified ontology in which there are three domains, the real, which consists of all the mechanisms of the real world, the actual, which consists of all the mechanisms which have been activated even if they have not been observed, and the empirical which consists of mechanisms which have been activated and observed. These three domains are generally "out of phase" in everyday life and the role of scientific experiment is to bring them into phase by "activating, isolating and observing the

powers and tendencies of a particular entity or strata” and thus, through experiment, revealing laws which govern entities, not events, and describe tendencies, not regularities (p. 665).

“Causal powers” are attributed to the “real” domain of structure, a domain to which human beings have no direct access but which must be inferred by observation of its effects (Ayers, 2005, p. 348, Fairclough 2005, p. 922), and to social agents who affect the “actual” realm, the domain of processes and events, which is partly “knowable” (Ayers, 2005, p. 348). The empirical domain is experienced by human beings but in this schema, is not the sum total of reality:

Unlike natural reality, social reality is independent of human minds. Note that the phrasing is precise. Social reality is independent of any particular human mind. The social map in an individual mind will be partial at best and often mistaken, sometimes systematically so, because some social structures must be misunderstood to be reproduced. The accurate conceptualization of a social structure must be pieced together from the multiple perspectives out of which it emerges in the first place (Gorski, 2013, p666 emphasis in the original).

A key feature of the notion of causality in critical realism is the open nature of systems. Ayers (2005) describes open systems as “messy” because they contain multiple, sometimes opposing structures and causal mechanisms which exist on multiple levels (p. 348). Entities can be analysed at different levels of aggregation and this leads to “emergence”. The notion of emergence, as posited by Easton, G (2010) is that properties at a higher level of aggregation are not merely the sum of the parts, nor can they be easily reduced to their parts: “they emerge from those at the lower level but are not easily derived from them” (p. 121). A “textbook example” is used to illustrate this by showing why we do not explain the power of water to extinguish fire by reducing it to its properties of oxygen and hydrogen,

both of which have flammable properties that cannot be found in the emergent object (Ayers, 2011, p. 349; Gorski, 2013, p. 664). Outcomes can have multiple causation yet the same cause may lead to different outcomes and, events happen which have causes outside of our interpretive ability. Provision of causal explanation requires theories about the causes of change which are separate from our own individual experience (Patomaki & Wight, 2000, p. 229). Thus, my own experience of changes in the function and purpose of charitable organisations in New Zealand was a necessary but insufficient ground for arguing that causal explanations might be able to be developed.

Archer (1982), who has been identified, with Bhaskar, as a significant critical realist theoretician, proposed the biologically derived concept of “morphogenesis”, which draws on general systems theory, to explain the complex interchanges that produce change in a system’s given form, structure or state. This process is a cycle in which action works on the pre-existing structure leading to “emergence” of a new structure or structural elaboration. This new structure then becomes the basis for the interaction between action and structure. A spiral action of endless cycles “unravels the dialectical interplay between structure and action” (Archer, 1982, p. 468). Thinking of charitable organisations as morphogenic structures opens up the idea of mutability in a way that invites an exploration that traces the spiraling interplays through which the changes may have occurred.

Patomaki and Wight (2000) argue that, although separation of agents and structure may be necessary on analytical grounds, this cannot be done ontologically for at least three reasons: first because agents cannot easily be separated from the social situations in which they are routinely embedded; second,

because social activity is the emergent property of group interaction which is irreducible to individual action; and third because social forms are established by antecedent structures and takes place in a context which enables or limits according to the nature of these structures:

All social reproduction and/or transformation takes place under conditions and relations inherited from the past. These conditions and relations represent the already established character of social forms that have been reproduced and/or transformed in the past and which confront new generations of individuals as obdurate structural *contexts* which constitute actors and action possibilities as well as inspire, encourage, and reward certain forms of behaviour and dishearten, discourage and punish others. As such, these structural *contexts* entail relations of power and authority, which constitute and influence social activity in these settings and the wider *contexts* within which these settings are embedded.” (Patomaki and Wight, 2000, p231).

While adhering to the view that social reality exists independently of the individual who is situated in an irreducible social context, critical realism affirms both the existence and also the dignity of self-conscious human agency (Archer, 1982, p. 256). This affirmation leads, in Archer’s later work, to recognition that practice is pivotal to creation of the self. “Doings”, or interaction with the natural world, development of conscious intention, self-consciousness and reflexivity, rather than “meaning”, is central to human beings (King, 2010, p. 257).

The central role of social structures and the influence of powerful structures on weaker ones cannot be understood without understanding the mediating role of individuals in decision-making areas within organisation. Depending upon their levels of understanding and awareness of structure, these individuals lead the response to external influences by adapting and accommodating them or resisting them. Archer’s approach, which focusses on events, provides the potential to

understand the role both structures and individual actors, particularly those in decision-making or organisational shaping roles have had on their organisation's response to neo-liberalism since the 1980s.

Gorski (2013), describes Bhaskar's dialectic as a general schema for thinking about change in the world. According to Bhaskar the movement of our thoughts should follow the movements of reality itself. Four dialectics: "non-identity", "negation", "totality" and "praxis" are involved in a process in which:

We begin by analysing the world into discrete structures, such as 'human persons' or 'social networks'. We proceed by thinking through how interactions between these structures lead to changes in their properties or relationships or even the emergence of new structures. We then reflect on the temporal and spatial and cultural scope of these interactions as part of a system. Finally we grasp our own thoughts and actions as part of that system and we see ourselves as agents who have some power to change the system. In Bhaskar's view all learning has this basic form (p.667).

These ideas about how to approach understanding have been useful in the context of my work. They have allowed me to acknowledge that theoretical ideas about the nature of reality at an ontological level provide a way of moving from description to discernment of power relations, individual agency, and change as both emergent and contingent.

### *Retroduction*

Retroduction has been described as a "thought operation" which "moves from empirical phenomena as events, to causes that generate explanations that embrace ontological depth" (Downward & Mearman, 2007 p. 88). Retroduction clarifies the ontological constraints on research design, but it does not constrain either the

method or extent of its use (ibid, p. 95). The retroductive epistemology explains events through the theorising and identification of mechanisms capable of producing those events. The experiential nature of the effects makes causal mechanisms historical and contextual in nature (Yeung 1997, p. 57).

Reconstruction of causal structures occurs through moving back in time to identify the things which happened to create an event and through “constant reflection and immanent critique” (Easton, G., 2010, p. 123). Easton, G. (2007) citing Verschuren, describes a process of “iterative parallel research”, which “implies a continuous moving back and forth between the diverse stages of the research project” (p. 119).

The iterative nature of the process is a key to retroduction. Each phenomenon is explained by the emergence, at a deeper level, of a new phenomenon which requires explanation. Over time, as deeper levels are revealed understanding of the original phenomenon may require revision (Patomaki & Wight, 2000, p. 224).

Bakhsar describes causal laws, which are irreducible to events and patterns, as “normic statements” concerning the “powers” and “tendencies” of particular agents or entities. These agents and powers are, he suggests, the principal objects of science (Groff cited in Gorski, 2013, p. 665). Actions which do not violate particular laws are not necessarily fully determined by them. Good causal inferences will therefore depend less on the rules of logic than our knowledge of structure.

The retroduction process notes the possibility of latent potential which may not be realised, or counteracting mechanisms which may be realised, even if they are not seen, and includes these factors in the contingency and contextualisation which surround theories (Ayers 2011, p. 349; Meyer & Lunnay 2012, p. 8).

Contextualisation is also an important feature in the critical nature of critical realism. According to Patomaki & Wight (2000), critical realism is differentiated from positivism, which separates values and facts, and from postpositivism, in which values and facts are one and the same because within critical realism facts are value-laden and, at the same time, values are factually embedded. They identify within Nietzsche's argument that the value of values requires questioning, something which can only be done by understanding the conditions in which values develop, the implication of a necessary shift from facts to values:

Critical Realism ... situates a genuinely critical moment at the heart of analysis; a moment that depends at once upon values being factually explained and facts being subject to evaluation. The implication is an account of emancipatory practice embedded within a general account of knowledge construction able to identify the possibility of transition from an unwanted, unnecessary, and oppressive situation to a wanted and/or needed and empowering or more flourishing situation (Patomaki & Wight, 2000, p.234).

A theoretical approach that accommodates value-invested considerations has been important to my analysis. It has encouraged me to address my own values and preconceptions, to acknowledge the 'emancipatory purpose' that drove my questions, and to evaluate, in a more open-minded way, the changes in charitable organisation in New Zealand that I and my key informants and research participants were observing.

## **5.2 Summary**

This chapter has set out my process of identifying a critical realist ontological frame for this research. The identification of the structural phenomena, and their characteristics, at the heart of this research aligns with the critical realist view that

there is a reality which, while it may not be totally comprehensible, is apparent. Within the stratified ontology of critical realism, in which the interactions between different layers produce an emergent layer which is irreducible to its parts, an iterative process of data extraction results in ever deeper understanding of a phenomenon and its causes. However, because the social world is open ended, it is not possible to completely know a phenomenon, particularly because there may be countermanding hidden systems in force which prevent aspects of a phenomenon from becoming apparent. Adapting the claims made in an application of the ontological, epistemological and methodological assumptions of critical realism in a study of learning needs in Ayers (2011, p. 351), I can make the following claims for this study: the core characteristics of charitable organisations, government and the market are intransitive. The discourse about social structure is transitive; forms of hybridity in charitable organisations are representative of emergence or social elaboration; and, understanding the emergence of hybridity requires retroductive social analysis. The following chapter will set out how this can be carried out in practice.

# Chapter 6 Research Design.

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In the initial chapters of this thesis the topic was outlined, and the characteristics of three organisational structures in society were identified: charitable organisations within the civil society sphere, market and government structures. The influence of the market structures on government and the charitable sector were also identified and some indicators of the changes that have occurred in consequence have been developed. As a first step in seeking a deeper understanding of the causes and impacts of organisational and programmatic change in charitable organisations, a critical realist ontological frame has been identified to help make sense of the world and the processes within it. Within this frame, the essential characteristics form an intransitive reality which may not be wholly revealed but whose effects are apparent through our human interaction with structures and through empirical understanding of the effects of this interaction.

The identification of an ontological approach often predisposes a researcher to particular methodological approaches. However critical realist ontology is “relatively tolerant” of different research methods (Sayer, 2000, in Easton, G., 2010, p 123). Within critical realism, it is the focus of the research, and its purpose, that dictates the particular choice of methodology or combination of methods (McEvoy & Richards, 2006, p. 71; Sayer, 1992 in Easton, G., p. 123). The research topic is the result of my interest in the widespread manifestation of marketising change in charitable organisations, leading to an interest in the way in which

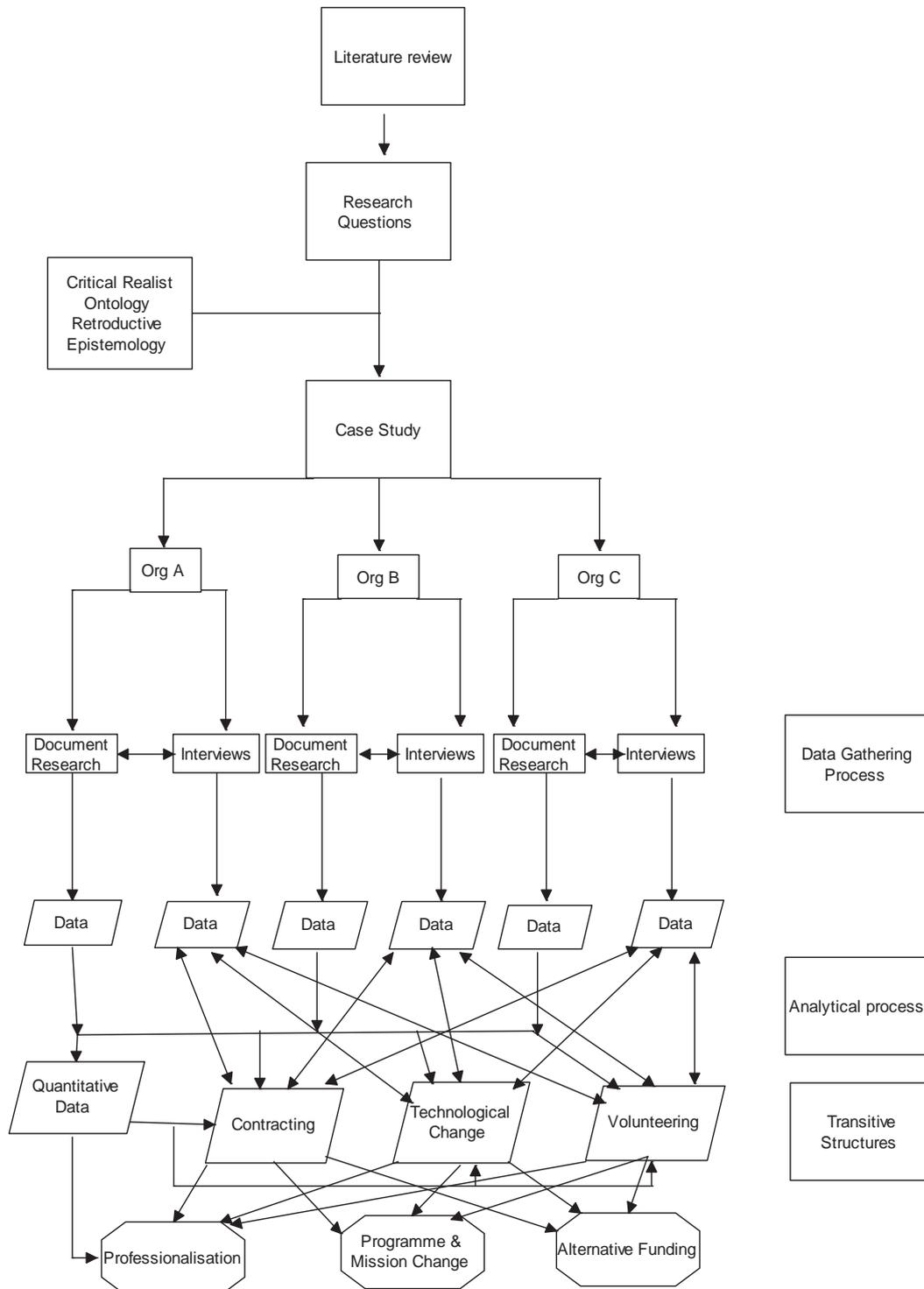
causal mechanisms, in very different contexts, have led to similar outcomes in very different charitable organisations. I have sought, therefore, to develop a research design which will illuminate the processes of change in more than one organisation. This is a collective case study approach.

The charitable social development organisations which are the focus of this research are institutions with clear boundaries, suggesting the appropriateness of a case study approach. Within the organisations, the focus will be on interviews with people in strategic decision-making roles, who work at the interface between the organisation and many of the structures which influence the organisation's direction. Together with documentary data these interviews will provide the basis of the case study data.

As part of the research design process I developed a flow diagram to outline the various processes in the research (Figure 6.1). This figure sets out a logical flow of processes. The diagram is best understood as sitting in an environment within which there is ongoing interaction between the emerging phenomena and the social structures in my research and this is conducted through the human agents through whom they are perceived. The literature, which revealed the indicators of marketisation, also guided the development of questions for semi-structured interviews with strategic leaders in three charitable organisations. Once the data were gathered, the process of analysis involved an initial framing exercise, in conjunction with the indicators of marketisation developed from the literature review. This framing facilitated the identification of a set of relevant themes as the basis for an iterative, abstractive process that aimed to isolate and theorise causal

mechanisms. The diagram provides a point of reference for the different sections of this chapter.

**Figure 6.1: Research Method Diagram<sup>12</sup>**



Source: Author

<sup>12</sup> Initial plans to conduct focus groups or seminars as a subsequent depth of analysis were not undertaken (see Appendix 3 and p 139).

## 6.1 Case Study Design

Case knowledge is, according to Flyvbjerg (2006), central to human learning, because of its nuanced view of human reality and the imperative for researchers to develop context-dependent knowledge (p. 222). Easton, G. (2010) defines case study as: “a research method that involves investigation of one or a small number of social entities or situations about which data are collected using multiple sources of data and developing a holistic description through an iterative research process” (p. 119).

The case study method is a good fit with a retroductive analytical framework, particularly because of its ability to deal with underlying reality, human interaction and a holistic perspective in which that “whole is more than the sum of its parts” (Sjoberg, Williams, Vaughan & Sjoberg, 2011, p. 39). Easton (2010) argues that there is a fit between the complex nature of critical realist study of organisations and the intensive case approach described by Sayer which: “focuses on individual agents in context using interviews, ethnography and qualitative analysis, asks the questions ‘what produces change’, employs causal groups, produces causal explanations which are, however, limited to the situation studied so that testing is by corroboration” (Easton, 2010, p. 123).

Easton’s example refers to a focus on a single case study. However there are different types of case study. Stake (1995) identifies intrinsic and instrumental case studies and Yin (2003) multiple or collective case studies. An intrinsic study is a single in-depth study, whereas an instrumental study involves the use of the organisation to identify specific issues for research, and a collective study occurs where more than one case is involved in the research (Baxter & Jack, 2008, pp.

547-548). Reflecting on these three types led me to the conclusion that all three types exist in my case study approach. I have chosen to study three organisations rather than one. While the individual cases involve some depth study through a combined qualitative and quantitative approach, I intend to seek sufficient information to form a particularised understanding of the issue in one organisation, but to limit the depth, so that understanding can be developed in more than one organisation. This is possible where the causal mechanisms of a phenomena are external to the organisation, however causes may also be derived from within. It is hoped that a focus on strategic levels of the organisation will ensure both influences will be identified.

An extensive approach to the cases, which is closely associated with collective case studies, was ruled out because its methods, including surveys and formal questionnaires, have limited explanatory power and, while the information can be used in a retroductive approach, it is insufficient in itself. In-depth study of multiple organisations has been demanding in terms of time and has limited the extent to which some issues can be examined. For example there was no time to return to the organisations with the outcomes of the research, either individually or collectively, to test how well they fitted with organisational self-perception. However multiple case studies presented the possibility of understanding similarities at deeper levels leading to deeper understanding of the phenomenon. The identification of open social structures as “messy”, in the previous chapter, indicates that a wide range of factors will be involved in the processes of marketisation in the charitable sector. By focussing on key issues rather than on particular cases, the case study approach can be identified as an instrumental one.

The focus is on levels of abstraction that are common across the case studies. It has been my intention to use the range of different perspectives and their contexts to build a picture of, and to clarify, particular mechanisms, and so lead to better understanding of the phenomena. This research therefore, adopts aspects of intensive, instrumental and collective case study approaches, within a critical realist ontology, to focus on three very different charitable organisations.

## **6.2 Case Selection**

This section outlines the criteria used in the selection of cases for inclusion in the research and discusses some issues which arose in the selection process. I developed a set of criteria for case selection based on my initial literature review and on my own understanding of organisations in the charitable sector. The organisations were required to be registered charities engaged in social development and have a focus on people experiencing certain forms of disadvantage<sup>13</sup>. They were required to have received funding from government and the public at some point during the period between 1985 and 2010, and therefore be established prior to, or by 1985. They all had to involve volunteers in some capacity. These criteria are elaborated upon below:

1. Be a New Zealand-based charitable organisation:

The organisations were required to be registered with the Charities Commission which would mean their purposes included one or more of the four heads of charity. These are: the advancement of education; the advancement of religion; the relief of poverty; and other purposes beneficial to the community. This also determined the not-for-profit nature of the organisation. The Charities Commission has a rigorous process for accreditation of a charity which provided me with confidence in this criterion.

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<sup>13</sup> These are set out in detail further under the criterion “Focused on Disadvantage” in this section.

## 2. Have a social development focus:

For the purposes of this research the social development sector is comprised of the service categories of education, health, housing, community development and social services used by Statistics New Zealand in their Satellite Accounts for the Voluntary Sector.

International development agencies were not included in this category by Statistics New Zealand, despite their focus on similar social development activities (Statistics New Zealand 2007).<sup>14</sup>

However this group was included because their purpose is social development and the charitable organisations are New Zealand based. While the on-the-ground operating environment of their programmes differs insofar as it is conducted in other countries, the policy and administrative structure, which governs the organisation and operation, is New Zealand based and it is at this level that organisation and programmes are being researched.

## 3. Be focused on disadvantage:

I have chosen to limit the social development organisations to those dealing with forms of disadvantage identified by Billis and Glennerster (1998, pp. 87-88). The authors argue that these organisations have a particular advantage in their delivery of services which is being adversely impacted by marketisation. While I do not seek to test this theory, the choice of these organisations provides a means of further focussing research and may provide insights which relate to Billis and Glennerster's work. The categories of disadvantage which apply to this research are:

a. Personally disadvantaged; which exists where potential users of services: "cannot articulate a coherent preference from the organisation in question. This group would include people with learning difficulties, or mental health problems, young children and confused elderly people. Even if they had the money, they would be unable to exercise their preferences in the organisation" (p87).

b. Societally disadvantaged: which encompasses people who are 'blamed' or stigmatised. "They may be perfectly capable of exercising their 'exit' and 'voice' functions (they are not personally disadvantaged), but society chooses not to listen or

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<sup>14</sup> These categories are somewhat arbitrary because it is a complex issue to determine the place of such activities as private health and private education, much of the organisation of which is non-profit. For discussion on this issue in the health sector see Gousmett, 2006.

makes it difficult for them to achieve economic power. Their entry into the job market may be problematic” (ibid).

c. Community disadvantaged. This applies to people living in areas where the market, political and civil structures have broken down. Market organisations may be limited and politicians may lose votes if they support their cause.

These categories are broadly applied. Although Billis and Glennerster’s research was focused on “severe” disadvantage, the subjective nature of this concept makes it difficult to measure. I have suggested elsewhere in this thesis that their theory may have wider applicability and I have applied the categories more broadly here.

#### 4. Receive funding from government and the public:

The organisation should have, at some point during the period covered by the research, received funding from government, or local government, and from the public. Public support can take the form of membership as well as general public fundraising.

#### 5. Have volunteer involvement:

The organisations must have involved volunteers at some point during the period covered by the research. Volunteering can take many forms within an organisation;

#### 6. Be established before 1985:

The period of time to be studied is from 1985, when neo-liberal reforms began to be put in place in New Zealand, although the impact of changing policies did not take effect until later in that decade. In order to trace change the organisation must be in existence at the beginning of this period.

### **6.2.2 Selecting the organisations**

This section identifies the use of the Charities Commission database to identify income categories in which to group the agencies, how the three agencies were selected, and discusses issues of bias and confidentiality. In the initial stages of the research, I approached the Charities Commission to discuss access to their database, which was not at that time widely available to researchers. I became

involved in a trial to extract suitable information and acquired a database of agencies by source of income and expenditure and also by organisational focus which, in this case, used the categories for social development discussed in the criteria above. The Charities Commission was established in 2005 and registrations did not begin to occur until 2007 so that the information was for the year 2009.

I identified some difficulties with use of the data. Despite Charities Commission attempts to standardise data, the process still left categories open to self-interpretation by organisations so that breaking down income to source would have required further organisation based research. For this reason I focused on total income in identifying suitable organisations. I also found that organisations have a range of different reporting dates which makes any comparison difficult. In general, the organisational income can only be loosely compared on an annual basis, other than through Statistics New Zealand data. Despite these limitations, I was able to gain a broad picture of organisations by total annual income which enabled me to identify groups of large, medium and small organisations for this research. I grouped these into three categories, large, with an annual income of more than NZ \$10million, medium, with an income between NZ\$1million and NZ\$10 million and small, with an income under \$1million in the year. The three different income groups were chosen to allow for identification of variations in the experience of change related to size.

Although it would have been possible to choose within categories of social development, such as youth work, child focused or beneficiary organisation, I decided not to focus on a specific programme field and opted instead to choose

three organisations working in very different areas, different in size and organisation. I wished to gain insights into the widespread nature of change and the way marketisation has become embedded in very different organisations. I did, however make some decisions about organisation types. I have included the international development sector within the charitable organisations which work in social development because I have experienced scepticism among the wider charitable sector about the possibility that experiences of organisations whose work is focused offshore may have relevance to domestic organisations. However, my experience across both international and domestic organisations has shown me that similar organisational structures, and funding and policy conditions provide many common experiences across the organisations. For this reason I decided to include one organisation from the international development sector.

I am also aware of an argument within the voluntary sector that sub-national regional organisations have very different experiences from that of national organisations, principally due to their isolation from the political centre. For this reason I chose to include one regional organisation. I concluded the identification of type by deciding on one domestic organisation operating nationally. Lastly, I chose to select one large, one medium and one small organisation. While these choices posed some risk because of the possible contingencies when organisations are significantly different, there is also the potential for insights associated with similarities in such different organisations.

The first organisation I approached, although initially enthusiastic about the topic, declined to participate in the research on the grounds that it would cause disruption for their over-stretched staff. As part of the methodology discussed with

the organisation, I had asked to review the organisation's Board minutes over a period of twenty-five years. This caused concern on both confidentiality grounds and the potential time it would take for staff to find the material. I reviewed my approach based on this rejection, and decided to remove the request for access to minutes and to minimise the need for in-house research in future requests.

I was concerned some organisations might find my topic an uncomfortable one and I decided to offer as much confidentiality as possible. I acknowledge the likely reality of Tolich's view that it is "improbable" that community based research in New Zealand can be conducted without organisations being identified (cited in Batten, 2011, p.121). However, although I could not absolutely guarantee confidentiality, I have assured the participating organisations of my intention to attempt it. Confidentiality appears to be an issue when researching some of the more controversial aspects of the charitable sector, particularly where highly prized reputations may be at stake. Each potential organisation received a letter (Appendix 2), and a summary of my proposed research (Appendix 3). Of four organisations approached, the three following organisations agreed to participate:

Organisation A is the largest of the three organisations financially, in membership and in national coverage. It is a nationally focused incorporated society, which works in a preventative manner in the field of personal disadvantage, according to Billis and Glennerster's (1998) categories. It has a long history in New Zealand and has been a leading organisation in its field. It is membership based. Its funding is principally from government but it also raises funds from the public and private sector. The organisation was identified when a staff member approached me

following a presentation of my proposed thesis to a sector forum. I was referred to a specific person in the organisation who guided me through an internal ethics process. My first proposal to the ethics committee was not accepted and suggestions were made about expanding the interview group to a wider group of people at lower levels of the organisation. I provided further explanation for my approach, particularly the problem of scope and focus, and my application was accepted on the second submission.

Organisation B is a mid-sized incorporated society. It has a small membership spread randomly around New Zealand, and some branches. It is focused on international development and it fits the criteria because the people it is dealing with can be identified within the areas of social and community disadvantage. The organisation was established in the 1960s during a period of expansion in international development. The organisation is largely government funded but raises some money from the public. The involvement of Organisation B was the result of my attendance at a branch AGM where the CEO was informing the members about some major changes facing the organisation. I discussed the nature of my study with senior members of the organisation's governance and management and was asked to submit my proposal to include the organisation as a case study in my research (see Appendix 3). The proposal was vetted by an in-house research assessment process. A recommendation was made to the Board and was approved.

Organisation C is a small organisation with a regional focus. Unlike the other organisations it is a charitable trust whose volunteers are also board

members. The organisation deals with societal disadvantage and has a youth focus. It was established in the early 1980s. The Chair of organisation C is a personal friend and colleague. She was discussing my research and suggested that I might be interested in involving organisation C as a case study because the issues resonated with the experience of her organisation. I submitted my proposal to the Board which agreed to the organisation's participation.

In my accepted application to Organisation A's Ethics Committee I wrote that: "Every effort will be made to ensure the confidentiality of participants, although there will always be a risk that those with knowledge may deduce the organisation involved, New Zealand being a small country in which organisations like [Organisation A] are large and well-known"

Documents from each organisation's ethics application processes are unable to be included with this thesis because of the need for confidentiality but will be available to examiners.

### **6.2.3 Selection bias**

The selection process raised some potential issues of bias which required consideration. The common identification of a fit between the issues in my research and experiences within these organisations, may have led to some attitudinal bias towards change (for example, discomfort with change) that might not be inherent or widespread across other organisations in the sector. While the organisations have been selected through the application of a set of criteria that could not specify exactly which agencies would be chosen, the final choices did tend towards those in which there was some internal understanding, and concern,

about the marketising processes. I believe it may be difficult to find many organisations that have not had this experience, or are unaware of it. However, a more random selection approach may have opened up the possibility of including organisations with little or no government funding, or organisations with a balanced level of government and other funding, and organisations that welcomed the changes and agreed with them. My thesis has arisen from my perception of widespread concern about the nature of change, and my intention is to delve more deeply into the nature and cause of change, rather than determine attitude towards it, I did not consider this problematic. I do not think that any bias of this type has a significant impact on the identification of causal mechanisms.

#### **6.4 Data Collection Focus**

A key element of a retroductive research process is building an historical picture of the development of the phenomenon being studied. To achieve this and, in doing so, identify the data required for the research the nature of organisational data must be clarified. This section will set out the data focus of the research, identify the data sources and consider the roles of the researcher, the interviewees and their organisations, in that process.

Charitable organisations have been identified as having some ongoing existence beyond the full perception of the individuals involved in them. However, it is the interaction between people and the structure of the organisation that shapes the day-to-day course the organisation takes. While the actions of individuals at all levels in the organisation are important in this process, for the purposes of this study, which seeks to identify causal mechanisms existing at the interface between

structures, it is the action of those in positions of strategic responsibility that seem particularly pertinent. This relates to the role played by leaders at governance and operations level in understanding the range of issues which require consideration in decision-making. Organisational leadership requires awareness of the range of issues the organisation faces, as well as the ability to synthesise the views of different parts of the organisation towards those issues and guide the organisational response.

For my purposes, narrowing the potential pool of interviewees to senior management and those in leadership positions in governance, has been a way of maintaining control of the scope of the empirical research. By interviewing people who held leadership roles in the organisation for part of the time period of the study, I anticipated that a broader picture of the organisation's progress could be achieved. While this picture would not be as rounded as one which involved people at many different layers of the organisation, the sacrificing of breadth for strategic insight seemed appropriate and defensible.

Sjoberg, G., Williams, Vaughan, & Sjoberg, A. (2011) argue for the use of both in-depth interview and the review of "personal documents" when interviewing "bureaucratic elites" because of a tendency to secrecy and protection of their monopoly on some forms of power (p. 56). While this does not appear to have been a particular factor in the relatively powerless charitable sector, there may be a tendency among people in leadership positions to present "a good face" to those outside the organisation. This issue can be addressed to some extent by gathering multiple perspectives within each organisation, from both governance and staff,

and by collecting organisational data which also illuminates the period covered by interviews.

## **6.5 Summary**

This chapter has identified a mixture of intensive instrumental and collective approaches to case study. It has set out criteria for selection of cases that include a social development focus on disadvantage, and the receipt of government and public funding. Using the criteria, three organisations were selected, which varied in size, level of voluntary involvement and programme focus. Within the organisations, data was collected by interviewing people in strategic leadership positions and through researching documents which record the strategic activities of the organisation.

# Chapter 7 Data Collection and Analysis

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A wide range of considerations are routinely taken into account in the collection and analysis of social research data and this project was no exception. The retroductive frame required data that spanned a period of time and which permitted a depth of analysis. Access to historic data spanning over twenty years can be problematic where material has been stored off-site or where people have moved on and lost touch with an organisation. Once interviewees are identified, the quality of interview data depends on a complex interactive process between researcher and interviewee. Analysis must consider the challenge of fragmentation of data, and issues of researcher bias while honing a focus on particular issues. This chapter considers these issues and sets out the iterative analytical process of the data which aims to identify causal mechanisms of change and test their theoretical value.

## **7.1 Document Research**

Documents play an important role in recording and sometimes illuminating strategic decisions and their effects. Organisations not only record their decisions in meeting minutes, but also produce an annual record of their progress in the form of annual reports. Minutes, papers for discussion, financial reports and annual reports may contain material which can alert the researcher to the issues the organisation has faced, or is likely to face. Organisations often retain documents involved in the development of strategic plans as well as the plans

themselves. This provides further material for building a picture of the process of change, and, in my case, complementing the interview material and providing prompts for discussion during interviews. Documentary sources may also supply useful, illuminating quantitative material.

The type of documentation I had access to was dictated, to a large extent, by the accessibility of archived material, and the willingness of organisations to permit access. As noted previously the first organisation I approached about participation in this study was deterred in part by my request for twenty five years of meeting minutes. It is my experience that charitable organisations, because of their under-resourced and voluntary nature, frequently do not have good archival systems except where there is a funder or regulatory requirement to do so. This means that historic documents are often difficult to access. In this research, even where one organisation had sent material to be archived it remained unsorted in boxes with rough dates and little content information on the boxes. For a researcher, degree of involvement in the organisation, as well as the type of study, may have a strong impact on the type of access there is to material. Each organisation presented different issues with regard to document research:

#### **7.1.1 Organisation A**

The large size of organisation A meant that its systems were very bureaucratic and formal. While the organisation was helpful, my dealings with it were conducted by phone and email and related only to gaining permission to include the organisation in my research, document access and identifying interviewees. This minimized the development of a more collaborative approach to the research. Annual reports and strategic documents plus some annual general meeting minutes and earlier board

minutes were available offsite in library archives. I was provided with a letter of permission to access this material. I spent a week at the library and provided a record, to the library, of all material copied. Photography was used rather than copying because of the cost. Each copy was digitally stored and then printed for analysis. I spent no face-to-face time in this organisation, other than to interview the current Chief Executive Officer and Operations Manager. I had been involved with this organisation many years previously as a service user and as a member. I have had a variety of interactions with it during my work in the voluntary sector, in particular while developing a set of organisational standards for the voluntary sector for a quality standards programme with which Organisation A was involved. I had no prior connections with any interviewees.

### **7.1.2 Organisation B**

In Organisation B, staff were very helpful but they were very busy. I knew the organisation well as I had been a member in the past and had worked with it in a variety of ways. A recent office move and the consigning of historic material to offsite storage meant that access to documents was limited and often required me to know exactly what I was looking for prior to making a request. A social audit of the organisation, completed within the previous decade, was unable to be found. I spent some time at the National Archives where annual reports and other public documents were stored. From this I was able to identify other documents such as strategic plans and policy documents which I requested and, where these could be found, I received copies. I spent two days onsite in the organisation, taking notes and photocopying material.

### **7.1.3 Organisation C**

All documents, including minutes, annual reports, strategic documents and financial reports were accessible and available onsite. I spent two weeks onsite, reviewing and photocopying material. The staff were very open and welcoming, providing me with space to work and assisting me where necessary. This engagement with staff provided me with a very good sense of an organisation with which I had previously not had any interaction. One of the interviewees in this organisation had also been involved in a range of positions in Organisation B. I interviewed her twice, which could have been confusing but I substantially separated the interview period and used the first interview with a focus on Organisation B, as the pilot.

### **7.1.4 Documents**

The main documents accessed in all organisations were annual reports. These ranged in depth and quality but provided some essential information on the development of the organisation. In general they provided a description of the organisation's progress in meeting its aims and objectives, and an annual overview of accounts, with income and expenditure details at a variety of levels. Annual reports sometimes outlined annual plans, referred to particular challenges facing the organisation, and often described new or changed activities. They did however, particularly in more recent years, tend to convey a positive view of the organisation and be disinclined to present any pointers to problems.

All the organisations had conducted strategic planning in more recent years and some provided the strategic plans and work leading up to the plans. Publicity material was also supplied for the organisations and their programmes.

Organisation C provided meeting minutes and I had access to some annual conference and Council meeting minutes from Organisation A.

## **7.2 The Interview Process**

The document research conducted prior to interviews enabled me to identify the names of prospective interviewees. Others were identified through discussion with the current manager or chief executive. I sought a mix of senior staff and governance people who held leadership roles. These included General Managers, Chief Executives, senior staff and Chairpeople of the governing committees. I tried to identify a range of people who collectively covered the time period of the research in each organisation and there was some focus on people who had been involved with the organisation for long periods. The names were then submitted to the organisation. I asked that a letter or email be sent from the organisation, enclosing the short description of my research and explaining that I would be contacting the individual. I was supplied with contact phone numbers or email addresses for the potential interviewees, if the organisation still had these. I tracked some people down using the White Pages and by asking contemporary colleagues for information. Each interview was sent a letter (Appendix 4) which also included a copy of the information about the research. The number and category of interviewee is set out in Table 7.1. This includes some issues which arose in each organisation.

**Table 7.1: Interviewees by Organisation**

Organisation	Senior Staff	People in Governance Roles	Issues
A	4	5	Unable to contact 2 former managers. Third former manager contacted but did not respond.
B	7	4	One interviewee had held both staff and governance positions in the relevant period One staff member had served in the organisation for the whole period covered by the research.
C	6	6	One significant former person in a governance role was contacted but did not respond.

Source: Author

### **7.2.1. Case study: participation in interviews**

Each organisation presented different challenges in terms of who was available for interview. For Organisation A, there were no contact details for two previous managers and I was unable to locate them through other means. This was a loss of significant insight into a time when the organisation changed from management by staff with a professional background in the organisation’s activity, to staff with professional management backgrounds. Most of the chairpeople of the organisation throughout the time period were available, although one had died.

In Organisation B, the interviewees were weighted towards long-serving staff. A number of senior staff had served for significant lengths of time, with one having been in her role for the whole period covered by the research. While this provided some potential for confusion of events and times, it also provided an interesting, longitudinal perspective. Overall the weighting is the result of the length in office of one President and the number of staff with length of service.

While there was a good response to requests for participation from people within Organisation C, one person did not respond for reasons which were unknown.

Unfortunately the person was in a significant position for many years and so a valuable perspective was lost. Other people interviewed covered this period from staff and governance perspectives.

The range of interviewees spans the period of the research. It was not possible to relate governance people solely to a particular time period. Most people have served within an organisation for many years prior to undertaking a chairperson's role and this length of service was reflected in a more nuanced perspective on events. More recent staff, or those who had been involved for shorter periods of time were more likely to have a snapshot view of the organisation, and provided a sharper perspective on specific issues.

### **7.2.2 The interviews**

Kvale & Brinkman (2009, p. 82) say that interviewing is an active process where production of knowledge is dependent on a conversational relationship (pp. 17-18). The focus of the research was to explore historical events and elicit perceptions of organisational change experienced by people in leadership in charitable organisations. The people selected have had a particular responsibility for responding to change, to which they have taken a passive, reactive or anticipatory approach. It was not possible for me to go back in time and observe the actual events and processes because of their historical nature, so the interview was chosen to draw out people's memories and understandings of their experience over periods in time.

Asking people to remember what happened at a period in their life, which may be many years in the past, is fraught with difficulty because a clear picture of past events may be difficult to reconstruct, and subsequent events and outcomes may

distort perceptions. An advantage of selecting people in leadership positions has been that the position may have constituted a significant period in their lives, something which is more easily remembered than everyday experience.

### **7.2.3 Interviewer-interviewee relationship**

Holstein and Gubrum describe interview participants as “meaning makers” rather than passive repositories of answers (cited in Warren 2002, p. 83). While a critical realist focus is on people’s “doings” rather than “meanings” (King, 2010, p. 257), the reconstitution of historical events, involves description and individual perception in a meaning-making process. This meaning-making process is carried out both by the interviewer and the interviewee, each of whom bring their own experience and understanding to the “conversation” (Warren, 2002, pp. 84-85). The researcher’s understanding varies according to prior knowledge and their relationship with the material. The researcher can have an “etic”, or outsider perspective, or an “emic”, or insider perspective (Efferin & Hopper cited in Cordery 2008, p. 142). Cordery argues that a combination of both etic and emic enrich analyses (p. 142). I brought both an emic perspective, as someone with extended and intense experience of the charitable sector, and an etic perspective, as someone outside of each organisation. Having served at many levels in both voluntary and paid positions in charitable or similar organisations, I have some knowledge and understanding of the organisational context within which the interviewees had been active. I ensured participants were aware of this common background prior to the interview and further connection was made at the time of the interview. While this can have benefits for building rapport and for eliminating some misunderstanding, it can also provide its own problems if the interviewer

over-identifies with interviewees and makes assumptions about understanding which do not exist. My concern that my prior interaction in Organisation B may have inhibited some respondents was allayed by the focus on the topics raised, removing the potential for intensely personal considerations.

The interviewees were a mixture of people I knew and people I had not met. While I did have some general knowledge about the background, knowledge and perspectives of those I knew, this was often not deep. However this knowledge did serve as a common ground to start the interview experience. For those I did not know, initial questions were designed to relax the interviewee and establish points of common ground based on shared involvement in charitable organisations.

Interviewees were generally keen to discuss the issues and were frequently passionate about their organisation and their experience in it. Rather than inhibiting them, the interview appeared to provide space for reflection which many had not had time to do previously.

Studies have shown the importance of the interviewer's "reflexivity, standpoint, self-understandings, and integrity" in achieving the required role of "sense-maker" and "interpreter" in an interview (Warren, 2002, p. 105). For my own part, I recognised my reflexive nature and interest in the perspectives of others but was also aware of my own strong opinions and the need to consciously curtail an opinionated stance in the interviews. I am greatly stimulated by discussion but can be dominant and have a tendency to second guess other people. This spurred me to conscious development of listening skills. I have a well-developed understanding of appropriate behaviour and previous experience of research interviewing. At the same time, I was aware of the interviewee contributing their

individual self, their lived experience, their values and decisions, occupational ideology, cultural knowledge and perspective to the interview (Johnson, 2002, p. 104). The interviewees received a letter prior to the interview, and most had given some thought to the topics prior to the interview.

Warren (2002) raises the issue of difference of opinion, which may arise during the course of an interview, and discusses different approaches from a non-partisan approach to one where different opinions are taken seriously so that new data is generated. During my interviews I occasionally found myself in disagreement with interviewees and, at times, rather than stay silent, I explored the issue, expressing my contrasting view. The ability to do this in a range of ways during the interview, for example when meaning is unclear or there may be different interpretations of the same concept, is a strength of qualitative interview. As Warren (2002) suggests: "Among the ethnographic qualities of the qualitative interview itself is that the interview unfolds reflexively as each participant looks at the world through the other's eyes, incorporating both self and other into the interpretation" (Warren 2002, p. 98).

#### **7.2.4 Interview type**

Berg (2007) identifies three types of interview: structured, semi-structured and unstructured (p. 95). The types traverse a spectrum from formally structured questions in which the interviewer does not deviate from the question sheet, and in which the interviewer asks the questions in the order given, to completely unstructured questions which do not follow any particular rules and where questions may vary from interview to interview. Kvale describes qualitative interview design as an open-ended process which is more concerned with "being

attuned to who is being travelled with than setting out a precise route for all to follow” (cited in Warren, 2002, p. 86). This less structured, more interviewee-led approach is one which aligns with a critical realist approach because it maximises the information flow, particularly through adaptation of pre-conceived questions and ideas during the interview. (Sayer, cited in Pratt, 1995, p. 68).

In my research I adopted the middle ground perspective of semi-structured, leaning at times towards unstructured, interviews. I used a set of topics with questions attached. I did not necessarily follow the path of the questions or ask the questions in the same way, depending on the circumstances of the interview. This was designed to allow interviewees to delve into their own thoughts on the past and encourage reflection on the events they had experienced.

### **7.2.5 Identifying the questions**

This semistructured approach was adopted following a pilot of the original questionnaire. Drawing on my literature research, and then on my document data from the first organisation, I prepared a set of questions (Appendix 5). I identified seven headings each with questions and a number of sub questions. These were tested in a pilot interview with an interviewee from Organisation B. Among the issues identified, after the pilot, was the overall length of the interview and the potentially repetitive responses invoked by the questions. As a result of this pilot, I retained the seven topic headings and their questions but removed the sub-questions (Appendix 6). In future interviews I used the headings as a guide only so that the interview could flow. The topic headings were:

- 1) Introduction and settling questions
- 2) Role of the organisation

- 3) Organisational change
- 4) Programmes
- 5) Resourcing the organisation
- 6) Leadership
- 7) Summing up – an opportunity to include information not already asked.

The questions were used as prompts to focus on the experience the person had within the organisation at the time they were in their role, their experience of organisational and programme change, the role of funding as a driver of change and the role that they played in the process of change. I included some questions about the interviewee's understanding of the concepts of charity, social development and social enterprise to gauge levels of understanding and common ground in aspects of the research.

#### **7.2.6. Interview ethics**

The research was submitted to Massey University's 'low risk' ethical notification process on the grounds that I, and my supervisors, believed that the nature of the project was such that potential harm was minimal and no more than would be normally encountered in ordinary life. The interviewees were adults able to freely give or withhold consent. Ethical considerations, such as organisational confidentiality and ethics processes within the organisations themselves, have been addressed as they have arisen in this chapter. This section outlines the ethical issues which arise when conducting interviews.

Each interviewee was provided with information about the consent process in the letter they received about the interview. A copy of a consent form was provided at the start of the interview (Appendix 7) and its content was explained. Interviewees

were aware that they could withdraw from the interview at any time and the consent form was signed at the end of the interview. They were asked if they wanted to receive a transcript of the interview, and if they wished a summary of the thesis findings on completion. The interviewees were informed about the intention to maintain organisational anonymity and they were asked how they wished to be referred to in the writing up of the research. This was recorded, although some interviewees left this to me to decide. I have chosen to name them by their broad title and I have attached a letter to their name for easy reference to each individual by me as the researcher.

#### **7.2.7 The conduct of the interview**

Most interviews were conducted at a place of the interviewee's choosing. Personal perspectives dictated that some topics, at times, received more attention than others. Some conversations were very dialogue based while others were question and response oriented. Some interviews took a long time and required more than one session but most were accomplished within a single period of one and a half to two hours. I was personally acquainted with many people in Organisation B, some in Organisation C and none in Organisation A.

In my interviews I found that many of the respondents welcomed the opportunity to reflect on this period of their lives, and expressed pleasure in remembering times they had forgotten finding new insights. One interviewee, however, expressed some concern that they were unable to understand the purpose of the interview, once it was complete. I discussed this with the interviewee, who had undertaken doctoral level research, but concluded that I would maintain my

approach in future interviews as I felt my questions had been productive despite this.

The interviews were digitally recorded. While this process has the potential to alter the conversation (Warren, 2002, p. 91), the recorder was small and not intrusive and did not appear to impinge on the interviews. One part of a conversation was mislaid for a short period and the interviewee was contacted and informed about this. I decided that because of the difficulty of recreating the initial conversation, which, in this particular instance, had been the result of a great deal of reflection on the part of the interviewee, prior to the interview, I would only attempt to repeat the interview if I felt that a perspective on this particular time period was problematic in the research. The recording was subsequently found and used in the research. One interviewee asked to have the recorder turned off so that personal information could be provided which would illuminate the context.

### **7.2.8 Transcription**

I began by transcribing the interviews myself but I found the process slow and time-consuming and was concerned about the number of interviews. I decided to engage a former colleague, who has worked for many years in charitable organisations, to undertake the transcriptions. We agreed to the material being transcribed in note form rather than full transcription. There are a number of concerns about transcription, some of which are exacerbated by the use of both a transcriber and the use of notes. In particular, the transcription of interviews entails translation from rule-bound oral language to written language which has a different set of rules and this produces “decontextualised conversations” (Kvale, 1996, cited in Batten, 2011, p. 99). For the purposes of this research, which focuses

on a historical perspective and was not site based, the context of the interview is less important than in site-based research. It is however an important issue that required some careful thought. Note taking pares down the conversation to a less elaborate form so that the events are identifiable. It is these events, or ‘doings”, and the interviewee’s perspective on their causes which are the focus of this research. While the researcher can interpret events in context by returning to the original conversation, the transcriber’s lack of contextual involvement may cause important events to be missed. This de-contextualisation of the connection between interviewer and interviewee means more care must be taken to ensure the transcriber’s notes match the researcher’s understanding of the dialogue. This potential slippage can only be resolved by the researcher checking the transcript against the recordings of the interview, something which was done with all quoted statements in this thesis.

One concern when using a transcriber is that the confidentiality of the material may be put at risk. Ensuring this did not happen was important because the person transcribing material had had involvement in one of the case study organisations. I had a detailed conversation about confidentiality with the subscriber who had experience in academic work, prior to them signing a Massey University Ethics Committee Confidentiality Agreement (Appendix 8).

### **7.3 Analysis of Data**

The process of research described so far has involved a literature review, identification of the research question and development of a case study approach which focuses on change in three charitable organisations over a period of twenty

five years. The focus of each case study is on documents, which either explain or indicate organisational or programme change, and interviews which explore this change through the perceptions and understanding of those who were involved in the three organisations at various times during the twenty five years. The data which results from this work is in various forms. Notes have been made from documents, and copies of other documents have been made or scanned to digital storage; financial information has been transferred into spreadsheets; and interviews have been transcribed in shortened note form. The next stage of the research process is analysis of the data. This section will outline a first stage of analysis that employs both qualitative and some quantitative analysis to identify themes. This is followed by an iterative abstractive process which revisits the data from a range of perspectives to identify causal mechanisms and form the basis of theories on the marketisation process.

There is a divergence of opinion among researchers about the most appropriate methods of data analysis in a critical realist approach. Arguing that combining methods is central to retrodution, Downward and Mearman (2007) also caution that care needs to be taken in deciding at which level of abstraction a method may be employed, because multidisciplinary approaches provide the potential for ontological “clashes”(p. 89). When a positivist ontology tolerates generalisation, and a constructionist one argues that all knowledge is particular to human understanding of it in a particular context, the outcome of research may be compromised if one is used to attempt verification of the other. Downward and Mearman (2007) argue that this problem can be overcome within critical realism by using the data produced by different methodologies at different levels of

abstraction to clarify the phenomena rather than verify it. The contribution of each method is not to validate findings, build one on the basis of the other, or develop conclusions beyond the capability of an individual method, but rather to provide extensive empirical elucidation of a phenomenon and develop theory through elaboration of insight (p. 91).

McEvoy and Richards (2006) also advocate use of mixed methods within a case study approach, using quantitative data to reinforce the findings from qualitative data, “giving the inquiry a greater sense of balance and perspective” (p. 76).

However, Downward and Mearman (2007), who advise mixed method triangulation, criticise case study for having “echoes” of the hypothetico-deductive method, citing its common use of validation of prior theoretical content through analytical generalisation. Downward and Mearman conclude, however, that the case study approach can be used if framed “within more explicit ontological referents” (p. 95). The process outlined by both McEvoy and Richards (2006) and Easton, G. (2010) appears to achieve this by focusing on multiple sources of data collection, the iterative process of abstraction of data, and identification of a range of explanations of phenomena which are tentative in nature. Easton, G. (2010) says that the aim of epistemological closure, “however flawed and temporary” is compatible with the “cut and come again” disposition of case study. It is also “pragmatically desirable” that a number of different explanations are identified so that the particular explanation in the particular circumstances can be produced (p. 124).

While the financial information gathered in this research required some quantitative analysis I hesitate to describe the analytical process as a truly mixed

method triangulation approach due to the weight of qualitative data. Triangulation can occur in four different ways (Downward and Mearman, 2007), of which the most relevant to this research are the “between-method” of mixed method, and data triangulation which involves gathering data at different times and situations from different subjects (p. 91). The relatively high number of interviewees across the three organisations means that there is considerable scope for qualitative data triangulation in this research. It is a method which resonates well with the “cut and come again” possibilities in case study (Easton, G. 2010, p. 125). Using these methods, the abstracted data is: “a first step towards conceptualising and theorising the real essence, power and mechanism of an object; and it helps to distinguish external/incidental/contingent from internal/essential/necessary relations between objects and events” (Yeung, 1997, p. 58).

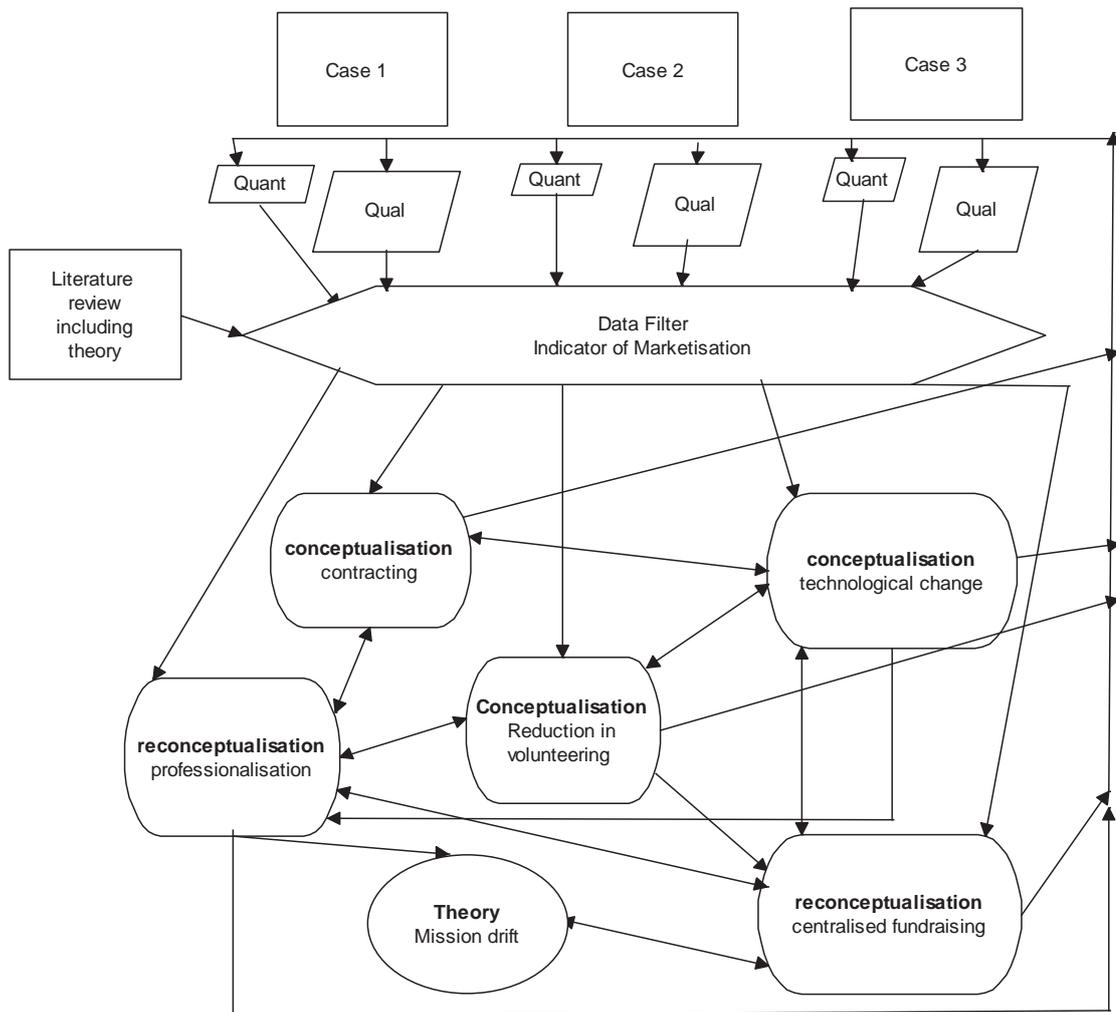
While this abstraction of data leads to a first step in the conceptualisation, and reconceptualisation process of retrodution, the data requires careful theorisation because poor identification of abstracted objects can lead to identification of the wrong relationships (Yeung, 1997, p. 58).

There are many levels in retrodution which provide potential for a haphazard, complex and potentially overwhelming process. For this reason, and because many issues have already been identified in other research, in the first stage of analysis, I took a thematic approach. Using the indicators identified in the literature review to form “frames” for analysis, I identified the existence of these phenomena in the data and gathered the data that related to them. While there are some advantages to a framework approach, including cross-sectional analyses of data, the transparent interpretation of participant experience, and explicit processes that

guide systematic analysis (Smith & Frith, 2011, p. 55), there has been criticism of its lack of depth, its focus on theme development rather than generation of theory, and the potential that fragmentation of data will lead to misinterpretation (Smith & Frith 2011, p. 54). These criticisms may point to problems in its use as a total analytical methodology within critical realist ontology. Rather than use this method of data analysis as an end in itself I used it as a first stage in the retrodution process, maintaining a focus on the open nature of social systems and the holistic nature of phenomena.

I have set out the iterative process which analysis took in relation to each theme identified in (Figure 7.1). The diagram shows how the data derived from each case is separated into quantitative and qualitative components. The data is then filtered through a lens which includes prior information and theoretical understandings of the marketisation process. These combine and conceptual understandings of change emerge. These understandings are linked with other conceptualisations and some are reconceptualised until new theories emerge.

**Figure 7.1 Process of Analysis**



Source: author

### 7.3.1 Data identification

To maintain the connection between the data and its original context I coded it by using an organisational code and a personal code for each respondent. The data was then transferred to a three column table. I put the questions in the first column and then broke the responses into paragraphs, each of which related to the question. These paragraphs were numbered sequentially, using the identifier beside the number. The third column contains notes about marketisation themes identified in the text. Once the major themes were identified, the original data was analysed again using the theme. This approach allowed for the analysis of data on

the basis of events, timeframes, and separate staff and governance perspectives. By moving backwards and forwards into these different categories, data could be abstracted at different levels and ultimately validated. Once no new data was abstracted, contextual issues and contingencies were explored and theories developed.

### **7.3.2 Statistical data**

The data used to compile graphs in my findings has been drawn principally from annual financial statements. These are often difficult to decipher, particularly as the information tends to be conveyed differently in different years by changing personnel. I have endeavoured to identify comparable data each year, for each organisation. This is the reason why data covers different timeframes.

Organisation C provided total income and expenditure for every year but disaggregated income was only available in the 2000s. The sources of income in Organisations A and C has been on a “best guess” basis because I could not undertake the level of enquiry needed to identify this in detail. I am confident, however that the groupings are accurate enough to provide a general indicative picture of the financial trends in the organisations.

### **7.3.3 Theory development and generalisability**

An objective of this research is to identify mechanisms which have led to marketisation within charitable organisations. The study seeks to identify the influencing mechanisms, and the responses, in three organisations to build deeper understanding of the nature of change and its implications for charitable organisations. Easton, G. (2010), argues that generalisation requires acceptance that not all events and their causes are substantially unique. Explanations focus on

general causes which take a particular form in particular circumstances. In this way the constituents of causal mechanisms, which have been identified and defended as “invariant under certain transformations”, provide a basis for developing theory beyond the particular case (pp. 126-127). In critical realist terms these invariances can produce “tendencies”, rather than generalisations. Tendencies indicate that causes may produce similar emergent structures. Easton, G. (2010), argues that the aim is to achieve greater “depth” of explanation (p. 119), or comprehensive explanation, to strengthen the understanding of the causal mechanism. Theories, in a critical realist context are tentative and incomplete and, in keeping with Downward and Mearman’s (2010) description of retroduction as a “thought operation” (p. 88), Easton argues that the value of theories are based on “judgemental rationality” where arguments can be made for “claims about reality as we think it is”. Easton, G. (2010) says that by comparing and making judgements about the different arguments we can determine an objective opinion (p. 124).

My original concept of research design included one of two possible further stages of data collection. One was a more extensive stage of data gathering designed to identify whether the findings resonated with the wider sector. The second option was to develop the theoretical issues and take them to focus groups drawn from the charitable sector, or more particularly from the organisations involved in the research. This process would have served as a further level of abstraction and may have produced greater illumination of the phenomena. Both were abandoned, however, because of time constraints. Sufficient data was derived from the case study process, which drew on both documentary and interview data, to complete

the research and even with the wealth of data produced within the case study frame, not all is drawn upon in the analysis.

#### **7.4 Summary**

Data collection and analysis from three case studies required a careful focus on key issues to maintain the manageability of the research. However this needed to be conducted in a holistic way to ensure the critical realist ontology was also maintained. Using the indicators of marketisation from the literature review as frames for the initial abstraction of data, I identified key factors in the marketisation process. By focusing on these key factors, in a reflexive approach which continuously examined the interaction between the issues and the intransitive structures identified by critical realism, I identified causal mechanisms that illuminate and clarify the marketisation process.

## Part 3

# Chapter 8      Twenty Five Years of Change

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All organisations experience change as new people come and go, as they grow in size or as new ideas affect the programme work and organisational approach. However, evidence from the literature on the voluntary sector indicates that there has been a period of intense change in the charitable sector since the 1980s which has produced very similar effects on organisations with diverse characteristics. In this chapter I provide an overview the changes which have been experienced in each of the three organisations identified in Chapter 7. Drawing on both the documentary and interview data I have compiled a synoptic view of the broad changes in each organisation, which I describe in turn, and then draw out significant aspects of change which are common to all the organisations, and any aspects which may be unique in each. As explained in Chapter 6, I am seeking to maintain confidentiality thus I am unable to cite organisational reports from which I have garnered information.

### **8.1    Organisation A**

The largest organisation selected for this study is a well-established and recognised charitable organisation. Throughout the research period the national organisation has been a collection of individually incorporated branches whose members, through a representative process, govern the organisation. Organisation A has experienced a decline in membership and volunteer participation during the

past twenty five years, although there has been a renewed recognition of the value of volunteers to the organisation's status which has led to establishment of professional support for their involvement and participation. There has been ongoing restructuring of the organisation's governance and significant change in the organisation's operational structures. The latter have grown and become more consolidated, professionally managed and specialised. The organisation has tried to maintain a universal approach to its core programme which has enabled access to anyone who wished to use its services, despite funder interest in targeting those with special need. The organisation has retained its innovative approach to its work by seeking alternative resources, placing greater emphasis on business fundraising and by encouraging local volunteers to respond to local needs. Nevertheless the organisation is heavily dependent on government funding, which makes it vulnerable to changes in policy and government practice.

### **8.1.1 Volunteers, membership and governance**

Interviewees commented on the decline in membership of Organisation A since the mid-1980s. The branches, which formed the core operational units of the organisation throughout its history, were responsible until the early 1990s for provision of a workplace, transport and material supplies for professional staff. By 2010 branch members and volunteers were still playing an active role in programme delivery, fundraising and publicity in 109 branches and their sub-branches. However, the declining numbers of members and volunteers has placed a strain on branch maintenance. In 2010 a review of the organisation's governance identified the unwillingness of volunteers to maintain the bureaucratic structures of branches, preferring instead more focused project volunteering. The report

recommended that branch and sub-branch assets be transferred to area structures, which were established following a similar review in 2000. This would relieve branches of the administrative responsibilities, which were off-putting to volunteers, and transfer them to paid staff. Branches and sub-branches remain in place and volunteers are supported by paid staff, employed at area level to recruit and train volunteers in the management of meetings and modern volunteering methods. Volunteers are encouraged to pursue fundraising and develop programmes in response to local needs.

Since 2000, there has been a growing understanding of the value of volunteers to organisation A. They not only deliver a wide range of the organisation's services in their local communities in a way that could not be undertaken by professional staff, but they also contribute to the organisation's lobbying strength and are a key component of the organisation's difference in a highly competitive funding market. From the late 1990s the organisation began to invest significant time and effort into volunteer recruitment and retention and the 2010 review recommended strengthening these moves by provision of professional support and training for volunteers.

The governance review identified that Organisation A's branch structures are strongest in rural and wealthy urban areas, and weakest in higher-need urban areas, indicating that these structures are better suited to middle class Pākehā (anglo-European New Zealanders) rather than people from diverse cultures and poorer backgrounds. This has been reflected in the governance of the organisation where branch members, with the support of their peers and with a long term commitment to various levels of the organisation, could become members of the

governing board of the organisation. According to the 2010 report this system had become problematic as volunteer numbers fell. Many Councillors held their appointments as the result of uncontested elections and a culture developed in which there was an unwillingness among members to challenge a lack of skills or understanding.

Organisation A had a long history of “hands on” governance with Presidents and Board members taking an interest in many administrative matters within the organisation and playing an active role in managing the organisation at Branch level. The Board undertook governance training which emphasised the separate roles of board members and managers and the need for strategic planning and policy based governance. The 2010 governance review was the second review in recent years. Changing the organisation’s unwieldy structure and improving support for the volunteer network were two of five key themes in the 2010 governance review. The other themes were: the need for improved governance, transparency and accountability; the need to improve governance skills and abilities; and, better engagement with Māori, Pasifika and minority communities<sup>15</sup>. In the review, some key recommendations for change to Board governance were that any financial member should be eligible for nomination to the Board and that voting be broadened to all financial members, that there be two to three independent Board members and that all nominations to the Board be screened to ensure candidates have the right skills. The recommendations also suggested that while the two Māori Board members be retained, their selection be open to Māori outside the Māori caucus of the organisation.

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<sup>15</sup> Organisation A Governance Review 2010, p4-5

### **8.1.2 Organisational structure**

The review also recommended the streamlining of the organisation's structure. The New Zealand Council, from which the Board members had previously been chosen, was disbanded and Area Presidents were created to preside over the area structures. Regional administrative structures, which began to develop in the 1990s, were professionally managed by 2010 and the report recommended consolidating the branch administration within these hubs. The area structures have a degree of autonomy to operate within parameters delegated by the national organisation, providing the organisation with ability to respond to local needs in appropriate ways.

### **8.1.3 Programmes**

The Core work of Organisation A is still recognisable but the way in which it is delivered has changed over time. There is more focus on efficiency and accountability, on output and outcomes measures and on criteria and standards set by a range of government requirements which are both internal and external to the contract system. These requirements have limited the organisation's responsiveness to clients, in particular by placing time restraints on interaction. Some of the organisation's programmes have become more difficult to deliver in the last twenty five years because boundary issues have developed with organisations doing related work. Issues such as the Privacy Act (1993) and the Health and Safety Act (1992) have changed the work parameters of both professional and volunteer staff, who are engaged in increased reporting and risk management. The organisation has however adapted to new technology to make its services more easily accessible to its target communities. A significant change

has been the shift in programme focus from a Eurocentric, geographical perspective which responded to members and clients, to a needs-based model which focuses on the wider community. The organisation has become more aware of the Treaty of Waitangi<sup>16</sup>, increasingly bicultural in its approach and also more responsive to an increasingly multi-cultural clientele. It has, however, tried to resist any shift away from its universal focus.

Advocacy work has been a particular strength of Organisation A. In the 1980s many of its prominent and influential campaigns were driven by a combination of professional leadership and member support at conferences. Following a period of strife in its relationship with government where the organisation used its lobbying strength to influence funding negotiations, the organisation has shifted its approach so that the Board is responsible for advocacy on issues and management takes the major responsibility for funding advocacy. However the organisation has also shifted away from conducting its own public advocacy on controversial issues to collective advocacy with like-minded organisations.

#### **8.1.4 Management**

The professional programme delivery which has been a hallmark of the organisation was, in the 1980s, supported nationally by a small administrative and programme specialist team. While maintaining its professional programme delivery, there is now greater emphasis on specialised professional management. The transition to a managerial organisation was accomplished by a series of Managers and a Chief Executive with experience in government and the business

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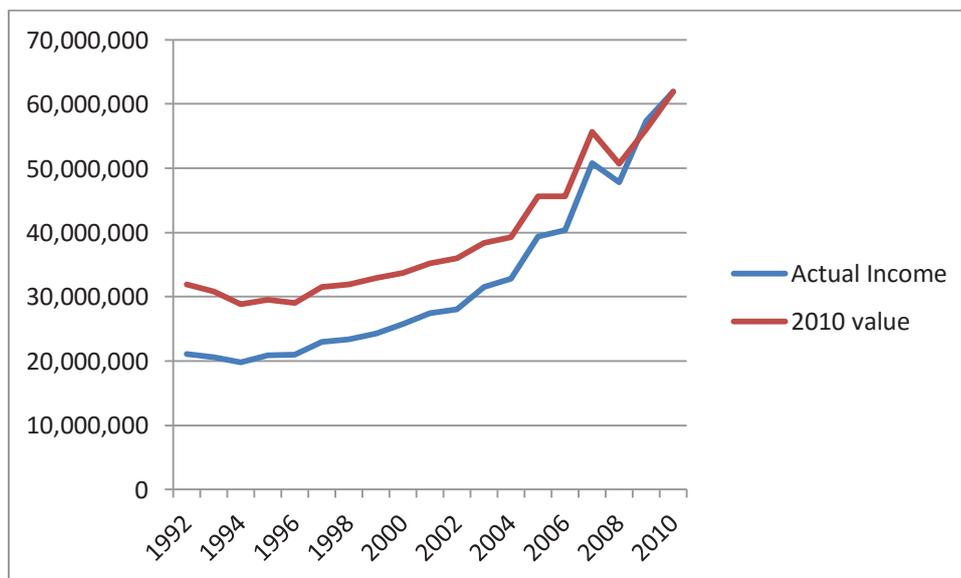
<sup>16</sup> For information on the debate about the Treaty of Waitangi and forms of practical application in a policy setting, see Kingi, T.R. The Treaty of Waitangi: a framework for Maori health development. New Zealand Journal of Occupational Therapy, 54 (1) 4-10. Retrieved from: <http://www.nzaot.com/downloads/contribute/TheTreatyofWaitangiAFrameworkforMaoriHealth.pdf>

sector. The CEO in 2010, who began her involvement in the organisation as a service user and then a field worker, has qualifications in management which were gained during twenty years of involvement in the organisation. She was chosen specifically for her understanding of the organisation’s needs. The CEO now has a Chief Operations Officer, a Chief Financial Officer and nine managers reporting to her. In 2014 the service oriented managers come from the not-for-profit sector or within the organisation itself, while the others are drawn from business or the government sectors.

### 8.1.5 Funding

Over the twenty five years from 1985, the organisation’s income has grown substantially. Figure 8.1 shows the progress between 1991 and 2010 which amounts to an overall growth in income of 200 percent in real terms, or nearly 100 percent if the figures are inflation adjusted to current values.

**Figure 8.1. Organisation A: Total Income 1992-2010.**

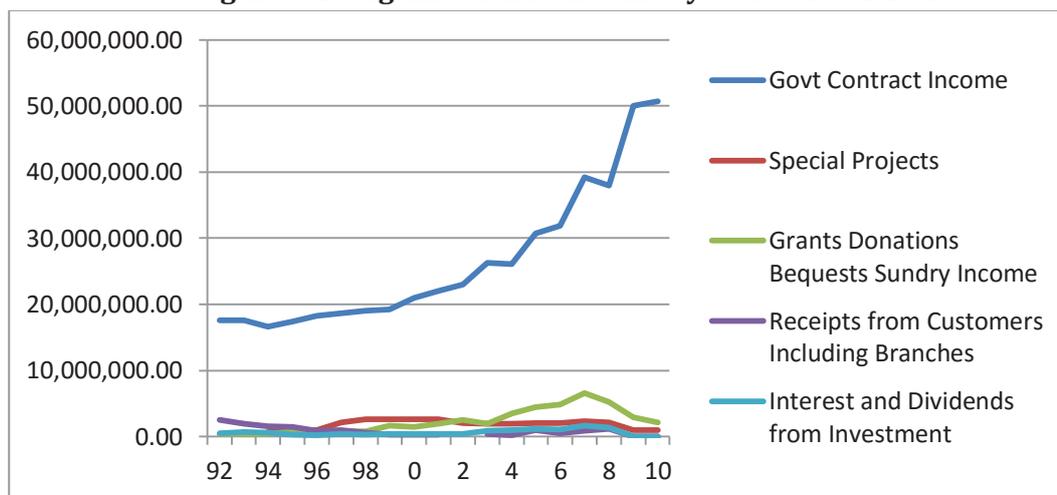


Source: Organisation A Annual reports 1991-2010

Organisation A has received the bulk of its funding from government and while the mix of branch-based fundraising activity, business sponsorships and government

funding remains, Figure 8.2, which charts the income of the organisation by source since 1992, indicates the major growth has been in government funding which has also increased by approximately 200 percent, with much of the increase occurring in the decade since 2000 (see also Appendix 9). While special projects are also government funded outside the organisation’s core funding, the most significant growth in other funding over the same period has been from the in Grants, Donations Bequests and Sundry Income which includes funding from the business sector. Funding from sponsorship and public donations has grown by nearly 500 percent, peaking at approximately \$6.5 million in 2007. At the same time funding from clients, members, interest and dividends fell by nearly 100 percent.

**Figure 8.2. Organisation A: Income by source 1992-2010.**



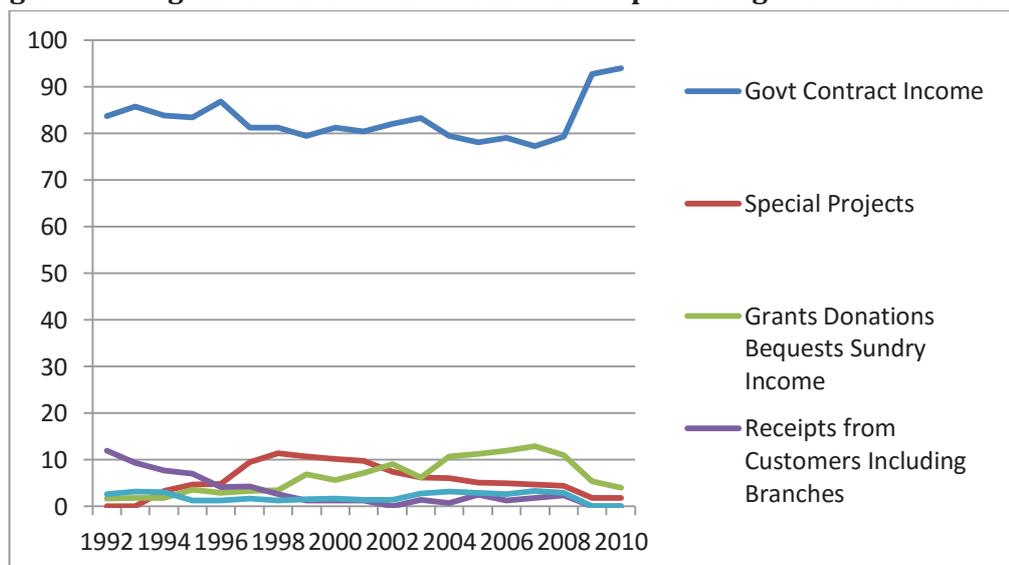
Source: Annual Reports Organisation A 1991—2010<sup>17</sup>

In the mid-1980s the organisation was a line item in a government department budget and received an annual grant to support aspects of the organisation’s work. Since the 1980s, Organisation A has had to adjust to the government’s shift to contract funding, a rise in competition from other providers, or potential providers

<sup>17</sup> Membership fees are not separately accounted.

of similar services, and several restructurings of its principal government funder. It has had to engage in a struggle with its funder over provision of a strategically important service, for which the organisation had to find substantial funds from a range of sources including grant-making bodies, branches and its reserves, while the matter was being resolved. Despite these challenges the organisation has maintained its relationship with government. Many previously part-funded services have become fully funded and new services have been added. Figure 8.3 shows the organisation's income by source as a percentage of total income. This shows the stability of the relationships with government at approximately 80 percent on total income between 1991 and 2010. The only period in which the proportion of government funding dipped below 80 percent was when there was a significant growth in business income (Included in Grants Donations etc.). Following the recession in the late 2000s, the proportion of the organisation's income derived from government has increased substantially, to over 90 percent of total income.

**Figure 8.3. Organisation A: Source of income as percentage of total 1991-2010**



Source: Organisation A, Annual Reports 1991—2010

### **8.1.6 Summary Organisation A**

At the end of the research period, Organisation A had transformed itself from a membership and branch driven organisation into a professionally managed, centrally driven organisation, with regional bases. While its branch structure is under strain there are 109 functioning branches throughout New Zealand. The organisation is attempting to rejuvenate its volunteer base, which still underpins many of the organisation's programmes in the field. However, despite Organisation A developing one of the more successful business sponsorship portfolios in the charitable social development sector, and despite some difficult periods in its relationship with its government funder, government funding growth dwarfs other fundraising efforts. The organisation maintains a strong standing in the New Zealand community and has used this to influence government policy and programme delivery. However the organisation has also been forced to compromise its approach to programmes to meet government requirements and its approach to advocacy has become more cautionary.

## **8.2 Organisation B**

Organisation B had been set up, with community and government support, for twenty years prior to the start of the research period. It is a mid-sized, established and nationally recognised charitable organisation. It has shifted from having what was described by one respondent as the hallmarks of a "club" or "family" to an organisation which has become increasingly professional at administrative, programming and governance levels. The branch role has become less clear over time. Membership has declined although there is a growing recognition that New

Zealand based support is important for the organisation's survival. Organisation B has had a close working relationship with its funding Ministry. This has enabled the organisation to shape its own programmes and afforded it a relatively benign transition into contracting. There was a dramatic change in 2008, when a newly elected National Government imposed a very narrow programme orientation. While the organisation has retained its funding and is adapting to the changed environment, the changes have caused the organisation to develop a stronger focus on organisational independence.

### **8.2.1 Governance**

The organisation's governance was branch-based in the 1980s and governing Council members were highly interactive with staff. The organisation was largely driven by the Executive Director and Chairperson for a time, something that was aided by the representation model of governance and the ability of branches to send different delegates to each Council meeting. Governance changes followed initial efforts at strategic planning which was led by the organisation's management in the late 1980s. The first governance training, in the early 1990s, promoted development of strategic and policy-based governance. Strategic planning was refined over subsequent years and is now a collaborative effort between governance and management, and includes branches.

During the 1990s the Council addressed Treaty of Waitangi issues by appointing a Kaumatua (Māori elder) and making a position on Council for a Māori appointment. This representative approach was extended to New Zealand residents with ethnic links to the continents in which the organisation worked, with a view to harnessing a perspective from their country of origin. This approach

was abandoned in the 2000s. Branches, which when combined, did not cover the whole country, were in decline and governance shifted to an individual member-based model in which any member could nominate and all could vote. This model has since evolved into a skill-based one. Council outlines the skills sought in Council Members and candidates self-identify the skills they possess in the material which accompanies the voting slip. Provision has also been made for appointment of independent members to address skills deficits on the Council although by 2010 no appointments had been made. The Council has become less directly involved in management matters.

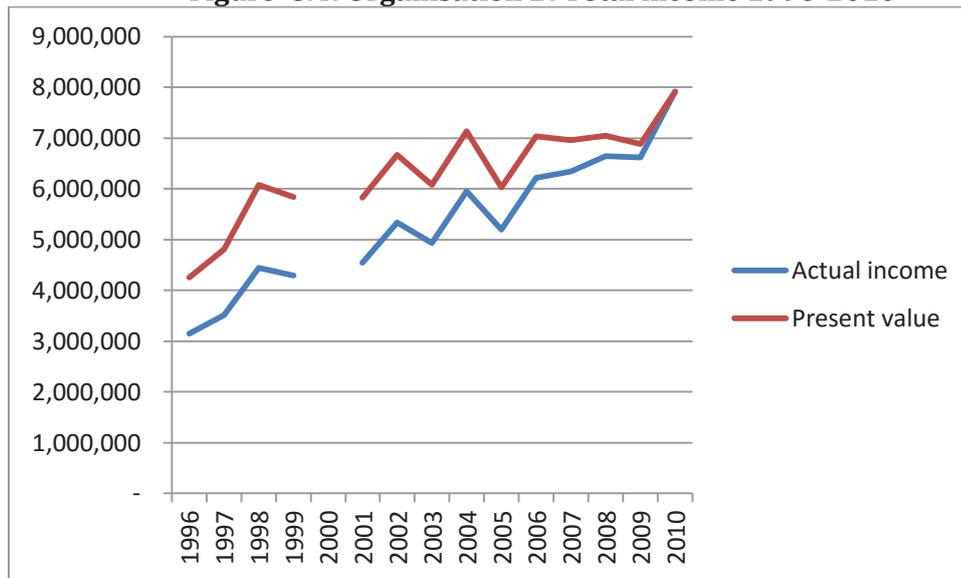
The role of branches has not changed greatly over the research period. As well as having input into the organisation's strategic planning, branches still undertake fundraising, local publicity for the organisation's work and support for the organisation's fieldwork. However, some of these roles, particularly where they link to national events, are being increasingly undertaken by professional staff. Most branches are struggling to survive. The organisation is seeking new ways to engage people with an interest in the organisation's work and there is a new emphasis on building a central list of supporters who may have participated in the organisation's activity in the past, and in direct fundraising which is centrally organised. At the same time some of the organisation's leadership have discussed replacing the membership-based incorporated society model with a Trust-based model of appointed members, a move that would leave no role for branches.

### **8.2.2 Funding**

Figure 8.4 shows the steady rise in the total funding of the organisation between 1996 and 2010 (see also Appendix 10). The organisation's income has risen by 151

percent or 85 percent when adjusted for present value<sup>18</sup>. There is a very strong link between the total funding of the organisation and its government funding which has been its principal source of income. The organisation has attempted to identify independent funding throughout much of the last twenty five years and these efforts have intensified recently.

**Figure 8.4: Organisation B: Total income 1996-2010**



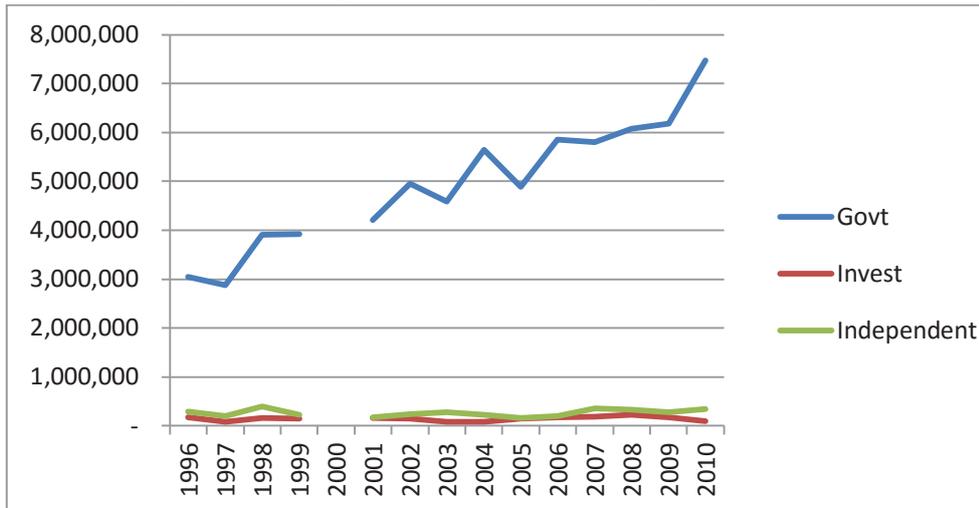
Source: Organisation B Annual Reports 1996-2010.<sup>19</sup>

However Figure 8.5 shows that branch, member and business-based fundraising has remained a small part of the organisation's income. While government funding has risen by 145 percent since 1996, investment funding has fallen by 47 percent and independent funding has shown only a modest rise of 17 percent.

<sup>18</sup> The percentage increase is calculated on the beginning and end dates and does not focus on highest and lowest points during those periods.

<sup>19</sup> The accounting year changed in 2000. I have left a gap because there was no information on which to calculate an annual figure for that year. It is not necessary for the years before and after that date to be commensurate, i.e July 1<sup>st</sup> to June 30<sup>th</sup> or January 1<sup>st</sup> to December 31<sup>st</sup>, as the focus is on the incomes for each single year.

**Figure 8.5. Organisation B: Income by source 1996 – 2010**

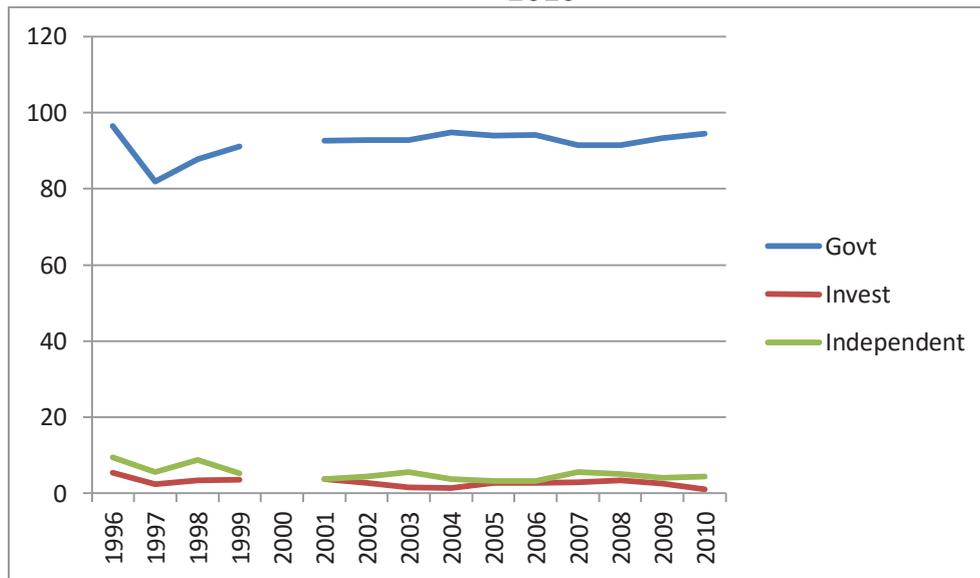


Source: Organisation B Annual Reports

The dependence of Organisation B on government funding is very high. Figure 8.6 shows that over 90 percent of the organisation's income has come from government since 1996. Although organisation B has maintained a strong relationship with its funding Ministry throughout the research period, this relationship has, however, become increasingly formal and directive on the part of government. The relationship with government can be divided into three distinct phases. In the first phase, prior to the early 1990s, there was a strong grant-based relationship between Organisation B and its funding Ministry. A level of trust had developed which allowed the organisation autonomy of action within agreed parameters<sup>20</sup>.

<sup>20</sup> A 2003-2007 Review says "[Organisation B] has been, and remains, free to pursue its own agenda in countries of its choice" and that "the current Funding Arrangement "is a permissive document to the extent that it permits a range of possibilities and does not limit."

**Figure 8.6. Organisation B: Source of funding as a percentage of total income 1996-2010**



Source: Organisation B Annual report 1996-2010.

The second phase occurred when government funding policy changed in the early 1990s and the organisation shifted to a contract in which the Ministry purchased the organisation’s services. The CEO at the time said that the organisation was very unprepared for this change, which induced an air of crisis, particularly as targets, which had previously been very flexible, became more rigid and could result in funding penalties. With strong support from its funding Ministry, the organisation adapted to the new approaches and was able to maintain its focus. This stability extended through a period of major restructuring of the funder during which the funding arm became a semi-autonomous unit within the Ministry.

The third phase in the relationship came during the two years prior to the end of the research period, when Government adopted a stronger economic focus in its international development programmes and accompanied this with a significant narrowing of its geographic focus. Whereas, in the past, change in government policy was worked through with the organisation, this time, the organisation was

provided with notice of change and left to make its own decisions about how to accommodate them. The organisation had insufficient independent funding to continue two thirds of its programmes which lay outside of the new policy arrangements. The overall funding from government was maintained, however, and used to expand programmes within the government's designated programme area. The existing programme mix was changed to meet government's new business oriented approach. The current Minister has also raised the prospect of opening this funding to competition from other organisations.

### **8.2.3 Management**

Professionalisation of the organisation's staff has progressed since the 1980s when most of the staff were generalists who were expected to turn their hand to a number of roles. Staffing roles have become more specialised and current programme staff are required to either have an academic qualification in development or be working towards one. Over time, the organisation has upgraded 'accounts administration' to 'financial management' and then to 'corporate services'. The organisation has, in the past, had difficulty in identifying adequate funding to employ fundraising and marketing specialists, however a marketing manager was employed towards the end of the research period. Since the 1980s the organisation shifted the title of the senior staff member from Executive Director to the more corporate Chief Executive Officer, at the same time shifting from a focus on employment of people with administrative and field experience to a combination of experience in development and management. None of the CEOs has, however, had specific management qualifications.

#### **8.2.4 Programmes**

Programmes are developed largely at the discretion of the organisation with input and support from the funding organisation. Review of the organisation's work was conducted by the funder with the input and collaboration of the organisation. The outcomes formed the basis of ongoing funding negotiations particularly where issues of staff deployment in the field were concerned. In the period between 2000 and 2010 the organisation began to conduct its own country programme evaluations and embarked on a more internally evaluative approach to its work. There has been ongoing debate within the organisation about the nature of its work, particularly its contribution to good development practice. A review in 2007 sought to determine the answer to this question. The review identified some challenges for the organisation, indicating a need for a greater partner-focused approach to its work. This review also indicated that a partnership agreement between the organisation and its funder allowed the organisation too much autonomy in programme direction and needed greater alignment with the funder's priorities. Since the change in government in 2008, Organisation B is attempting to maintain its development focus and many of its longer term partnerships while shifting its programme focus to economic development and shorter term projects.

#### **8.2.5 Summary, Organisation B**

Organisation B's strong relationship with its funding Ministry has provided the organisation with a growing income and provided, until more recent years, a flexible programming environment in which the organisation could pursue purposes which were closely aligned with, and sometimes in advance of government. The organisation has become increasingly professionally managed

during the research period with specialised staff and a more strategic and reflective approach to programme work. The organisation's membership has been falling and branch activity declining, There has been a separation in the governance and management of the organisation and governance has shifted from a model that was representative of branches and also, for a period, of identity, towards one which seeks to draw on the skills of individual members and others external to the organisation. This has created some confusion about the role of branches. In recent years, funding changes have exposed the organisation's lack of independent funding, forcing the closure of significant programmes and major changes in the way others are run. Government continues to support the organisation but misgivings about direction have spurred the organisation to invest in finding new programme avenues and new funding sources for the future.

### **8.3 Organisation C**

The smallest organisation, newly formed at the beginning of the 1980s, began with a period of founder-led growth which entailed blurred lines between governance and management. This relationship has become more formal over time. The organisation has developed a funding mix which draws on a range of government or government funded institutions, philanthropic trusts, donations and earned income. The number and mix of funders has placed some strain on the organisation, spurring the growth of administration and professional management. The organisation has attracted staff with a passion for the outdoors and for working with disadvantaged and troubled youth. It has worked hard to maintain its programme focus over the past twenty five years, particularly against government funding restrictions and individuals with business oriented ideas. It

has, in recent years, broadened the purpose set out in its constitution to accommodate a more income-oriented approach. The nature and variability of funding has been a challenge for this organisation.

### **8.3.1 Management**

A number of members of the governing committee formed by the founder of Organisation C were also the organisation's first staff. The organisation's early days were marked by a lack of clarity of purpose as a range of ideas were tested and the general shape of the organisation began to emerge. As funding was acquired and dedicated programme staff were appointed, the founder and board members gradually withdrew from their role. The staff of the organisation were drawn from people with a strong commitment to aspects of its work, particularly its outdoor focus and its social ideals. Some staff have been willing to work for less than they would in other occupations. When contracting became established, staff members became overwhelmed and in the 1990s one staff member negotiated with the Board for paid time to deal with administrative matters. Since then a management hierarchy has developed but the philosophy of the organisation, and its size, have limited this development. By 2010 the organisation had a General Manager, a full time office administrator, programme managers and a marketing manager. Many of the successive general managers have had no experience in the organisation's work. Many of the staff are part-time, some through choice, but many because of the fixed-term nature of the programmes, and funding restraint. The high-risk nature of aspects of the organisation's work as well as contract requirements require that staff be skilled professionals.

### **8.3.2 Governance**

The mixed governance and management roles which existed in the organisation at the beginning gradually gave way to a more formal separation of board and management. The founder remained a member of the Board, manager of the organisation and a key programme leader for many years and staff were welcome to attend and contribute to Board meetings. Over time the founder withdrew and the board focused more on overseeing staff and policy. The Board has suffered from a shortage of willing volunteers but it has also been careful to choose new board members on the basis of compatibility with the Board values, aims and objectives. It has used external help to develop a more strategic approach over time. There have been concerns about Board skills in more recent years, although selections to the Board continue to be based on values as much as skill. Values play a core part in the life of the organisation with a special committee of the Board dedicated to ensuring that the values are upheld at all levels.

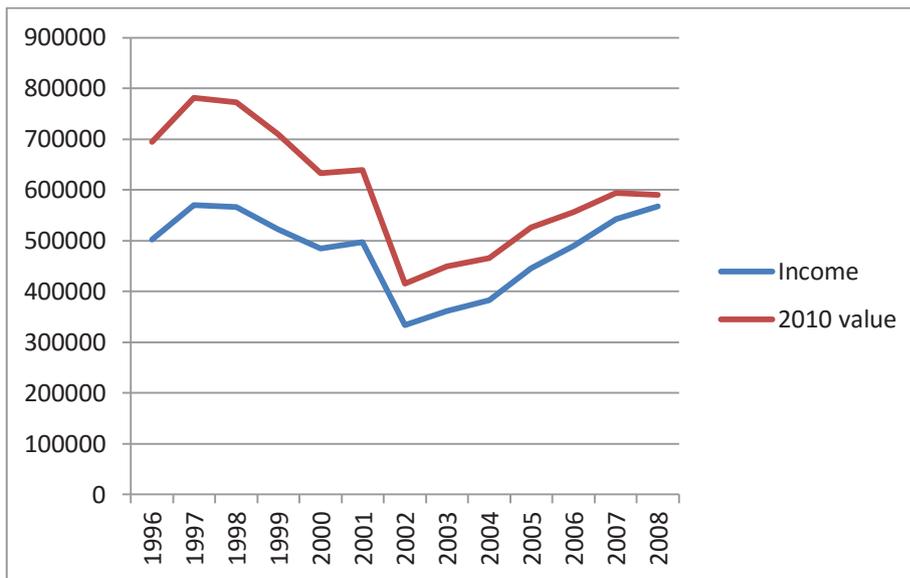
At least one Board member and some staff have promoted a business oriented social enterprise model as a route for the organisation but this direction has been resisted by the founder and other Board members. Some respondents regard the current operation as a social enterprise, however one business oriented former board member identified a range of issues such as lack of organisational flexibility, poor knowledge of the business sector and the primary social purpose of the organisation which are perceived as limiting the organisation's ability to develop in this direction.

### **8.3.3 Funding**

Funding was grant-based initially and its flexibility provided the organisation with a great deal of resource during its development period. A range of contract relationships with government funded organisations developed in the 1990s and, in the 2000s, a partnership with an educational institution provided the organisation with stable funding for a number of years but it brought with it a range of compliance requirements, including the need for New Zealand Qualifications Authority (NZQA) accreditation. The cost and stress involved in obtaining and maintaining the qualification was a major issue for the organisation, as was the subsequent loss of funding when the relationship ended. Funding has been an ongoing issue for the organisation as government policies toward young people have changed. Both programmes and purpose have been adjusted to address this situation.

Between 2002 and 2009 the organisation received funding at some point from 17 different government, local government and government funded bodies and 11 different philanthropic trusts of which only one provided more than \$30,000. From many of these organisations funding has only been received intermittently. The investment of time and effort, particularly in the relationship building involved in the pursuit of funding, is a major issue for the General Manager. Business funding has been negligible. Figure 8.7 (see also Appendix 11) shows that the total income for Organisation C increased by 282 percent in real terms or 163 percent when adjusted for inflation between 2002 and 2010.

**Figure 8.7. Organisation C: Total income 1996-2010**

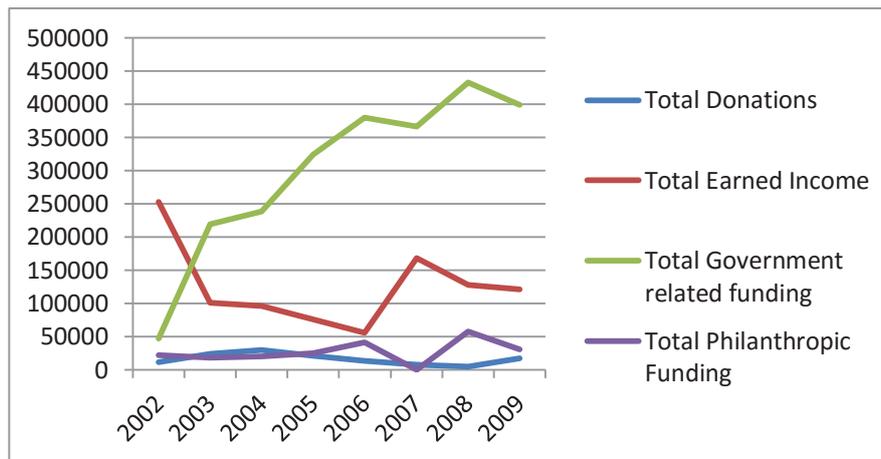


Source: Organisation C Annual Reports 2002-2010

By the first decade of the current century the organisation had developed a mix of small grants, government contracts and income generating activities to support its work. In Figure 8.8 funding sources have been consolidated into, government derived funding, philanthropic trusts, earned income, and donations to show the general mix of income the organisation receives.

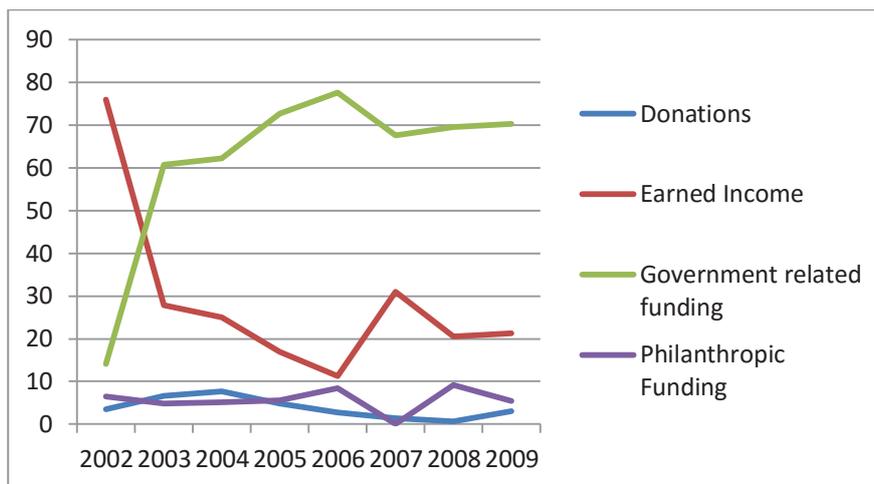
Government funding, assisted by a contract with a local tertiary education provider, has risen by 751percent over 8 years, however the contract finished in 2010. Earned income, which has fallen by 52 percent due to a significant decrease in course fees, has been increased in more recent times by the interest from the Tertiary Education Commission (TEC) contract. This single contract has, in recent years had a strong impact on the organisation. Figure 8.9 shows that the decision to develop this relationship changed the situation in which course fees had formed the greater part of the organisation's income.

**Figure 8.8. Organisation C: Income by source 2002-2009**



Source: Organisation C Annual Reports 2002-2010

**Figure 8.9. Organisation C: Source of funding as percentage of total income**



Source: Organisation C Annual reports 2002-2010

### 8.3.4. Programmes

Organisation C has been frustrated by the limits contracts have placed on its ability to pursue its own philosophical approach to its work. The Board has struggled to maintain a balance between generating income and providing programmes for its target group. It has seriously examined becoming more focused on its outdoor activities and developing this as a business but Board values have maintained the

organisation's focus. However in more recent times the contract process has increased the risk for organisations working with disadvantaged young people because failed outcomes are penalised by funding claw-backs. The organisation has responded by broadening its mission to enable it to focus on preventative programmes with school groups, among whom are children the organisation can help if identified early. The challenge for Organisation C is to balance its work between mission and income and maintain solvency.

### **8.3.5 Summary Organisation C**

Organisation C started as one of a small number of outdoor activities providers in New Zealand in the social services area. However this has changed over time, with the organisation itself contributing to the pool of qualified instructors through its training programmes. The organisation has had to learn to compete with similar providers and educational institutions. The organisation has sought outside help to develop a more strategic approach to governance that is less directly involved in the day to day affairs of the organisation. It has established systems that maintain a governance focus on its organisational values. The organisation has, however, adjusted its purposes to accommodate its funders, which has concerned some stakeholders, and it has increased the income generation activities to support the organisation's core purposes. The organisation has shifted from using professional staff as administrators and has employed specialist management staff to oversee the organisation's work. Volunteers play a small role in the organisation's structure, although the key area in which they are engaged, the Board, has struggled to maintain its numbers.

## 8.4 Common Themes

The three case study organisations in this chapter have had some very similar experiences despite significant differences in their age, size, programme focus or stage of organisational development. The organisations all now have more qualified and specialised staff and more hierarchical management. Volunteers are much reduced in number and they play a more confined role in their organisations with clearer divisions between volunteer and management roles at both governance and organisational level. The governance of all the organisations is now more skills based and strategy and policy driven. The membership-based organisations have shifted away from collective representation at the national level, towards election of their governing committee by individual members. Although the programmes run by the three organisations are focused on social development, they are diverse in nature but there are similarities in the contract-driven struggle to control programme content and direction, cope with compliance costs and regulatory pressures, and work within narrowly focused accountability mechanisms. All of the organisations are putting more resources into broadening their funding base with the aim of reducing their reliance on government funding, yet all remain heavily dependent on government funding.

In the following chapters I will draw on the experiences of leaders and the contents of documents from within the three organisations, to examine more closely the causes of the changes which have occurred, their consequences for the organisations and the flow-on effects the changes may have beyond the organisations themselves.

## Chapter 9 Influences On Change

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In 1988, a high-level panel of speakers from the charitable sector, government and devolved funding organisations at Organisation A's annual conference argued that voluntary sector organisations needed to engage in funder policy and planning processes, evaluate their programmes and engage in strategic planning to ensure the charitable organisations were still relevant. For the speaker from the voluntary sector, the world was changing and change was not only to be encouraged it was to become the norm:

The future potential and the future activity that we perform must be with the greatest objectivity and must only be done because it is the response to individual needs. Those of us in the voluntary organisations have got to be their own sternest critics. We have got to acknowledge that the effect of running a voluntary organisation requires a very great deal of leadership investment. If we are to continue as a pioneer, if we are to continue as a change agent, if in fact we are going to try and [engage] society to respond to the needs of those who chose us, then we cannot be complacent and we cannot accept comfortable routine. Strategic Planning means that you and I have to seek out a perpetual vitality ... We have got to induce that which exists as being inadequate for [the members], and for them to envisage something better (Conference Panel Speaker, 1988).

This statement, from a well-known and respected leader of a very large charity begs the question why these successful and well-respected organisations were suddenly deemed to be in danger of becoming irrelevant. Why did they have to take an objective approach, focus on individual need, require critical analysis of current work and need investment in leadership? In my research, there was evidence that two of the three organisations had displayed an inability to respond

to growing diversity within New Zealand, that the hands-on administrative focus of their governing councils did appear to inhibit development of dynamic organisations responsive to their changing environment, and that falling volunteer numbers did indicate that not all was well with their model of operating. There was also evidence that the organisations were slow to take advantage of new technology, lacking either foresight, technical expertise and, most often, the resources to adapt. However in normal circumstances these changes would most likely have been the subject of adaptation over time. The change that was being advocated was more urgent.

The organisations did have one thing in common. They all received most of their funding from government and government had adopted a policy of devolution of health and social services, away from direct government provision, to other organisations in local government, business and the community. Government had also passed the State Sector Act (1988) and the Public Finance Act (1989), both of which changed relationships within the public sector and between the sector and the organisations with which it worked. Within the first years of the decade beginning in 1990 charitable organisations had been shifted from grants to contracts. This shift signalled the potential end of long term supportive relationships between the organisations and their government funders, in favour of shorter term, government policy focused, demanding and more financially accountable relationships. Government departments were provided with greater licence to choose how they delivered services and the three charitable organisations in this research were forced to change to meet government requirements or risk the irrelevance suggested by the panel speaker.

In the interviews and documents studied for this research, the sudden change to a contract funding model was identified as the most significant cause of change in the way the three organisations worked. Changes in the nature of volunteering and the introduction of technology were also reported as significant. These changes are, however, all interlinked. The changes in volunteering have occurred separately from, but have been affected by, the shift to contracting. The growth in information technology has supported contracting processes by making financial management easier and by providing better access to the statistics, which are now widely used in contract reporting as proxies for social development outcomes. In this chapter I will take each driver, contracting, technology, and volunteering, in turn and identify the range of factors from the interviews, and key documents that have influenced changes in the three organisations under review.

## **9.1 Contracting**

In the relatively benign grant environment of the late 1980s, the leadership of the three organisations appears to have had little awareness of the nature of the changes they were facing. In Organisation A, where government funding had been provided for payment of field staff, the General Manager spoke to the organisation's 1990 conference about the possibilities of the new contract:

Under the 1979 Cabinet Minute we were dictated to by means of government directions on how we could spend the money we received but now we will have complete freedom. Now this gives us a choice and we have got to make this choice in a rational and sensible manner (Former General Manager Organisation A).

Organisation B's Director at the time recalled that neither party was very sure about how to write the contract. They were already working towards provision of

a set number of programmes each year and in the end they worked out a formula together based on averages, although the Director admitted:

I certainly didn't understand the implications in terms of what that would mean for us in managing the flow of (programmes) It seemed to be the way things were going and we had little option, and it didn't seem unreasonable, so we said: "yes, alright, lets give it a try" and so the Ministry at that point drew up a contract, whatever kind it was, and I signed it and that was the first of the NGO contracts that ever got signed. (Director C, Organisation B)

In Organisation C, one Manager said that government contracts for small charities were "whisked in without notice" to organisations which had no power to negotiate. The data suggests that organisations were expected to undertake changes in programmes without any input, or increased funding. It was simply a matter of adaptation. My interviews and document research indicate that many aspects of contracting were similar in each organisation, particularly the nature of contracts and the narrow approach they took to funding of programmes and the application of new, more unfamiliar forms of metric accountability.

As time went on each had to be more accountable, sometimes using easily measureable parameters like "got a job" rather than how much quality of life improved, or how less likely to offend because a different pattern in life had been adopted. Organisation C sometimes undertook tick box evaluation at the expense of quality of outcomes:

... [Organisation C] had to just go along with [what government wanted]... at the expense of the quality of some of the courses ... If [Organisation C] had submitted their own outcomes, they would possibly have been quite different. To meet government needs they've had to jump through hoops ... and I feel quite sad because that means the quality of programme is probably not as good as it used to be. (Manager A, Organisation C)

However there were differences. Although all the organisations became involved in contracting at the same time, it was not until the late 2000s that organisation B was exposed to the one-sided, non-collaborative potential of the contract model, which the other two organisations had been working with since 1990. Only Organisations A and C have been exposed to competition for funding, and while the cashflow of the larger organisations in the contract environment has been unstable, with several periods of deficit, Organisation C's first experience of a deficit was in the mid-2000s.

### **9.1.1 The nature of contracting**

One year after the introduction of their contract the President of Organisation A reported to members that, while the first year's contract had enabled the organisation to initiate efficiencies across their work, problems were already beginning to appear:

... the contractual process for 1991-92 had broken that (original) contract into specific outputs, providing a less than desirable number of contacts between the (organisation A) professional and her client ... Such a defined contract stymies innovation and the development of efficiencies and suggests that all clients experience common needs (President, Organisation A).

Despite their best efforts to persuade their funder to increase the number of visits which field officers could make, the organisation accepted the new contract with fewer funded visits. This was a first step in a long process of negotiation and change for Organisation A, and one of a range of challenges that arose for all the organisations, and continued, and in some cases intensified, throughout the twenty years since. New government regimes brought different nuances to contracting, shifting from outputs to results-based contracting and then contracting for

outcomes. The manager of Organisation C, describing the contracting environment in 2010, identified some of the issues with which her organisation has had to cope over the past twenty years:

Contracts expire some June, some December, and we don't know if we will get another one ... its normal ... more and more. We are about to tender this week for a brand new contract since the welfare changes with the beneficiaries...we have to tender... but it seems pretty tragic, because more and more the government only wants to pay if they get good outcomes which, for someone like us, we have to provide a course and if it's not successful... we have to give some of that funding back. Can't operate like that. We can't pay our staff like that...very risky tendering. Its almost like do you bother? Why would you bother? If you're desperate you bother. (Manager L, Organisation C).

In some contract arrangements there was an ability to negotiate aspects of the contract, particularly in Organisation B's long and stable relationship with its government funder. Where tendering was involved, the organisations had little room for negotiation. If an organisation could only meet part of a particular tender, it had the option of collaborating with another organisation or creating a new service within its own operation, issues which both Organisations A and C had to consider from time to time. Whether tendered or negotiated, many contracts became subject to the "claw-back" of funds because targets, specified in the contract had not been met. Not everyone found this approach problematic:

... if we fell below the average we were penalised. They took some money off the next tranche. If we rose above we got a premium so actually it was quite fair and it wasn't driving us in a way that was hostile. They were asking to structure and arrange the relationship in a much more transparent way and in a way that was a good thing. (Director C, Organisation B).

Despite organisation B's best efforts, it was unable to meet its target in the first year. However the nature of the relationship with its funder was such that the organisation was not penalised in that instance, nor were their plans for future years affected by the failure. This was not the experience of the other organisations. The principal change Organisation B faced was the need to report statistically, a process which was an awkward fit with their work.

It was only after a more determinedly neoliberal Minister was put in charge of the Ministry funding organisation B in 2008 that the full potential of the contract process became apparent. The Minister dramatically changed the country and programme orientation of the Ministry and the organisation was exposed to narrow programme parameters and demands for a more business-oriented approach to its programme work:

Lifting people out of poverty depends directly on increasing economic growth and strengthening trade. No country in the world has achieved one without the other ... The new mandate also puts the Pacific at the forefront of our efforts, with a greater share of the budget, although not to the total exclusion of other regions.  
(McCully, 2009)

Despite the major upheaval this has caused Organisation B, its relationship with the Ministry staff has continued to temper the edges of the more directive stance it has been subjected to, so that some aspects of contract negotiation are still collaborative.

Organisation A had a more complex challenge with the devolution of funding from its funding Ministry to new regional bodies. At first the organisation was able to retain its national contract, however, in the 1993 Annual Report, the President

brought to the attention of members the Government's plans to devolve purchasing of services to four regional bodies:

Government has, since mid-1991, pursued unprecedented reforms of the New Zealand [Government Ministry] Sector. The reforms focus on separating the purchasing of ... services from the provision of those services. From 1 July 1993 four [regional bodies] and [a national policy body] would be responsible for purchasing ... services from providers, including [public institutions] and organisations such as [Organisation A]. This introduces the competitive element into the New Zealand [service sector] for [Organisation A]. The reforms raise the possibility that parts of its [principal programme] might be contested by other service providers (Former President E, Organisation A).

One purpose of devolution was to bring decision-making closer to local conditions and by 1995 Organisation A had to negotiate its programme work with four regional and one national body. As one President noted, the Regional Funders each had their own agenda, divergent expectations and emphases, and over the subsequent years the contracts became varied, with one funder deciding to provide its own services. The new situation, according to the President, took up a great deal of extra time which left the organisation with little time for planning. Since the 1990s Organisation A has had to cope with regular restructuring of its funding bodies as different governments brought in new policies.

### **9.1.2 Narrow contracts and tagged funding**

Despite all the organisations having managed to grow their government funding in the last twenty years, tighter, more specific contracts have resulted in aspects of their work falling outside of funding parameters, particularly that relating to less tangible and less measurable activity, administration, or volunteers:

[government] are focused on delivery within a time...our staff are told they have to have delivered so many visits [within three months] and that's what it's measured on. "Did you achieve those visits?" As to the quality of the visit, how long it was, [quality outcomes] they don't want to know about it, they just want to make sure that the [field worker] has gone through the door... (Former President D, Organisation A).

Where alternative funding could not be found programmes have had to be suspended. Government policy does not reflect all the priorities of charitable organisations and government officials negotiating contracts do not necessarily perceive the process of achieving the outputs or outcomes they desire in the same holistic way as the organisations they are contracting, particularly where Government is seeking to cut costs.

Organisation A found that not only were client contacts with professional staff standardised, numbered and reduced, but services provided in the community by volunteers, were not always valued by government and were often omitted from funding. A former president of Organisation A said it changed the whole focus:

When I used to do the rounds with the CEO ... at the time, when we'd say to the Prime Minister or usually the Minister of (programme area) "Do you really value what [Organisation A] does? You say here's your contract, deliver these things but what about all the rest?" And they say " Oh, well, its not part of [Government] programme. Ok great, its happening, but they didn't want to know how many hours the volunteers put in.(Former President D, Organisation A).

The founder of Organisation C was concerned that government requirements shut out important intangible aspects of work:

I don't trust government guidelines to be honest. When I was there I used to pull my hair out thinking ... we have got to go through the charade of pretending this is important when it isn't

and we could have used the time so [much] more effectively to give these people so much more than what we are giving them. [Course participants], courses suffered because of that ...because I'm not there now I can't see ... how much time is spent just sitting around campfire, debriefing, and getting really down to the things that are important in their lives and sorting things out talking about things important to their lives, sorting things out for themselves. I think with all the tangible results you have to provide there is very little time for the most successful aspect of the [Organisation C] course which was the more spiritual and personal growth side such as spiritual growth side of things ... Its always easy to get funding to pay for a concrete thing like a bicycle or a boat, but difficult to get money for something like quality of experience (Former Manager A, Organisation C).

All of the organisations found aspects of their work fell outside contract funding but none quite as dramatically as Organisation B after the change of Government in 2008. Organisation B, which, for all of its existence, had worked collaboratively with government to develop new programmes, was informed that it was free to carry on working in its current regions but that, while it would not lose any of its funding, government funds could only be applied in one region:

It wasn't really an instruction ... we were given a strong indication that the Minister was interested in [Organisation B]'s model reflecting more in Polynesia and more in short term [programmes]. He did not say no Africa and Asia, so the Board had to work out how it could do it. The Board does still want to work in Africa and Asia but basically, with the funds we knew we would hopefully get from [Ministry] ... we could not afford to do both. We could not afford to keep the Africa and Asia programme going and expand into Polynesia and get short term [programmes] going (CEO K, Organisation B).

This was a significant change from a long term collaborative partnership to treatment of the organisation as an independent, wholly self-determining organisation which happened to undertake work for the government department.

The difficulty for Organisation B was that this change of approach was a one-sided one, made suddenly and without warning.

For Organisation A, a particular problem with contract funding limitations was its commitment to universal access to its services. For its long history the organisation has prided itself on its availability to all who wished to use its services. However, universal welfare has been a target of neo-liberal policies and, since the 1980s, successive governments have worked to try and ensure that funding from government goes only where it is perceived to be needed most. Organisation A found that devolution of funding to regional bodies tasked to address government's needs-based prerogatives meant that people in some areas got services that people in other areas did not, threatening their commitment to universality:

It was [a big strain for the organisation], the haves and have nots. It was hard for those sitting around the Board table, even in my time, saying we can do it in our patch but, sorry, you can't find the funding for that same service right across [the organisation]. That's where we have ended up, I think, with communities who do have poor outcomes because they can't access, universally, the same service right across the board ... Even today, it is not universal ... the range we would like to give people ... we can't afford the facilities everywhere at that standard (Former President D, Organisation A).

Contracting could also encourage positive change and provide greater opportunity for the organisations. Organisation A undertook a contract for a special project in a large Māori and Pacific urban area. In the increasingly competitive environment there was criticism from other organisations that the work was being undertaken by what was widely regarded as a middle class Pākehā organisation. The initial

reaction of the President at the time was to assure members that the organisation was doing well in this area:

However in [programme area] there is a risk of “divide and rule” where competition between providers leads to services that are fragmented, inconsistent and less accessible. It has also been disappointing to see [Organisation A] characterised as not providing services to Māori when [Organisation A] is at many ways in the forefront of innovative service delivery in conjunction with Māori, and research shows how effectively [Organisation A] is reaching Māori [community] (Former President E, Organisation A).

However the contract focus, and the reaction of other providers, plus a growing political and social awareness about Treaty issues encouraged the organisation to reflect more on the way it worked. From 1990 Organisation A’s annual reports show a growing reflection on Treaty of Waitangi issues in the organisation and greater involvement of Māori within the organisation’s structures.

Government’s focus on contracting for its own purposes has been a major cause of change in all of the organisations, firstly because it has changed the nature of the relationship from a collaborative one to a purchaser, service provider relationship. Secondly the method of funding changed from input to output and outcomes focused funding. Input funding focused on such things as the number of staff and the kind of salaries required. Output and outcomes funding breaks down components of programmes into easily identifiable and measurable parts with measurable and quantifiable delivery. This focus has cut out less tangible aspects of all the organisations’ work. Interviewees in all three organisations indicated that the accountability processes in contracting have not only diverted attention from

the quality of the organisation's work but have also imposed an added administrative burden:

That was another problem, all the reports and reviews that had to be written... The statistics were a real pain. To have to keep records of everything and the records had to be kept or Government wouldn't continue to fund... that was before the computer's days (President B, Organisation A).

### **9.1.3 Accountability**

In all of the organisations, contracts have meant greater programme specificity and much tighter reporting requirements than they had previously experienced with government funding. There has been an increased focus on financial accountability and outputs and outcomes reporting. The focus of accountability in all of the organisations has also shifted, away from detailed open reporting to members and supporters, towards more public relations managed membership and public reporting and more detailed and demanding reporting to funders. At least one interviewee in each organisation described the amount of money received as a reason for a greater focus on accountability to government. Whether the funding was \$60 million, \$7million or \$500,000, a typical view expressed in all three organisations was:

I don't think a lot of people really twigged or put much emphasis on the fact that we were dealing with, then, seven million dollars of public money and that I saw as a flow through from the old days where it was the people who had had personal and emotional involvement as volunteers largely coming through the council system and looking at the work from that point of view, the human point of view, so there was a need to balance that with the sense of accountability and responsibility (President A, Organisation B).

Interviewees in all of the organisations spoke about the change in government funding focus from inputs to outputs and outcomes measurement:

... last year we didn't meet outcomes ... were supposed to get 38 percent in employment and I think we got something like 24 or 25 [percent] (Manager L, Organisation C).

... what we have to report on now is more substantial results frameworks (President A, Organisation B).

I think that some of the contracting has changed since I left as President. We were very much numbers outcome ... We had to meet the contract or we got claw-back. I think that they are looking at the actual outcomes for [Organisation A's community] more now than the numbers so I think that that's a real plus but there is a numbers game in [Organisation A]. (President C, Organisation A).

Different government departments used different accountability methods, something which was particularly difficult for Organisation C, with its multiple funding sources. For organisations focused on providing a social good, measuring the impact of their work by counting such things as the number of visits to clients, or the number of participants on a course, missed the point. Yet, in the early stages of contracting, quantitative reporting predominated in all the organisations.

Although quantitative reporting had been central to the relationship between Organisation B and its funders, by the 2000s the organisation was becoming more focused on its development potential and had been working, and, in two instances, leading its funder, towards new qualitative evaluation processes to determine the efficacy of its programmes. However, in 2008, the new Minister, who equated Organisation B to a Rolls Royce car which was comfortable and had a big motor which he wanted to make more lean and efficient, was, according to Organisation B's President, only interested in countable results:

... we have moved away from the numbers thing and there's where the difficulty is because the new focus of the Minister, on economic and business development, seems to carry with it an expectation that there is going to be countable results and we are not in the countable results business, we are in the long term effectiveness business ... (President A, Organisation B)<sup>21</sup>.

Short term quantitative measures could, according to the President of Organisation B, have a place in a long term process but could not, on their own, describe the work of complex organisations. The problem was that the effort to meet these short term accountability requirements, detracted from the long term work the organisations wanted to do.

Meeting accountability requirements was an expensive part of contracting.

Interviewees in all three organisations spoke of the cost of complying not only with funder requirements but also with health and safety, employment, and tax laws, and, in 2005, a new Charities Act which required all charities to register with a Charities Commission and to report annually. Organisations A and C were involved in training which required registration with the New Zealand Qualifications Authority. A contract Organisation C had with a local tertiary training institution required the organisation to undergo regular audits from the Tertiary Education Commission. These audits were designed for large institutions and made no concession to small training providers so that the cost to the organisation was high compared with the way it had worked in the past. The organisation whose annual income ranged between a low of \$330,000 and a high of \$660,000 in the 2000s, found that compliance costs accounted for approximately 5 to 10 percent of their income:

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<sup>21</sup> For more information on the approach taken by the Hon Murray McCully, Minister of Foreign Affairs 2008-present, see Banks, G; Murray, W; Overton, J; & Scheyvens, R. (2012), Pp 180-182).

There is so much legislation around ... its hard, because we have to pay a lot of money to be businesslike and comply. We probably spend \$20-30,000 per year on compliance, audits and accounting and all those things which which we have to find ... from somewhere. We don't get grants for that and that's massive for an organisation of our size ... For us it's accountability ... for the money which comes from 20 different sources and we have to be accountable for all of it. We need to have those financial processes, definitely ... the things they used to do, the risks they used to take that we just couldn't even conceive in this day and age...when we look at what we need to comply with now, its poles apart (Manager L, Organisation C).

While some aspects of compliance were important, particularly when the work of the organisations could have a profound impact on the health and well-being of clients, the difference in the approach between the less scrutinised culture of the past and the more regulatory culture which has developed since the 1980s, was summed up by a former board member and tutor in Organisation C:

Government agencies have their fingers in so many things, you have to meet all these requirements. I was mostly on the safety side and the regulations that came in were, I suppose, necessary but they made it very, very expensive to meet them The time involved was enormous ... I think we met all those requirements before the regulations came in ... it made it more organized. It relied heavily, before the regulations came in, on the individual's perception of what was required. All of the ones, early on, they had very high standards. Once regulations came in, you knew what was required of you or what you had to meet. But for a small organisation ... it meant there was a huge amount of money spent on the office work and the background work and that seemed to me to detract from the amount of money available to actually get out there and do the things that were working. I guess I still still resent that ... Early on it was quite easy because you knew personally the people that were involved and knew what their standards were ... (Board Member D, Organisation C).

#### **9.1.4 The financial impact of contract funding**

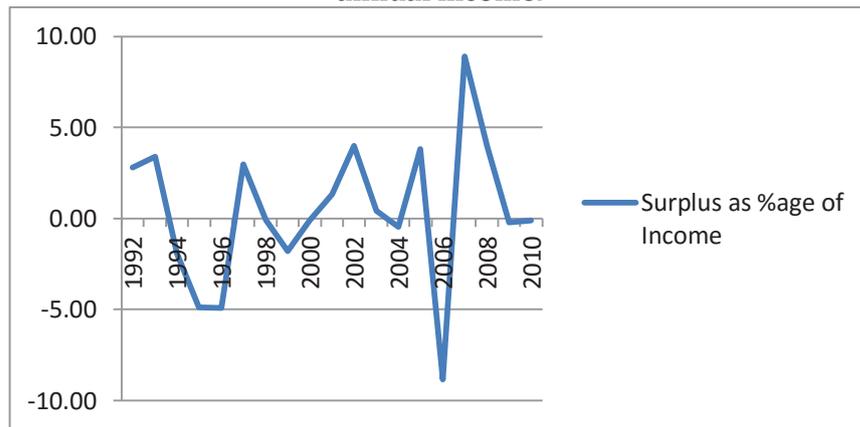
The bulk of the rising incomes in the three organisations since the mid-1980s has come in the form of government contracts. While this might lead to an assumption that the organisations are successfully negotiating the contract environment, an analysis of cash-flow in the annual reports of the organisations reveals volatile cash-flows, low surpluses and uncertainty about the future.

All the organisations have experienced periods in which income could not meet service delivery costs. Figures 9.1, 9.2 and 9.3 (see also Appendix 12) illustrate the surplus or deficit of each organisation as a percentage of their income since the 1990s. Organisation A and B have had several deficit years while Organisation C has managed to maintain a surplus except where the organisation lost its major partnership with a local tertiary institution.<sup>22</sup>

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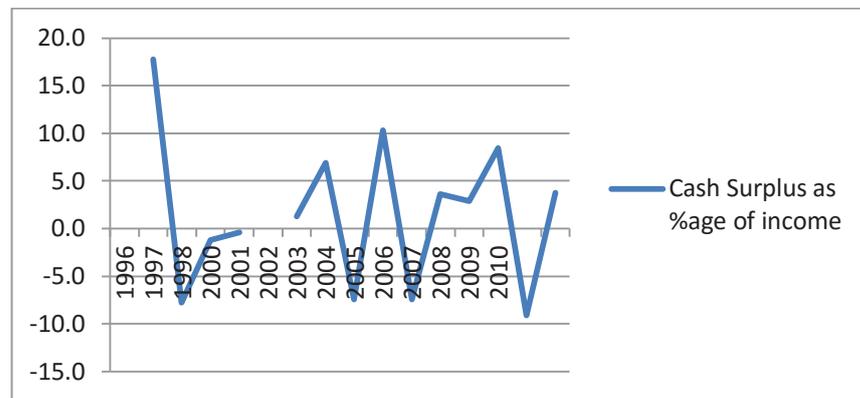
<sup>22</sup> While Organisation's C's surpluses are relatively high, the amount of money involved is much lower than Organisations A and B. A 24 percent surplus in 1991 was approximately \$93,000.

**Figure 9.1. Organisation A, 1992-2010: Annual surplus/deficit as percentage of annual income.**



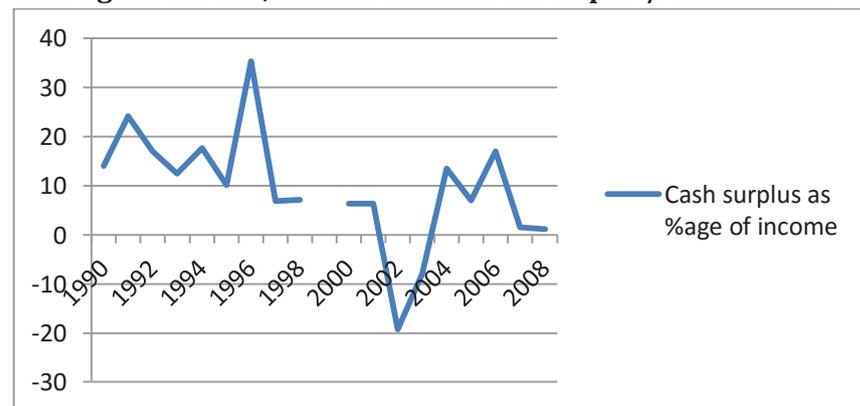
Source: Annual Reports Organisation A

**Figure 9.2. Organisation B 1996-2010: Annual surplus/deficit as percentage of annual income.**



Source: Annual Reports, Organisation B<sup>23</sup>.

**Figure 9.3. Organisation C, 1990-2008: Annual surplus/deficit as % of income.**



Source: Annual Reports Organisation C.<sup>24</sup>

<sup>23</sup> Change in accounting year at break in graph

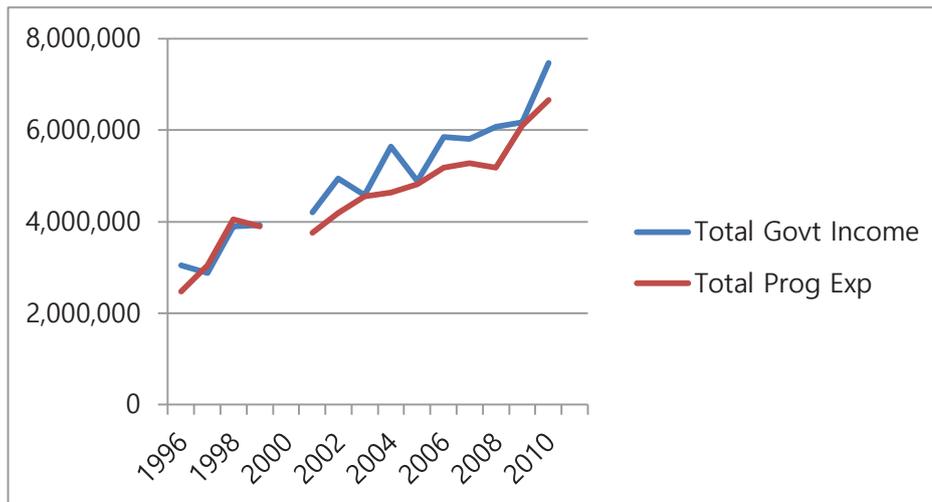
<sup>24</sup> Expenditure figure unavailable at break in graph

The surplus/deficit in cashflow for the larger organisations hovers within 5 to 10 percent of the break even point annually, except in particular circumstances. Using the annual cash flow from each organisation's financial reports, I calculated that Organisation A accumulated an overall surplus of only 0.75 percent of its total income between 1992-2010. For Organisation B, between 1996 and 2010 the accumulated surplus was 1.5 percent. Organisation C fared better between 1990 and 2008 with a 11.1 percent surplus. Despite their growth in cashflow the organisations have not developed a strong financial position. Without adequate surpluses the organisations do not have a buffer against policy changes, the vagaries of fund-raising, nor are they able to build reserves for capital investment or technological development.

I found that development of further understanding of the pressures on the organisations was limited by problems in accessing, or interpreting, expenditure figures. In Organisation A, contract changes and organisational changes have resulted in reorganisation of expenditure categories in the audited accounts. This makes longitudinal statistical analysis of funds to areas of work, and comparison of cashflow in specific areas difficult to achieve using annual report material.

Organisation B has, however, had a stable format of accounting for much of the last twenty-five years. Its tidy relationship with its single government funder provides more consistent longitudinal information. Although this provides little more than a broad picture, the information can provide some insight into the challenges with which each organisation has been dealing. Figure 9.4 shows Organisation B's total income from government compared with the organisation's expenditure on programmes.

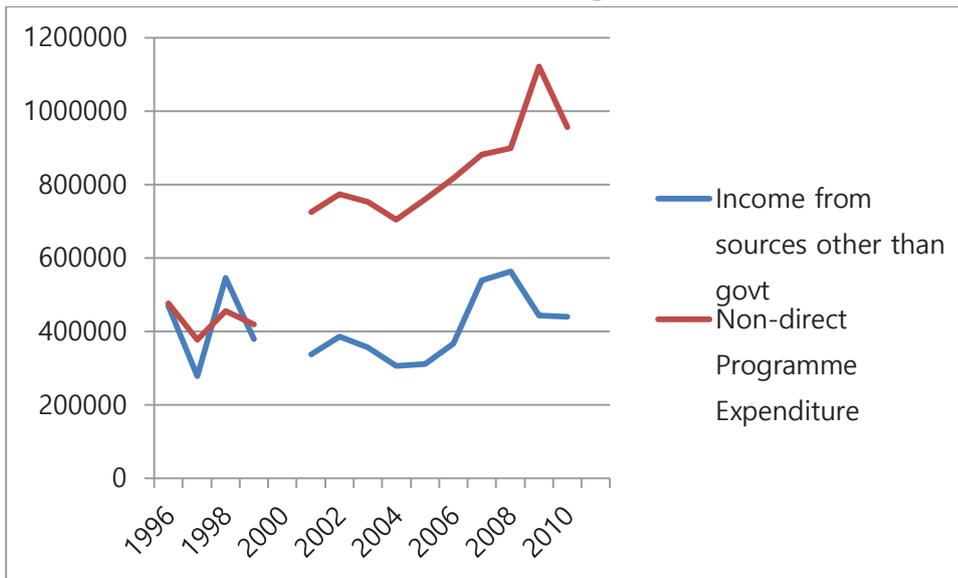
**Figure 9.4. Organisation B: 1996-2010: Comparison of total government income and programme expenditure**



Source: Annual Reports 1996-2010, Organisation B

The figures used are total government income and direct programme costs. There is no information about what is included in direct programme costs or how much of Organisation B's income from government is provided for more indirect programme costs. Figure 9.4 shows that, at times, government income and programme expenditure are almost the same, which means that the organisation has had to either use the surplus from previous years, which may have been possible with multi-year contracts, or find money from other sources, to fund a range of administrative activities such as Head Office Costs or branch maintenance. Figure 9.5 shows that the total of Organisation B's non-government derived income has not met the organisation's needs for expenditure on areas which are not directly programme related since the late 1990s.

**Figure 9.5. Organisation B, 1996-2009: Comparison of Income from Other Sources and Other Expenditure.**



Source: Annual Reports 1996-2010, Organisation B

Figures 9.4 and 9.5 suggest that government has supplied funding for indirect programme support over the fourteen years. The Minister’s intention, post-2008, to make Organisation B leaner and more efficient as reported by the President of Organisation B, and the treatment of the organisation since, points to funding which is more carefully tailored to the programmes purchased. Unless the organisation is able to include sufficient indirect costs as overheads, or increase its alternative income, its financial sustainability is likely to become a problem.

Figures for Organisation C are available in aggregate only. Towards the end of the 2000s the organisation experienced its first deficits for several years:

... I’m on the finance committee, we’re not viable, really, if we were a business we’d be closed down but I also know that the staff are working to make us viable ... the board is aware of that, but we will probably make a deficit for the last financial year, and it would have been if hadn’t been for the interest from the money we have got invested ... (Board Member J, Organisation C).

While a detailed, in-depth analysis of the audited annual accounts is beyond the scope of this research, the figures extracted indicate that, despite substantial incomes, in at least two cases, the organisations do not make significant surpluses and often find themselves with a negative cash-flow. The organisations operate on small margins with much of their funding dedicated to specific activities. Despite achieving an annual income of \$60 million in 2010, Organisation A operates with highly dedicated funding and a three-year government contract which allows it very little maneuverability:

I call it the lack of development contractual model ... Yes we have advocated and we have got what we asked for, but the tightness and the prescriptiveness of the contracts and the punitive aspects around 'if you don't deliver all these volumes you will pay back this money' ... When you are an NGO, and we're actually not a very wealthy NGO ... that then puts a constraint on the development. It keeps you really focused on these outputs (Senior Manager H, Organisation A).

### **9.1.5 Competition**

Organisation A and C both faced new or increased competition with the introduction of the contract system. Organisation A experienced the problems of competing with new funders, some of whom, such as Māori organisations, argued that they were better placed to undertake some of the work (Ratima & Ratima, 1997, p. 4). Both Organisations also found themselves in competition with large institutions. Organisation A had to cope with a regional funder which decided to supply its own services. It also competed with its funding Ministry over provision of a new technology-based service similar to one the Ministry itself was developing. Organisation C found itself in competition with a local tertiary institution. Both Organisation A and C subsequently collaborated on these projects,

although Organisation A had to muster formidable lobbying strength to achieve this.

New legislation added to the complications of competition which manifested itself at the fringes of Organisation A's programmes. There were, in particular problems with the interface between similar providers over issues of ownership and access to particular services and clients. These problems were compounded by a new Privacy Act (1993) which limited the use of information gathered by an organisation to that particular organisation and to the purpose for which it was required. This development introduced the need for new layers of publicity and awareness-raising to ensure the community knew enough about the organisation to seek involvement in its programmes. In the past the different agencies would have provided names so the organisation could contact people directly.

#### **9.1.6 Summary of the shift to contracts**

For the three organisations, all highly dependent on government funding, contracting has produced at least four significant, direct changes in operational responses: development of a shorter term funding perspective; funding negotiation processes which result in extra cost and pressure on time; limits on the scope of work unless alternative funding is available; and a shift from collaborative partnerships with funders to a purchasing relationship which situates government as the ultimate arbiter of programme content, even where organisations have input into development of specifications. In addition, while contracting has encouraged at least one organisation to become more aware of wider social responsibilities, it has inhibited the more holistic social development approach of the organisations and devalued the role of volunteers. This can be seen particularly

in the professionalisation and regulation of programmes where there were obvious benefits for clients in the easily recognisable, widespread and impersonal standards of the new systems. These could be clouded, for staff and volunteers of the organisation, by the loss of the deep personal relationships and intimate knowledge involved in the old processes, particularly when the new systems came with the burden of high costs, many of which were not met by contract funding.

Furthermore, financial penalties for poor outcomes are part of an increased focus on financial accountability but have been onerous even for the largest organisation whose large annual turnover masks financial vulnerability. Although Organisation C appeared to be in a stronger position over time, its funding levels were small and the number and variety of contracts and the costs of compliance were high. The organisation is, in reality, more vulnerable than Organisations A and B. However organisational size makes little difference to vulnerability when contracts require regular renewal and may be changed significantly when being renegotiated, and when the organisations are faced with competition to gain them. Interviewees in all of the organisations, spoke with some degree of uncertainty about future contract renewal.

The shift towards outcomes measurement, which has occurred as contracting increased, has not diminished the use of statistical measures to assess contract performance. This approach to accountability, and contract processes in general, has been assisted by the growth in information technologies and their application within charitable organisations.

## **9.2 Technological change**

The second significant strand of change in the charitable sector has been the impact of technological change. The organisations all now have easier access to more detailed information about aspects of their work and they experience a greater demand for information, and the way in which work is done is constantly being revised because of new technological developments. As the use of computers, the internet and telephone technologies increased, the programme processes of all the organisations changed. The new technology eased both contact within the structures and the flow of information. It also, in conjunction with the new contracting processes, changed the nature of accountability in all of the organisations. Organisation A, in particular, took a strategic approach to these aspects of its work by developing a “technology pathway”, part of which has provided clients with twenty four hour access to some programmes.

### **9.2.1 Adopting new technologies**

Organisation A had already installed computers in its Head Office and was trying to address the cost of the ever changing nature of modern technology by the end of the 1980s. The new General Manager reported to conference delegates in 1988 about the fundamental problems of computer upgrading in a growing Head Office. He described trying to keep abreast of both hardware and software requirements, dealing with problems of obsolescence, and the impact of increased usage on storage and memory:

Another associated area which required attention was the computer programme area. Along with the built-in obsolescence factors associated with the regular upgrade of computer hardware is the regular upgrades of computer programmes that keep occurring. If we do not take the upgrades as they occur

[Organisation A] is faced eventually with a non-supported programme and a large cost to convert to the most recent version. This is an ongoing problem. It is anticipated that over the next 12 to 15 months [Organisation A] will be faced with upgrading costs in Word Perfect and Data Flex programmes (Manager Organisation A, Conference Report 1989-90).

The General Manager alerted delegates to the need to set aside funds for regular maintenance and upgrading. It is notable that he was talking about upgrading from five to twelve computers.

Computer technology subsequently became an integral part of programme work, particularly when field staff were provided with hand-held computers which sent client visit details to a central location for use in reporting and planning. This would result in the regular need for substantial funding in this area.

By the 1990s, Organisation A had responded to the requests of members to develop a technology based venture which provided easier access to the organisation's programmes. This project, an important part of the organisation's technology pathway, was resisted by the organisation's government funder, which had developed its own, broader, service:

They had [government programme] and ... they didn't want to be funding two ... We were saying they're two different services, and as it turned out that's it exactly ... We invested in the technology and we were able to attract sponsors and get them to realise the value of it ... we had the information to back up what we were saying, and if we didn't have a good management team supporting all that we couldn't have given them [that] ... Its gone from strength to strength. The last I heard we were doing 40,000 more [people using the new service] than when we were fighting for the funding (Former President C, Organisation A).

The fight for funding was a major part of Organisation A's existence in the 1990s and early 2000s. It involved raising money to keep the unfunded service going and marshalling members across the country to lobby their local Members of Parliament. The result was a directive issued to a reluctant Ministry, by its Minister, to accommodate and fund the programme.

In Organisation B, in the early 1990s, the government funder supported the Director's efforts to make changes in the organisation's administrative and accounting processes when it became apparent that it would help increase efficiency, financial management and information sharing:

... I was the only one that had a computer and I had a computer because it was mine, nobody else. There was still a secretary ... and the secretary came along and took minutes and I was quite shocked by that. The financial system was cash in cash out and I remember doing a huge exercise. I didn't realise the impact at the time but I knew something wasn't working. We couldn't work out how much it cost [in-country programme] ... we couldn't slice and dice it to go these are our direct costs and these are our indirect costs. I remember doing a huge exercise with the accountant [to identify overhead costs]... and we changed it to ... a businesslike approach which was apportioning costs across cost centres and that began to reveal the true costs [of programmes]... I don't think the board understood it but the Ministry did. [Ministry Programme Officer] knew immediately and helped me with it ... They couldn't afford for us to go on being a comfortable organisation. When we moved offices he came over to see us ... when he came round the new offices and ... he said 'where's all your computers?' and when I said that we didn't have any ... he gave us \$20,000 and we all got computers (Former Director, Organisation B).

Once the computers were installed, information was able to be collected more easily and in a variety of ways that were useful, principally to the funder but also to the organisation itself:

... there is a change from the technology in that ... we are expected to provide more data, rather than information, all the time to all sorts of people so we have to have that data recorded somewhere. We are currently trying to have a new database developed for us that enables us to segregate information in a different way. At the moment we've got a database that's quite ancient. It does the job for what we've been doing but if we want to do something different at the moment ... we've needed to create this results framework to fit in with [government funder's] new requirements. In order to do that we are going to have to report on results rather than inputs ...now we have to make sure our database will capture the outcomes so [aspects of programme work] may be working towards a different outcome and be in a different sector which we will still keep collecting, The people who are promoting the organisation ... are more interested in themes of work, so not just describing it boldly as a sector as we would in the development sector but in a way that the public would understand - so then we have to have it categorized like that ... ( Former Manager Organisation B).

### **9.2.2 Technology summary**

Modern computer and communications technology is being used in all the organisations. It has changed the way the organisations work by easing communications between all levels of the organisation. An innovative example of this is the opportunity for members of Organisation A to ask on-line questions with the CEO at a specified date and time. In Organisation B, communications technology enables better access between staff across countries. In small organisations technology has eased the burden of contract administration and also provided staff with instant access to information and resources that would take hours of their time otherwise. The ability to build inhouse databases and produce marketing information has allowed even the smallest organisation to work on ways to expand the reach of its programmes and develop its potential for finding new resources. However, new systems may also create casualties. The reduction of

distance between people and easier access to information are factors in the changing nature of volunteering, particularly because it has made communication so much easier and broken down the interpersonal infrastructure which bound volunteers to the organisation in the past.

### **9.3 Changes in Volunteering**

Volunteers are both the building blocks of the three charitable organisations in this research and also the owners of the organisations. A decline in volunteers over the past twenty five years has caused problems for all of the organisations. For Organisations A and B, this decline, coupled with the changing nature of those who continue to volunteer has caused structural and organisational change.

#### **9.3.1 The disappearing volunteer**

All of the organisations have experienced a decline in volunteers. A remit to Organisation A's Annual Conference in 1989 expressed concern that the burden of national levies and field staff support in organisation A was frightening away people who would be valuable committee members. By 2010, a former President added to this the burden of contract compliance:

A lot of people felt that they were coming along to committee meetings to read reports, to sign the financials off. There was a lot of compliance and what they really wanted to do was provide funds for their community ... They were more than happy to do their cake stalls and their sausage sizzles and that was a way to generate funds, but there was also fun in that fundraising ... I think we went away from that a lot because we put more emphasis on compliance I think. There were 108 branches and 326 sub-branches and each of those had to have a president, secretary and treasurer and that's a lot for small communities (Former President G, Organisation A).

A 2010 governance review of Organisation A, described the declining interest by volunteers in branch maintenance as “a reflection on the wider state of volunteering in New Zealand.”<sup>25</sup> As a result of organisational gaps caused by lack of volunteers, and efforts to support existing volunteers, Organisation A began to pay people to do tasks that had previously been done by volunteers and, in more recent years, the organisation has begun to seek volunteers from beyond the traditional users of its services. While it is not yet clear if this new approach will work, the replacement of volunteers by paid staff has caused disquiet:

The future of [Organisation A] appears to be heading towards paid staff for most, if not all roles-volunteers are harder and harder to recruit-this is in part due to the perception that government pays for [Organisation A] and so there is no need for volunteers ... as a volunteer I feel redundant (Organisation A, Governance review, 2010).

The link between some form of volunteer disincentive and the growth of government funding was made by interviewees in both Organisation A and B.

There were however a range of other disincentives, particularly the integration of a new breed of volunteer, seeking to do things differently, with people whose long-term role had been the maintenance of existing structures:

Years ago our volunteers were marathon runners and they are sprinters now. They are here to give us probably two to three years before they move on ... or they go back to the workforce. And I don't think we valued the time that our volunteers gave us. I think when you look previously at the organisations we had people for 20-25 years. We've still got some foundation volunteers and we've got some fantastic foundation volunteers. We've got some [that feel] 'we didn't do it this way in my day and why are you doing it now'. One of the biggest hurdles to get over is to bring these people with you, and that's probably the frustration with a

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<sup>25</sup> Organisation A Governance Review, September 2010.

lot of our younger volunteers coming in saying 'here's these ones who have been here for ever and a day and we want to bring change in and they are against it'. I think that's something we haven't handled very well because how do you say to a volunteer that's been there for 25 years that its time to move on. (Former President G, Organisation A).

In Organisation B the declining number of volunteers has affected the viability of branches and by 2010 the organisation was discussing the future involvement of volunteers:

... our membership is declining and ... that's basically through age, not totally but a lot of it is that and ... this new Council has talked about looking and understanding governance and that's linked to that role of members. That will become more of a discussion. We've also talked about the role of branches and we want to think about that too and some of that's because we know people want to connect in different ways and some people don't want to go to a branch meeting every week, and that's why I want to think about an Alumni Association that might be whatever it wants to be with the groups that want to do it so its not the branch format (CEO, Organisation B).

Although the decline in members has been happening over many years, it was not until the 2000s that the staff of Organisations A and B began to recognise the value of the volunteer wing. In one, set out in a recommendation in Organisation A's 2010 Governance Report, the board and national management were called on to formally recognise the volunteers as an integral element of the organisation and develop a national volunteer strategy. The second approach had already begun to develop during the previous decade when volunteers had begun to be recognised as an organisational advantage in the contracting environment. A former CEO of Organisation A had also argued that volunteers added value in contract

negotiations. He described the volunteer owners of the organisation as its best marketing connection:

Used to say to our people, there's not many organisations out there that have a direct line to most of their customers and that are interested enough to be engaging through the governance side of the organisation, not just as a customer. It complicates it and its annoying and difficult at times but its actually a huge strength. A lot of organisations would give their right arm to have that market intelligence (Former GM F, Organisation A).

In Organisation B there was also recognition that volunteering is something unique to organisations like themselves:

Who is passionate about [Government funder] apart from the people who work there? Whenever people talk about ... the countries who have gone to a model where the volunteers are just within [government department], who wants to volunteer for a [government department]? I certainly don't – who is going to give up time to come along and volunteer for [government department] for free on a Saturday morning? (Manager B, Organisation B).

The spread of members and volunteers around the country was perceived by interviewees in both Organisations A and B as an advantage when lobbying Members of Parliament who are seen to be sensitive to the concerns of their constituents. Whether volunteers are recognised for their intrinsic or utilitarian value, Organisation A and, to much a lesser extent, Organisation B now employ people to support volunteering. However, volunteers have changed and while the organisations have responded to this change, their own professionalisation, combined with perceptions of and demands upon volunteers by funders, have also had an impact on the role of the volunteer.

### 9.3.2 The changing nature of volunteers

Unlike the long term, committed volunteering of the past, short term, project focused, local volunteering activity is preferred by modern members, and is generally limited by their involvement in paid work. This affects governance at many levels of Organisation A and on the Boards of Organisations B and C.

In Organisations A and B, volunteering has been, for many members, a long term commitment, made by people who wanted to give something back to an organisation whose services had benefitted them, or to society as a whole.

Volunteers in Organisation A had tended to be younger women, who often learned management, organising and administrative skills through maintenance of their local branch. Those who became involved in national governance often chose to remain with the organisation for many years. One former President spoke of starting as a Branch President because she had secretarial skills and no-one else would do the job. She gradually rose through the layers of the organisation, staying on because she wanted to “give something back”. She eventually became National President when she found herself one of two Vice Presidents and it was deemed to be her turn.

By the 1980s, volunteers wanted to use the time they gave to volunteering to try out new ways of doing things rather than simply maintain branches:

There were some political things happening. The structure of [Organisation A] in Wellington in those days was different. There was this huge network of what they called sub-branches with one parent body, and it didn't take a rocket scientist to stand back and look in and say 'that's just not working'. It was too big. What you saw as a [young member] was that there was this group called the parent group that was meeting and making all the decisions. What was the point in us going to meetings because it was already ... decided?. The President of the day encouraged ... a number of us

that she could see were thinking, to form a new branch. You'd have thought I was starting a 3rd World War, the group of us that did it ... we were seen as a breakaway and radicals ... (Former President E, Organisation A)

Volunteers in Organisation B tended to be university educated and occupationally skilled and, by the 1980s and 1990s, many were experienced in the organisation's field work. They could be opinionated about the way the organisation should be run and access to national governance provided them with opportunities to pursue their ideas:

... Board members coming in and out and telling different staff members what they should be doing and setting their agenda and getting work done and it was a complete mix up. It had been ... getting worse ... I'm quite sure it wasn't different from many big organisations... (Former CEO H, Organisation B).

In Organisations A and B volunteers, used to focusing on operational matters at branch level, were inclined to bring this approach to national level where they took an interest in the detail of organisational operations:

... I remember one time [Former Director] coming back ... and saying 'I just can't believe the Council ... we've looked at the budget. We've got some real issues with the budget. We are looking at having quite a lot less money than we really need and they looked at that and it was too much for them to cope with and so they spent half an hour talking about whether [a Field Worker] should have a car' ... (Manager B, Organisation B).

There was evidence that interaction between staff and volunteers caused tension in all the organisations. The 2010 governance review of Organisation A found that volunteer relationships with field staff were often weak and mistrustful. There is evidence from both organisation A and B that professional staff resented volunteer interference in their professional practice; doubted the ability or capacity of volunteers to do work for the organisation to a standard required ; and in Organisation A, that staff declined to participate in work such as encouraging

clients to become members of the Organisation, which they did not see as their concern, despite being in an important linking role between the public and the organisation.

Despite the decline in volunteer numbers, and the replacement of volunteers by professional staff in areas such as fundraising and public relations and, in Organisation A, programme delivery, all of the organisations have managed to maintain a core of committed members. Volunteers in Organisation A who have remained actively involved in programme delivery have had to cope with both funders' and management's lack of recognition of the value of their work, as well as with new regulatory demands and contract requirements:

I think one of the decisions that management had made was that they didn't see the value in [schools programme] ...there was a lot of compliance around it, so... it just got in that too hard basket and they just backed off. Then as a Board we probably put a little bit of pressure on management and said if we are wanting to be providing education we need to be into those schools because there had been other opportunities out there that had not really got on quick enough ... we had to be NZQA qualified ... so now the momentum has gathered up again and its called Education in Schools ... [Original programme] was run by the branches and it was probably run differently in different parts of New Zealand and we are trying to say if you lived in Auckland you got the same service as in Invercargill ... we had to look at structure so that there was the same service provided throughout. And there was some angst among the volunteers that they felt that their programmes were taken away from them (Former President G, Organisation A).

Organisation B is considering a proposal for a more flexible model of volunteer involvement which is fundraising and project focused. Organisation A's 2010 report recommended that the organisation consolidate branch structures around Area Hubs where people can be employed to relieve branches and sub-branches of

tasks such as account keeping which volunteers no longer wish to undertake. The organisation is seeking to provide volunteers with work they prefer to do.

Organisation C, although needing only a limited numbers of volunteers for its Board of Trustees, has also experienced difficulty in attracting suitable people and chose, for some time, to operate without its full complement of members rather than involve people it did not feel met its values.

### **9.3.3 Volunteers and governance**

From the early 1990s the organisations began to focus on governance. The Board and Council members in Organisations A and B participated in governance workshops, as did Organisation C towards the end of the decade. The governing committees began to play a more strategic, monitoring and policy-focused role, while the management of the organisation largely became the preserve of professional staff. The confines of the new governance role were seen as inevitable by one volunteer interviewee:

Management are the ones in touch with it on the ground every day. They are living and breathing it ... They are there all the time. They are focused on it all the time. That's their career and you have to give them the credit that they know what it's all about. The Governance is a very part-time thing ... But [Organisation A] has got to get real. There is a lot of money that they are managing. Its a service that they are managing. It's a professional service ... (Former President D, Organisation A).

The changes in governance have resulted in a focus on new skill requirements at the governance level. In particular, the need to monitor more complex operations, with their more highly skilled staff, has resulted in all three organisations seeking people with financial, information technology, marketing and public relations, and legal skills. Sometimes this has been possible from within the organisation but the

membership based-organisations have both made provision for co-option of people with particular skills from outside the membership. There has, however, been some resistance to this approach:

There's been a move to getting governance as a more professional board. Some of our funders have wanted us to be seen to be more professional ... We've always been a female board and some of our funders saw that we weren't highly qualified to do those roles and I have to say that during my term it was probably a battle I had. I believed that within the organisations we had those skills. It was about making sure the right people were in a position to come forward and I think that when you look at the board structure now and from when I was there, we've got those professions, accountants, solicitors ... I do worry that if you lose the passion for the organisation you lose something that has been special to [Organisation A] for 105 years ... but I recognize that [younger community focus] don't always have that commitment that we had because we had a lot of that social development ... that community feel, but a lot of that has gone from our communities. (Former President C, Organisation A).

Modern volunteers in governance are continuing the process of change, away from collective representational branch models to skill-focused election models based on individual members or non-member co-optees. Organisation B is looking further to the end of the membership model and the possibilities of an "alumni" model which brings people with past involvement in the organisation, and other stakeholders, into a list of supporters who may be called on to assist with fundraising or other activities. This would lead to a Trust-based governance model. Organisation A has also been considering the recommendations of one (non-government) funder that fees be paid to board members.

### **9.3.4 Volunteer summary**

Disincentives for volunteers, including perceptions that government funded organisations with professionalised staff do not need them, the increasing burden of regulation and compliance, and a lack of personal time and commitment, have all contributed to changes in all three organisations at both the branch (for two) and central governance level. Added to this, the increasing professionalisation of the management at both management and governance level, has reduced the space for volunteering. However there is a growing recognition that volunteering has an important value to the organisations, and while this can be interpreted as advantageous in either an intrinsic or a market-based way, it has resulted in the membership-based organisations considering or taking action on new ways to involve volunteers.

## **9.4 Summary of Influences**

The high degree of dependence each organisation has on government funding means that, of the three causes of change identified, contracting has had the greatest impact. All of the organisations, by 2010 had experienced an increased focus on financial and statistical accountability, short-term funding frames, increased costs and increasing instability. In all of the organisations contracting had increased the cost and administrative demands of obtaining contracts and monitoring and reporting on them. Organisations A and C had the added burden of competing for contracts. By 2010 the funding received by each organisations no longer met all of the organisation's goals and either new funds had been found for this purpose or aspects of their programmes had been halted. At the same time contract funding had opened up Organisations A and B to new activities and new

approaches to their work and had led to the inclusion of groups previously uninvolved in the organisation.

Organisation B's experience was, however, different from the others for much of the last twenty five years because its relationship with its funder remained a stable, long-term and relatively supportive one. This was most likely due to the lack of competitive pressure and the modest shift to neo-liberal change in the funding Ministry. The organisation was the only substantial provider of its particular services and these services remained in tune with the objectives of the government funder. It was only when the funding Ministry was subjected to sudden change in which the government agenda began to differ significantly from that of Organisation B that the contract process was used to impose change on Organisation B in a similar manner to that experienced by Organisations A and C since the 1990s.

Technological change, particularly in computers and telecommunication, has had a symbiotic relationship with the contracting process. Growth in this area, in tandem with the introduction of contracting has eased the demands of contracting but also supported its organisational possibilities. While the larger organisations have both established professional management of their information technology, the strategic approach to new technology taken by Organisation A has allowed the organisation to develop cutting edge new programmes and streamline old ones.

At the same time the reduction in the number of volunteers and a shift to short term local volunteering has, with both contracting and technology change, driven the professionalisation of the organisations. In turn this professionalisation has combined with the growing administrative and compliance demands of

contracting and the increasing complexity of the organisations to deter volunteers. The membership organisations have re-organised themselves to cope with these changes. They have shifted away from branch-based collective representational models of governance towards a more skills focused corporate governance model based on election by individual members. In more recent years the value of volunteers has begun to be recognised by the organisations, although whether this is a pragmatic recognition of the organisations' competitive advantage, or a recognition of the central role volunteers play in charitable organisations is not clear. It is notable that where once the staff in Organisation A was supported by volunteers, that organisation now provides staff support for volunteering.

Contracting, technological change and volunteering have all interacted to cause significant change in the three organisations. The next chapters will consider the consequences of these changes, in particular, the development of more professional and specialised management; the rise of skill based governance which operates at a distance from day to day management; the loss of the intangible, holistic processes which underpinned the programmes of the organisations and the implications of the programmes which have replaced them, and, lastly, the efforts of all the organisations to find new sources of funding and the implications of the new relationships required to achieve it. Changes in volunteering which have been outlined in this chapter as a cause of change, have also become a consequence of change as the organisations have become more professional, their programme focus has shifted and the nature of fundraising has changed.

# Chapter 10 Professionalisation

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The three organisations which have emerged from the changes of the last twenty five years have developed some recognisable similarities. They are all professionally managed. The larger two organisations have managerial hierarchies based on specialist aspects of organisation, and the smaller is beginning to stratify. Programme delivery has become increasingly professionalised. All have adopted a corporate governance style which separates governance from professional management and, in the two membership-based organisations, there has been a shift from representation based on the collective structures of the organisation to one based on individual members in which particular skills are sought at governance level. Although more evident in membership based organisations, all of the organisations have experienced a decline in volunteer numbers and there has been a shift towards skilled, trained volunteers. This chapter will review the growth of professionalism in three areas: firstly, in organisational management, where managerialism has developed control over the way in which the organisation conducts its work away from volunteers towards professional managers and staff; secondly in volunteering, where social changes have shifted the volume and nature of volunteering, leading to the replacement of some volunteers by professional staff and to the professionalisation of volunteers; and, thirdly, in governance where skills based governance is replacing democratic process and limiting the involvement of people in decision-making about the organisations.

## 10.1 Managerialism

Since 1985, all of the organisations have developed some form of the managerial culture which became established in government, where qualified or experienced managers were given more operational autonomy within specialised and hierarchical systems. Prior to the 1990s, professionalism in the three organisations was largely confined to programme staff and some trained administrative staff. In Organisations A and C, trained and qualified field staff operated in areas which involved personal risk to clients. Organisation B used many qualified people in programme delivery but the oversight of the programmes was undertaken by administrative staff rather than professional programme managers. Oversight of the work of all three organisations was the responsibility of the board, supported by administrative staff whose experience was in the organisation itself or another like it. The generalist spirit which existed in all the organisations, where volunteers and staff were often expected to undertake a range of activities, was summed up by one manager whose involvement in her organisation spanned the period covered in the research:

I seriously had to do a bit of everything. I also discovered to my surprise that one of the things I had to do was that I went out to the field and scoped [programmes] about which I knew nothing really. Fortunately I am not bad at that sort of thing and the way the structure was then, the managers, of whom there were only about three of us or four of us maybe ... we all used to go into the field and scope [programmes] ... and we would all go to a different place every year. So the benefit of that for the organisation was that the whole management team knew heaps about the field and scoping [programmes] and who was there. The disadvantage was that we didn't necessarily have the skills to do that and also that the poor old partner organisations got a different person every year so actually I think specialising was probably a good idea (Manager B, Organisation B).

The President of Organisation B referred to this approach as one in which relationships were developed by the “seat of the pants and commonsense” but which has changed as the organisation has grown and progressed so that the organisation is now “a professional one like any other with rules and regulations.”

### **10.1.1 Managerialism and government policy**

Although some of the shift to professional management can be linked to the process of growth and the different size and stage of development of the three organisations, the sudden development of managerialism in all the organisations in the post 1990 period links the shift to the change in government policy. New methods of funding, which involved more detailed programme monitoring and reporting, financial accountability and transparency, played a significant part in the shift to managerialism in the organisations. The degree of change was dependent on size but a CEO of Organisation A in the 2000s described a process of management professionalisation which, although more extreme than that which occurred in the smaller organisations, nevertheless reflects something of the experience in all:

My predecessor had done quite a lot of work on getting a statistical base, measuring contact numbers and we built on that and got measurement of cost and so on around that. I had to have a major efficiency drive within the organisation ... and that required a major management professionalization. We had to get our managers thinking as managers and not just [field staff]. Some of them did and some didn't. We counted contacts like nobody's business. That was our measure of performance ... We counted time per contact. That had never been done and that was an absolute anathema to [field staff]. Some of them would probably have left, did leave, as a consequence of that because they saw us as management not understanding how a [professional field service] needed to work and 'you can't just do it on numbers' and so on. But eventually we got that right, we had some goals to increase our contact numbers per staff member ... and we set some targets that we wanted to achieve. When I think about what

we were doing towards the end, if I'd tried to do that when I first went to (Organisation A) I'd have been completely run out of town. In the end I guess it was about changing the management culture. All of the managers were pretty much on tune for that ... that was a huge change. That's where we got most of our credit from the Ministry and Minister. [The Minister], begrudgingly initially, acknowledged that we'd turned things around ... he had no option but to agree that we had performed well ... (Former CEO F, Organisation A).

The former collaborative relationships between the organisations and their funders had involved personal understanding at an operational level. As government departments were restructured, in response to government policy changes (The Treasury, 1984, 1987), and long term staff departed, new staff required more objective ways of determining reliability and effective performance. The new government focus on performance measures, accountability and risk management extended through agency processes to the organisations which contracted with government:

We endeavoured to carry on as we had but what we found was that we were expected to deliver things that health and safety aspects were being applied, quality measures were being applied. We were going to have to engage coordinators. There was a significant increase in the number of paid people running programmes that had normally been done very much on a volunteer basis. That changed the focus of it (Former President D, Organisation A)

All of the organisations identified these external drivers and others, including safety, employment practices, and reporting processes specified in contracts, as the cause of staffing changes and organisational growth. This led in turn to the need for management of increasing numbers of staff. External demands for change were not always unwelcome and sometimes assisted managers to drive organisations in directions resisted by their boards:

Most of the shift in my time, in terms of significant stumbling blocks, came because an external agency said 'this is your new accreditation standard, we need this from you' and I could use that as a way of saying 'this has to work like this now nothing to do with me, terribly sorry, I am just the messenger' (Former Manager G, Organisation C).

### **10.1.2 Management changes**

From mid-1990, the title of the principal managers of Organisations A and B began to change to the more corporate Chief Executive Officer (CEO) whose role was management of the organisation as a whole, although this shift was not always the result of deliberative processes:

No we didn't call it the CEO ... that was [Finance Manager] ... had a very strong view that we had to call it a CEO. That's why we did when we appointed [Former CEO] and yes that was part of it, making it into a kind of business model ... I personally thought that Director ... sounded better but I didn't really care because in the end it was just a word but of course, just a word, it was actually symbolic. Possibly it could have been symbolic ... (Former Chairperson G, Organisation B).

Below the CEO a sub-level of managers in the larger organisations were responsible for increasingly specialised work. This development is illustrated in Table 10.1 which shows the staffing structure of Organisation B in selected years from the mid-1980s to early 2002.

**Table 10.1 Staffing Organisation B**

1985 11 Staff Members	1991/92 15 Staff Members	2001/02 45 Staff Members
Director	Co-Directors	CEO
Senior Executive Officer	Programme Managers 2	Regional Programme Managers (3)
Executive Officer		Programme Officers (2)
	Programme Secretary	Field Reps (5)
Specialist Programme Manager*	Specialist Programme Manager*	Field Administrator
Specialist Programme Officer *	Specialist Programme Officer*	Regional Programme Manager
	Specialist Programme Secretary*	Programme Officer 3
Public Affairs Officer	Public Affairs Officer	Programme development Officer
Press Officer	Publicity Officer	Country Field Representatives (3)
Information Assistant	Secretary Public Affairs	Country Administrators 6
Secretary/Personal Assistant	Secretary/Personal Assistant	Specialist Programme Manager, Coordinators and training and development (5) *
Secretary Receptionist		Administration Recruitment and Training
Admin Assistant	Clerical Assistant	Corporate services Manager
	Finance/Admin Manager	IT and Planning Manager
	Financial Officer	Finance Officer
		Accounts Assistants (2)
		Clerical Assistant
		Administration Assistant
		External Relations Manager
		Communications Coordinator Media
		Communications Coordinator Publicity
		Secretary Personal Assistant
		Fundraisers (2)

Source: Annual Reports, Organisation B.

\*Not identified for confidentiality purposes

During this time the organisation's in-country programmes had grown and the organisation had expanded into a new region, however there is a depth and complexity in the composition of staff in 2001/2002 which is unlikely to be explained by growth alone. In particular, the small number of secretarial and

finance staff in 1991/92 has expanded to a Corporate Services team in 2001/02 and the term 'officer' has been replaced with 'manager'.

Management roles in the larger organisations became more clearly defined around specific skills and qualifications. Even in the smallest organisation the flat management structure shifted from manager and staff to Manager, Operations Manager and Instructors. This left the Manager to focus on funding and compliance, a demanding area of work in an organisation which was audited by several government departments each year and which had a large range of small contracts:

I think there is a degree of necessity to the compliance. I think that there is room for it to be more efficient than it is. I think we have external audit from a number of government departments. It would be nice if we had a single audit, rather than three or four ... NZQA come in and do maybe a 2-3 day audit of the organisation. CYFS will do a smaller audit but its still taking up time, and Ministry of Youth Development likewise ... there is definitely more compliance on the safety side of things now. It's continuing to grow. There is changing legislation for tourism operators and they are all going to have to have an external safety audit by an approved body within the next three years. That's a reasonably big cost for us just to set those systems up and to have all that paper work in place ... I think there is a degree of contributing to the need for more specialised management (Operations Manager K, Organisation C).

For all three organisations the changes created new attitudes, language and self-perception which led to greater identification with business models:

... and we became more corporate over past 12 years in the move to Wellington and the role titles changed. I can remember myself being given a GM title. It took me ages to feel comfortable with it and I know that sounds stupid but it was just how we thought about ourselves. We sort of were a cottage industry but grew into a more corporate, but probably a soft hearted corporate, in that

sense. But some of that was because of the legislation that actually involves. We're a big business. We have nearly 1,500 employees plus all the volunteers and with volunteers there is a whole level of support and management of that. So we are quite a big business in that sense and we did need to step up and manage it as a business. As some people would say we are not-for-profit but we're not-for-loss (Senior Manager H, Organisation A).

The professionalism which developed in all three organisations since 1985 involved experienced or qualified managers who linked into a generic management culture. McAllum (2012) has described this as "marketised professionalism" that leads to organisations in which flexibility and initiative are monitored by knowledgeable peers, which, in turn, leads to the development of the "self-propelled manager" (p212).

It is this managerial form which can be seen to dominate the three organisations, where a governance and management split provides managers with greater freedom to make decisions on how their organisation can maximise the use of the resources at the organisation's disposal to reach its aims and objectives. In this environment volunteers have not only become a resource to be managed but are, like the professionals who manage them, increasingly trained and specialised.

## **10.2 Volunteering and professionalism**

The three organisations all had stronger volunteer involvement in 1985 than in 2010, although a decline in volunteering already existed and the type of volunteering people sought to do was changing. Chapter 9 showed that there has been a significant transfer of work done by volunteers to the paid staff in all of the organisations in the intervening years. Volunteers withdrew from the more onerous, ongoing tasks such as fundraising to support the growing central

organisation in Organisation A, and from the demands of contracting, with its compliance burdens, in Organisations A and C. Technological changes meant that some fundraising publicity and communications activities, which had been the responsibility of volunteers in local branches in Organisations A and B, were more expertly and easily accomplished centrally. Programmes and services which fell outside of the core government-funded service, and the volunteers responsible for them, became marginalised by professionals within the government funder, and in the organisations themselves. This section will look at the ambiguous role which the remaining volunteers have played and the focus on training and recruitment for skills.

### **10.2.1 The modern role of volunteers**

In Organisation A, by the 2000s, the decline in volunteering in the previous decade became a concern as the organisation developed a new understanding of the vital role of volunteers in programme delivery. Volunteers received greater encouragement and support and their involvement became a responsibility of the organisation's professional staff:

... I believe we had strengthened and modernised the volunteer side of the organisation. So we had moved from people not really ... knowing where volunteers fitted anymore in a modern not-for-profit organisation, with many thinking they weren't needed anymore and were just holding the organisation back, to acknowledging that ownership by the community, which is what I call the voluntary side of it, was actually our strength and our driver and we needed to embrace and support it in order to have a really good professional and more commercially funded service. And I think we had done a reasonably good job of strengthening both of those and getting the symbiosis ... working between the two. We did lot of work ... bringing management and volunteers closer. When I went there management probably wasn't too sure where things needed to go, and I think if you'd asked the

management team at the time they'd probably have said 'we need to further restructure and the governance is a problem. The volunteers are a bit of a problem although it's historic. If we are going to get the funding we need and contracts ... we need it to be separate'. Rather than seeing the community connection as being a major plus ... They needed to be part of the organisation and supported in a management sense just as we supported contracting work. So we put the senior manager ... in charge of operations ... in charge of the volunteer side. We ran and supported it separately but together for a period of time. Eventually we brought them back together (Former CEO F, Organisation A).

The volunteering, which had been an integrated part of the work of organisations and flowed through into membership and ownership of the organisation, changed into a more utilitarian service-related volunteering which was managerially controlled. The former CEO from the 2000s was very clear about the vital role of volunteers in differentiating a voluntary sector organisation from those in the private sector, however the reasons he gave for valuing volunteer involvement were expressed in somewhat ambiguous terms:

What we hopefully got better at over time was separating those things and putting a value around it, and saying this is what the Ministry is buying, and if you buy that you also get this ... the voluntary arm, and clearly starting to identify what inputs and also what benefits were coming from those. We always argued strongly ... that it's the fact that we had a voluntary arm was our strength so they were always going to get more value and that was as much because of engagement. The fact that there is a voluntary arm is because the users of the service were engaged with it and valued it and also that's why we had that governance that continued those connections and I used to argue at times that that was our best marketing connection. Volunteers are owners of their organisation. We needed to be listening to that. (Former General Manager, Organisation A).

While the CEO argued for governance that was connected to the organisation's grass roots, the advantage of volunteers is expressed in market terms where volunteers are an asset that provides government with a value-added bonus in service delivery. Within this context, training of volunteers may intensify the instrumental nature of volunteering. Programme volunteers, whose participation was based on skills and competence and the ability to meet professional standards became controlled by the professional arm of the organisation and were increasingly professionalised.

There were also disincentives for volunteers without business experience. A staff member, discussing the organisation's expectations when faced with new ideas referred to the way the ideas could be presented:

...we are businesslike in that we expect people to justify any new ideas, expenditure or income, in terms of employment , in terms of finance, because we have to be – looking for cost efficiencies (Finance Manager E, Organisation B).

In Organisation A business planning methods such as these became the norm at all levels:

[Annual Appeal] money stays at an area level ... so they've still got that autonomy ... We say 'if you are going to deliver some services and fund some services ... because you are going to, probably, be having to use some paid staff ... there are some obligations ... So we ask them to make sure they put this into the business plan. So people think 'well you are putting all these things in the way' but actually what we are trying to do is set a standard that they can work to. And once they get to that they are usually fine but its just getting to that point. (CEO, Organisation A).

### **10.2.2 Discussion: role of volunteers**

McAllum (2012) identified marketised professionalism in business models of management as disincentives to traditional volunteering because they devalue “lived experience” and are more likely to encourage those with business knowledge or orientation. There is evidence in this research to support McAllum’s view that some volunteers find dealing with methods and terminology suited to business to be both alien and stressful (p. 97).

Paine, Ockenden and Stuart (2012) suggest that volunteers within many hybrid organisations are positioned by paid staff as human resources and they become marginalised in the corporate structures which have developed. This appears at odds with the valorisation of volunteers in Organisation A and there has been evidence in this research that the utilitarian type of volunteering has suited modern volunteers so that changing levels of volunteer commitment have dovetailed with increased professional management of the organisations. A contradictory process has occurred in which contract requirements for safety and expertise and professional management have combined with greater recognition that volunteers are central to the market advantage of the membership based organisations. Modern volunteers are less likely to engage as owners to whom the organisation is accountable, however those who do also find themselves being trained and moulded to participate in a business model of engagement at governance level.

The treatment of volunteers as resources can also be seen in the commodification of membership which was beginning to develop in Organisation B. The organisation did, like Organisation A, re-evaluate the role of volunteers and

assigned a staff person to their support. In our interview the CEO discussed plans to persuade members that their membership fee was inadequate to support the organisation's work and to encourage more regular giving:

... so we've partly been trying to make our members realise that ... being a member is saying something about 'I want to be part of [Organisation B]', I want to show support in some way and some of that is linked to having the right to vote. You know that is part of what you are buying, but actually if you want to support [Organisation B] that's what we also need, broader support than just membership, so that's one of the things we have been trying to work on (CEO K, Organisation B).

The CEO envisioned a system of graded support where higher-paying supporters would be rewarded with improved feedback on programmes and easier access to the organisation's activities, including visits to programmes in the field.

Membership was graded at the lowest level of support.

Cornforth and Spear (2010) in a study of British voluntary sector organisations, identified this trend towards commodification of membership, where members are regarded primarily as a source of funding and support rather than a mechanism for control and accountability (p. 76). This approach, which is similar to business style loyalty programmes, downgrades membership, measuring commitment in financial terms alone. This commodification of membership and volunteering fits well with a managerial environment where managers use the resources at their disposal to ensure strategy and policy are realised.

### **10.3 Corporate Governance**

The research has shown a general shift away from processes which integrated volunteers into the various levels of the organisations in the voluntary sector.

Since the 1980s a corporate governance model, which separates governance and management, has been established. The organisations in my research have all adopted this new approach and governing committees have shifted from a more hands on role in the management of their organisations to this corporate model which requires people with a particular set of skills. The member-based organisations have shifted from a delegated model of collective representation to one based on individual members. These organisations have considered moving away from representative governance to a Charitable Trust model whose only members are its Board.

### **10.3.1 The split between governance and management.**

The shift from integrated, hands-on governance to separation of governance and management happened in all three organisations in conjunction with the change to contracting. There is a sense, particularly in the larger organisations, that there were growing problems at the interface between governance and management. In the late 1980s, there were tensions between the boards and managers of both larger organisations followed by periods of what appears to have been trial and error as the organisations tried building a new type of relationship between board and staff.

All the organisations became involved in governance training between the late 1980s and the late 1990s. This was conducted by the same external trainers in Organisations A and B. In Organisation C, a board member with a business background led this work. This training promoted the same governance and management model. There was evidence in all the organisations that senior staff, working closely with individual Board members who had a business or

professional background and who were sympathetic to change, were the principal drivers of this shift:

[Co-Director] and the then chair worked to bring in support for the board and we had with help from [Terry Kilmister] who wrote the book Brilliant Boards. And we did a number of self-assessments under his guidance and that work also contributed to my later work, when I became chair of the board, to the constitutional review (Former Chairperson D, Organisation B).

The model used in Kilmister's (1989) board training involved governing boards which had ultimate responsibility for: establishing the organisation's direction through its mission and purpose; establishing the rate of progress needed to achieve the mission or purpose; providing continuity for management and administration; and, establishing a level of community support for the organisation (p33-34). According to Kilmister, the one overarching function of the governing board was policy governance where:

Policy provides a framework, a set of guidelines that gives direction for specific actions. Policy is rather like a map in that it pinpoints a final destination and offers a variety of routes for getting there. Some of these routes will be more or less set. Others will be flexible dependent on changing circumstances at different times (Kilmister 1989, p34).

The model proposes board development and oversight of policies which cover all aspects of the organisation ruling policies. There was a strong emphasis on planning and the separation of governance from management, particularly in programme and financial areas. The plan is signed off by the governing committee:

... it's a good example of how that happens within (Organisation B) because the delegation of authority to staff has been settled and clear cut and we know who is doing what. There were discussions at Council on all aspects of fundraising and we have had

workshops which have involved both council and staff so that everybody has been following the same thought patterns and everybody has been putting in their own contributions. What has come out of that ... hasn't been a clear cut governance, making a policy and handing it down and saying now implement it. So policy development and implementation has been a joint process but once that line of direction is set then its over to the professionals who report back either directly to say how things are going or through the CEO. But we do a lot of having people come into the Council to report back so we maintain the relationship with key players (President, Organisation B).

Kilmister (1989) provided strong direction on the involvement of board members in management issues. He was critical of what he calls "would be experts" who used on the ground experience to suggest how work should be done. He argued that other than where participation had been mutually agreed, board members should not become involved in programme management (p62).

Reflecting on the impetus for change at the time he started with the organisation in 2000, a former General Manager argued that there were two strands driving the Board:

I think they saw that if the organisation was going to survive into the future then they needed to have a different approach to the governance structure. I wasn't sensing that it was just driven by funding issues or greater commercialization ... of the funding streams through contracting. That would have been part of it. They had done a governance review prior to me going in. They had professional help with that ... Part of it was driven out of need but I think some of it, was certainly driven out of some of the Board members seeing the need to drive the organisation, the governance perspective, differently, in order to probably have a more commercial approach. But it was genuinely out of the need for the organisation to survive better for the future....I would like to think it was more than just being driven out of that need [the demands of contracting], professionalization of the organisation, in the sense of doing a better job ... not necessarily the paid definition of professional, and that good organisations were going

to run that way. That was certainly driving me and I think it was driving (the Chairperson) at the time. So we looked a lot at how governance was evolving, what constituted good governance. We had the commercial issues but I wasn't sensing that this governance change and professionalization if you like was being driven by those pressures necessarily. There was a recognition that they needed to govern themselves better in order to function better in modern society (Former CEO F, Organisation A).

All of the organisations continued to struggle with the boundaries between governance and management. There is evidence however that a new, less hands-on approach suited some board members who were volunteers experiencing pressures on their time from busy jobs of their own, and the demands of families:

... people had a clear idea that we needed to have a smaller Council to be efficient. (Former Chairperson) was going crazy trying to deal with a life, a personal life and a busy working life because he was quite senior workwise, and manage the staff of [Organisation B] (Former Chairperson G, Organisation B).

Volunteers, such as the Chairperson of Organisation B, were faced with an increasingly complex decision-making environment as well as a management role. In Organisations A and B the traditional representational skills required in a branch structure had made it difficult for some Board members to form a strategic view of the organisation as a whole. The transfer of day-to-day decision-making to professional staff overcame this problem and encouraged the Board Members to focus on higher levels of decision-making.

### **10.3.2 Government funding and corporate governance**

Interviewees in all of the organisations made links between contract funding and the change to corporate style governance. There was evidence from the 1990s that government departments had long maintained an interest in, and an influence on,

the governance of the organisations they funded, particularly where that funding facilitated governance meetings. A former Director of Organisation B commented on the Ministry's concern, under the old representational model, about the cost of bringing two representatives from each branch to Council meetings of the organisation several times a year. One president of Organisation A in 2010 indicated that there had been funder pressure on the organisation to develop a more professional Board.

The President of Organisation B found that external pressures from government, while not necessarily direct, contributed to the need for more skilled governance:

Undoubtedly the pressures that are coming on us from government – I don't think there is any question about that – but there has always been in my mind a dichotomy, a credibility gap, call it what you like, between the altruistic view of many people – 'we are all just ordinary people and we do this because we believe in it ...' – warm fuzzy, heart thing - and this pressure that's coming on from outside ... Councils in the past have tended to be the warm fuzzies - good people who just want to be part of the operation but they may not necessarily have the skills and attributes that are now seen to be needed. It was okay when we were a small organisations with a staff of half a dozen or ten because it tended to work well – the interaction was better but now that we've got these pressures on... (President A, Organisation B).

In Organisation C the Manager, experiencing difficulty persuading the Board that they should undertake training, felt pressure from NZQA:

I believe in professionalism across the organisation and we promise NZQA and other funders that we will offer training throughout the organisations and that includes the board (Manager L, Organisation C).

There was also evidence in Organisation C that funding organisation reviews included questions to staff about board performance. The measure of competence

at Board level appears to have revolved around the Board's ability to muster a generic set of skills recognisable to funders.

### **10.3.3 Skills based governance**

Although the skill set of members or intrinsic volunteers was not mediated on entry to Organisations A and B, their involvement at higher levels of the organisations is increasingly based on experience and specific competencies and they may also be provided with training for their role. In the past the expertise that led to involvement in governance of the membership-based organisations was knowledge of the mechanics of the organisation, visible and active contribution to its mission, and an ability to negotiate the democratic process and gain the confidence of one's peers. While modern governance level volunteers in Organisation A and B still require the confidence of their peers, they are now more likely to be selected on the basis of skills and may lack hands on experience in the organisation.

From 2000 when Organisation A undertook its first major governance review, the Annual Reports included small biographies about the Board members. Although I found no information from previous years with which to compare the background and skills of governing committee members, interviewees from earlier periods spoke about length of service, passion, commitment to the organisation's goals as well as, for some, the gaining of status, as the key drivers propelling people into national governance of the membership based organisations. Table 10.2 shows that the background and qualifications of Board Members in Organisation A between 2000 and 2010, the period following the first of two governance reviews

since the 1980s, was weighted towards financial knowledge, business and management:

By 2010 only one Board member did not list paid work or professional qualifications in their biography. However, most Board members listed between 14 and 32 years experience in the organisation, indicating that length of service remained a major factor in the rise to national governance in Organisation A. This lengthy service is increasingly at odds with the short term, project focused nature of modern volunteering, as is the branch based representational system which produced it.

**Table 10.2: Employment and Experience of Board Members Organisation A**

2000	2004	2010
Accountant	Accountant/volunteer for children with special needs	Taxation/Accountant
Farmer/School Administrator	Farmer/School Administrator	Farmer/school financial administrator
Consultant/Professional Board Member	Maori Language Tutor	Maori Community work
Business Owner	Banking/Business Owner	Banking/Business Owner
Voluntary Worker – Qualifications in Early Childhood Development	Maori Health volunteer – ONZM and JP <sup>26</sup>	Management consultant – government/private sectors PHO Chair
Volunteer in Organisation A	Farmer / Newspaper advertising admin and sales	Farmer / Newspaper advertising admin and sales
Financial Advisor/Insurance Broker	Office Administrator	Office Admin/Accounting
Volunteer in Organisation A	Volunteer in Organisation	Investment Banking
Trust/ Estate/ Financial Planning	Trust/ Estate/ Financial Planning	Company Director

Source: Annual Reports, Organisation A.

The new governance model proposed for the organisations placed an emphasis on board skills and experience. Kilmister (1989) argued that while boards were concerned to ensure systematic standard recruitment and induction practices for staff they were less likely to recognise this need for themselves. He proposed that

<sup>26</sup> ONZM is an Officer of the New Zealand Order of Merit and JP is Justice of the Peace

old and new organisations had different skill requirements. New boards needed people to fill gaps in a small management team, something which could be seen in Organisation C where board members included, at various times, people with accountancy, public relations and government funding skills or knowledge. According to Kilmister (1989) mature boards required different skills at different times according to strategic priorities and this was best achieved in a continuous recruitment process based on regular introspection (p. 73). As has already been observed this type of board was not easily produced through existing democratic, representative election processes.

In Organisation B, branch representation gave way over time to nomination and voting by individual members. While the branch representatives had often been people qualified and skilled in the field-based work of the organisation, a former Director from the 1990s questioned why this experience was expected to fit people for governance of the organisation, particularly when the Board was being drawn from a branch membership pool of as little as 63 people. The modifications in the subsequent election processes meant that Organisation B still relied on members, but focused on the skills and attributes they possessed which fitted them for governance.

The larger organisations were focused on how best to achieve the desired mix of skills on their board. Organisation A's acquisition of financial and business experience in the 2000s did not entirely meet its needs:

... I believe ... you have to look at your skill base and see what skills you've got and where you could do with some strength but you should be able to have a mix. With the board they are envisaging going ahead there'll be that (technical programme) expertise

which we haven't always had on the Board ... we haven't had staff sitting on the Board as a rep. In the past, that's often caused friction. They felt they haven't had a say ... They are going to be part of the board ... We have always had the power to co-opt, and we often did. If we needed expertise ... during my time I was worried about the accounting ... that we didn't have it quite right and so we brought in expertise to make sure we were accounting properly and the Board was getting the information they needed so they could make the right decisions ... I guess that if you look at any voluntary organisation that has an election process for its board from membership, that management often feels that the right people aren't coming through. What management feels and what the membership feels is often quite different (Former President C, Organisation A).

Table 10.3 shows the range of desirable board skills drawn from the three organisations, from governance reviews (Organisations A), sent out by the organisation as part of the election process (Organisation B), or from interviews (Organisation C).

The President of Organisation A argued that the Board lacked a strategic perspective on information technology and that independence on the Board could bring additional skills and stop the organisation becoming insular. An independent could challenge or endorse the organisation's thinking:

That was probably one of the biggest issues as a board that we really grappled with ... having this independent on the Board ... I always felt that when we had our strategic days we would have people from outside the organisation ... we would have a fantastic day and I always thought why can't we have someone like that sitting on our Board? Why do we have to wait once a year to have this outside perspective come in? If you had an independent person on the Board, they could perhaps bring some of those ideas to each of the Board meetings ... but also when you looked around the table at what we are doing at the moment with IT and our ... technology pathway, we really do need an IT governance perspective on the board and that's how I sold it to some of the board members, that this person has skills ... that complement the

skills of other board members ... The mandate that we had from our membership was a maximum of 2 independents and one of the ... rules is that independent can never be the chair of the organisation. You still need to have that grass roots experience (President G, Organisation A).

**Table 10.3: Compilation of desirable board skills Organisations A, B and C.**

<b>Skills</b>	<b>Attributes</b>
Financial skills from either accountants or people with an understanding of finances	Independent thinking
Business and management skills and experience	Self evaluation
Skills in the work of the organisation from technical expertise to an understanding of social development	Practical and creative thinking
Legal expertise	Passion and compassion
Strategy and planning skills	A commitment to organisational principles
Human resource and employment knowledge	Geographic perspectives where appropriate
Marketing, fundraising, media and publicity skills	
Leadership skills and the ability to envision the future	
Entrepreneurial skills	
<i>Specific skills:</i>	
Organisation C: safety experience - high priority	
Organisation A: IT skills - because of the strategic importance of the organisation's technology pathway large business experience political skills	

Sources: Organisation A: Governance Review; Organisation B: Set of desired skills and attributes circulated to members in voting process; Organisation C: Interviews

The decision by Organisation A to limit the independents and confine their role showed that while members were prepared to support conference remits promoting this direction, they had concerns. A former Chairperson reflected on previous experience the organisation had had with co-option, particularly where the co-optees had no previous connection with the organisation:

It's a struggle to take on something new ... a lot of what you do in [Organisation A] is about knowing the huge difference that its made to people and can make in the future, an understanding of the difference it makes in people's lives and the importance of it. If

you come to the board and say “well I’ve got to make sure the 60 million is spent appropriately and I’ve got a background, I can read a balance sheet, I can understand the management jargon but what the (field staffer) does is not my problem” ... I think that’s where some people might come from - not really understanding what it is that has made this such a rich [organisation], a key deliverer of the [Organisation’s principal activities].

The selection of those independents is ... very important ... I saw some stuff going on that was an absolute waste of time because they were so far behind the ball in terms of understanding what even the programmes meant, because everybody today talks in jargon ... It was a lot of work to try and bring those board members on. They came when they felt they had the time. You couldn’t be sure that they would come. You had no way of saying to them you have got to attend. It was a real issue. They left whenever they felt like it .... It took an awful lot of work to bring them on stream. Some of them have been fabulous and some were a waste of space ... So if we are going to bring on independents ... I don’t know what effort they are going to put in to coming to terms with knowing what this organisation is and to make some good judgements (Former President D, Organisation A).

The situation alluded to has been worked through and resolved but it highlights the dilemma for the members of the organisations when they appoint external board members. They must weigh up the advantages of gaining of new skills and perspectives against the potential loss of commitment and deep knowledge that may result.

The emphasis on individuals and their skills weakens the previous democratic emphasis on accountability towards branches in Organisations A and B and weakens the links between the boards and organisational structures. Both Organisation A and B have considered reforming themselves into charitable trusts, a model used from its inception by Organisation C. Cornforth (2010, p78) describes the advantages of a Trust model as its simple structure, with board control of its

own membership and selection of members based on skills and experience but the history of Organisation C demonstrates that this is not necessarily the case:

At times I think there has been a narrow group. At times there was a group who came on because they were friends of people, that were lovely people, but didn't actually have any extra skills. I think in recent years, probably okay now, but there was a period up until about a year ago, they had a number of people who were there but had nothing to contribute ... I remember board meetings ... being an instructor and having a corporate training company and being familiar with the outdoors but also the marketing side, I would always have an opinion on something ... but there were people who would just turn up but not really have any kind of expertise and not really understand what the day to day activities were (Former Board Member F, Organisation C).

Nevertheless there was evidence in my research that staff in all the organisations preferred this type of structure which more readily provided the quick, flexible decision-making associated with a business model of governance, something they found problematic in the more complex democratic organisational structures. However, Cornforth (2010) suggests that there is a risk that Trust Boards may become self-serving or subject to group think and may lose accountability (p. 77). The Board of Organisation C has progressed through the same up-skilling process as Organisations A and B, adopted a similar corporate governance structure and interviewees expressed very similar thoughts about identifying an appropriate skill mix.

#### **10.3.4 Summary of corporate governance**

Professionalisation of boards is being achieved directly through application of standards required in contracts, indirectly because of an organisation's need to cope with the changes wrought by contracting, and also by the efforts of the organisations to demonstrate their efficiency and capability in a contract

environment. The separation of governance and management has been accompanied by a perception that particular skills are required in modern governance, a perception which is particularly prevalent among professional staff in all of the organisations and often driven or reinforced by funders keen to see their money managed well.

The changing nature of volunteering has reduced the pool of people available for governance in the membership based organisations and added to the challenge of delivering elected people with particular skills in democratic systems. The three organisations have all shifted towards a corporate governance model although the membership-based organisations have retained election by members while encouraging selection of people based on particular skill sets and opting to co-opt a minority of appointees who can enhance these or provide an independent and challenging perspective to the Boards. An important factor in the progress of professionalisation has been the role of individuals who have demonstrated effective leadership skills in adapting the organisations to change.

#### **10.4 Role of Leaders**

While funder expectations played a major part in professionalisation of Organisation A, the experienced managers and senior staff brought in to cope with the contracting environment also played an important role in changing the organisational culture and focus. Organisations A and C, operating in a more competitive environment than Organisation B, turned to people with generic management skills, often with no background or experience in the work of the organisation. One manager of Organisation A, who joined the organisation in the

late 1990s, was motivated by the challenge involved in working with an organisation outside of his normal experience:

In years leading up I developed an interest in the marketing of professional services. I also had some involvement with small producer organisations, (in primary industry). I was tapped on the shoulder to apply for CEO of (Organisation A). I said why, because I hadn't had (personal experience of its services) didn't know (Organisation A)'s scope or what direction it was travelling. When I delved into it I found it had two strong arms I did have some experience with and probably had a particular interest in dealing with. Community driven type governance structures which I saw as some way akin to the produce type things I'd been involved with, and a professional (programme) service. In the immediate lead up I'd been doing some consultancies in development of strategies. I had a mix of suitable skills so I thought well maybe I shouldn't be too hasty in dismissing interest in that role. I thought it could be an interesting challenge. There were two strands, professional services and community voluntary type working structures which I assumed could present some interesting challenges. (Former GM F, Organisation A).

This GM stepped up the momentum for change established by previous managers.

Working with the Board, he intensified the restructuring of the organisation to cope with the contract environment. The devolution of government services and funding in the 1990s had resulted in the development of professionally staffed regional offices with staff overseeing service delivery and relationship management with regional funders. By the time of the 2010 Governance Review, these offices were being suggested as regional hubs whose staff could support the traditional voluntary branch structures. This involved consolidating aspects of branch activity, such as accounting, where there was a lack of willing volunteers.

Organisation A's head office moved to Wellington at the beginning of the 2000s so that staff could better develop relationships, not only with their government

funder, but also with business sponsors. These major changes were potentially problematic for an organisation that had stayed the same for most of its century long existence. The GM facilitated the changes by linking the organisation to international ideas about change. He arranged for an international speaker who had successfully re-modelled a major not-for-profit organisation in America before becoming the head of a well-known foundation which focused on not-for-profit management, to be the keynote speaker at Organisation A's centenary conference:

We were making the changes, there was still a way to go, I think she [the international speaker] gave some people confidence that modern management and leadership could be put in place without compromising the strengths of community and volunteerism. Confidence to those that thought they were being taken over by a bunch of managers (Former GM F, Organisation A).

In the non-competitive situation they found themselves in, over the same period, the Board of Organisation B continued to employ managers with a background in international development but chose people with broader management experience and expertise. The first of these managers in the 1990s began by asserting control over governance and staff interaction, insisting on more formal, separated processes. He also focused on a process of staff restructuring to develop a more distinct hierarchy:

There were about three chiefs and then there were a whole lot of others who thought they were chiefs and we had to change the structure – some people left – quite a few people left and I think they were going to leave anyway – some weren't but as each opportunity arose I gave things a tweak (Former CEO H, Organisation B).

This CEO of Organisation B established the role of Corporate Services Manager, which encompassed operational and financial management, and he employed the

Organisation's first qualified international development specialist as a Programme Manager. By the mid- 2000s, the organisation's focus on funding drove the next CEO to seek yet more skilled staff:

... I'm not able to raise money unless I can sell the product and so I needed to improve the product as it were ... get the programme coherent ... get all that in place ... get competent staff that were respected (CEO K, Organisation B).

This CEO, who had, herself, studied later in life, was passionate about the impact of learning and its application to work:

... I believe you need to be enquiring in your job and I believe you need to be thinking about theory and practice in your work and contextualising stuff. That's just the way I am and a lot of the staff were over-promoted administrators and you are not going to move the organisation forward and contribute to discussions if that's what you are. You are if you are thinking about theory and applying stuff, know what's going on, able to have a discussion and just get motivated. Its not just the programme staff. Virtually all the staff who can, have gone on to do degrees since I have been here and people are just aspiring to continue learning and improving and feed that back into the organisation (CEO K, Organisation B).

By 2005, when this CEO arrived in Organisation B, the Manager with international development qualifications had become the senior Programme Manager and was promoting a more professional approach to programme management:

I think I brought a strategic approach to our work ... There was no strategic focus on what we were trying to do or where we were trying to do it. Now our [country] plans are 3 or 4 pages long and they are focused strategically with just a little background material ... I went to what I believe is evidence of the needs in each of the countries ... I tried to bring ... some strategic development thinking into the planning of [Organisation B]'s programmes ... It took me a lot longer than I thought to make that shift because change takes quite a long time within [Organisation B] (Programme Manager I, Organisation B).

Professional managers brought with them theories and ideas, or the means to develop ideas. Their focus on skills and knowledge resulted in the growth of professional staff throughout the organisations. By 2010 not only were all of the organisations managed by people with either management qualifications or with extensive skills and experience in management, but there was a much higher level of skills within the organisations as a whole than there had been in 1985.

The shift to contracting had been directly responsible, in all the organisations, for a shift from administration to management of the organisations and for the growth of paid staff with an increasingly diverse range of specialist skills. This led to a hierarchy of management in which senior managers focused on management of staff, planning and organisational development to some extent, in all of the organisations. There is evidence in Organisations A and B that professionalism of management was responsible for a general professionalisation of other staff in the organisations. Although the shift to contracting played a large part in the shift to professionalisation, volunteering also played a part in this shift.

## **10.5 Summary of Professionalisation**

Professionalisation of both Management and staff of the three organisations has transferred significant levels of control from the volunteer owners to paid professional staff. The skill and expertise in the programme work of the organisations, which was the core professionalism of the past, has now been joined by professionalisation of both management and governance of the organisations. In this environment the inexpert and unqualified role of volunteers has been marginalised. While changes in volunteering have caused some of the

professionalisation, the context in which these changes have occurred has not only limited consideration of other options, but has actively driven the three organisations to, often willingly, adopt increasingly professional corporate models of operation. The resurgence in recognition of the value of volunteers has raised questions about the role that they play, and the work that they do, in the organisations. If their role is not well recognised and not funded in government contracts, it must be funded from elsewhere or it does not occur. The next chapter will survey how the organisations have responded to this challenge and the impact that it has had on their own mission and goals.

# Chapter 11 Programmes and Mission

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The overarching challenge for all three organisations in this research during the last twenty five years was been to ensure that they were able to continue to meet the needs of those in the communities for whom each organisation was established. In 1985 all three organisations were in receipt of government funding for specific aspects of their work, such as payment of field staff salaries in Organisation A, a specified number of programmes in the field each year in Organisation B, or individual programmes in Organisation C. It was, however, the organisations' responsibility to define the way in which the work was done.

In Chapters 8 and 9, I outlined the dependence of all three organisations on government funding and how the shift to contractual funding has placed more emphasis on the policy priorities of government. By 2010 all the organisations found themselves unable to deliver aspects of their work without finding alternative funding. In this chapter I will provide an example from each of the three organisations that highlights different aspects of the programme change that has developed in the post-contract period. The examples will show the impact the shift to contracting has had on the ability of the organisations to maintain ownership and control of their programme work and how all of the organisations have been forced to reduce or even abandon aspects of their work that they would prefer to retain. I will first contextualise the programmes by reviewing the stated aims and

objectives and mission statements of the three organisations and how the leaders have understood the broader concepts of social development and charity within which their organisation operates.

## **11.1 Charitable Purpose and Social Development**

Decisions about what an organisation does are guided by the legal documents which set out the organisation's mission, aims and objectives. These are, for an approved charity, also its charitable purpose. The aims and objectives are also the starting point in development of an organisation's planning. Translating the purpose into action and ensuring the organisation adheres to its purpose is the role of decision-makers in the organisation. In the following sections I will summarise the views of interviewees on what it means to them to be operating as a charitable organisation, one that is engaged in social development.

### **11.1.1 Charitable role**

When interviewees were asked how they would describe the charitable role of their organisation, there were diverse responses to this question and these are set out in Table 11.1. Only one person in each organisation referred to the four Heads of Charity in the Charities' Act which links the organisation's role with its charitable purpose. There were, however points of agreement across the organisations. While there were no strong points of convergence about charitable role, there were people in all three organisations who considered charity to be about transferring assistance and resources from the wealthier in society to those less fortunate, although this was stronger in Organisations B and C. Charity was associated by some with the role of volunteers, particularly in Organisation A

where there was a perception that charity applied to the things the organisation did outside of government contracting, such as advocacy. For some interviewees charity was associated mainly with financial advantage to the organisation through receipt of donations and tax exemptions.

**Table 11.1: How would you describe the charitable role of your organisation?**

	OrgA	OrgB	OrgC
Giving to people who can't afford it. Giving by wealthier/sharing resources to communities who benefit	**	*****	*****
Don't think it is a charity	***	***	*
Volunteer involvement	*	**	*
No tax on donations Funding advantage	*	*	*
Heads of Charity/Charities Act	*	*	*
Donations	*	*	*
Community benefit	***		****
Benefitting communities through social change		*	***
Not-for-profit		*	***
Doing good and worthy things		*	*
Advocacy	***		
Belongs to community	**		
Things outside govt contracts	**		
Education/individual improvement			**
Altruism			**
Values and motivation		*	
Member driven		*	
People to people/empathy		*	
Ameliorating suffering			*

Source: Author. Each asterisk represents one reference to this phrase. Individual respondents may have addressed more than one phrase.

Three people in Organisations A and B and one in Organisation C did not regard their organisation as a charity, and of these, two in Organisation B were former CEOs. There were at least two former Presidents in Organisation A who felt that the amount of government funding the organisation now received meant that it was no more than an arm of government.

The latter views highlight a lack of real consensus about the nature of charity, or even its relevance, among the organisations' leaders. The contested nature of charity, highlighted in Chapter 2 in this thesis, leads to an expectation that people might hold differing views about the approach to charitable action, and this is reinforced by the disparate understandings in Table 11.1. In Organisation A's 1999 Conference, the Marketing and Fundraising Manager reported on research which identified that very few members of the public thought of Organisation A when asked to name charities but that there was 98 percent recognition of the Organisation among those who had been interviewed. The Manager interpreted this as recognition that Organisation A was regarded as a community or social asset rather than a charity:

I think you should start getting the idea of charity out of your mind and start thinking that we are something that the society wants to support. We've just got to make sure that we are there to let them support it and give them the reasons (for) wanting to support us (Former Marketing and Fundraising Officer, Organisation A)

This comment provides some indication of the attitude towards charity in some parts of Organisation A. Charity was a benevolent act aimed at the poor which differed from general forms of social support in the wider community.

### 11.1.2 Social development role

The three organisations operate within a sphere which is broadly termed social development. Organisation B refers to this in its constitution<sup>27</sup> when it says, in clause 2 (a), that one of its purposes is “to cooperate with the peoples of developing countries ... in the interests of social and economic development and justice...”. Among Organisation A’s objects there are statements that the organisation will “improve the health and well-being of”, “promote wellness and the creation of healthy nurturing and supportive environments for”, both of which fit with a general concept of social development. Organisation C says in its Mission Statement that it will “encourage ... the holistic development of individuals”. When asked “How would you describe the role of your organisation in social development?” the interviewees provided a wide variety of responses. Table 11.2 summarises these comments and the number of people in each organisation who made each comment. The question was not presented in a way which gave people time to think deeply about a topic many found obscure. All interviewees had been sent information about the topic of the thesis, however, and this indicated that I was researching charitable organisations engaged in social development.

Many who did not recognise the term were able to relate the aspects of their organisation’s work, in some way, to the concept. One former field staff manager in Organisation B described it as “change, social change, to move forward”. A former President said, “I still believe that the social capital is one of the most important things that [Organisation A] brings to us as a country”, and the current President described the range of issues brought forward by members at conferences which had resulted in legislative change.

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<sup>27</sup> To preserve organisational anonymity, none of these documents are referenced.

**Table 11.2: How would you describe the role of your organisation in social development?**

	Org A	Org B	Org C
Responding to Community need	***	*	
Social Change	***	**	
Safer Communities	**		*
Basic Needs		**	
Socio-political action	*	**	
People to people work		**	
Skills transfer		***	
Long term partnership		***	
Supporting individuals make way in world		**	*****
Help people contribute to society		*	***
Challenging people			**
Never heard of it	*	*	
Maximising choices		*	
Providing voice	*		
Participation	*		
Volunteer activity	*		
Economic social cultural Complex intertwining		*	

Source: Author

The current President of Organisation B described social development as:

Those things that remove from people's minds the basic worries they have about survival. 'Do I have access to health? Do I have access to the things that make healthy living possible? Water? Sanitation? ... Are my children receiving education without too much difficulty? ... obstacles being laid in their path? Is there a future for my kids in this country?', those sorts of things because that's all the survival stuff. But I don't think you can ignore the socio-political aspect of development because if the political wing, the governance wing is not in favour of all the other things then they are not going to happen so ... what say have I got in civil society? What say have I got that is going to assist in good governance in my country? and so how does that come about? Does it come about because of constitutional changes which allow me to vote because I haven't been able to vote before? Does it come about because as a member of this organisation I can exert some pressure on arms of government? (President A, Organisation B).

The President encompassed the breadth of potential social development activity from meeting basic needs to enabling people to engage in society and influence the direction of change.

The question to the interviewees linked the concept to each organisation's work and this linkage is evident in the most common responses for each organisation. In the comments, only respondents from Organisation C showed strong identification with a particular concept, that of supporting individuals making their way in the world, which is a key component of the organisation's work:

... I think [Organisation C] makes a valuable contribution to developing society through encouraging healthy interactions with other people. One of the things we aim to do here is put people into a challenging situation and then to guide them through how to deal with that so they can apply it in their lives and that can often be social situations as well as personal issues that they work through (Manager K, Organisation C).

Organisation C was more strongly focused on changing individuals as a contribution to social change but, while Organisation A was individually focused at the most basic level, it, like Organisation B, had a stronger focus on community and social change. Collectively interviewees produced many elements of social development but no common underlying view emerged across all organisations. It is therefore the organisational missions, aims and objectives which activate concepts of charitable social development action and provide people in the three organisations with their common purpose. The following section will examine the nature of the missions, aims and objectives and the impact on them of the contracting process.

## **11.2 Organisational Mission**

Chapters 8 and 9 showed that, since the late 1980s, there have been gaps between what the organisations have been trying to do and what government has been paying them to do. Where decision-makers have accommodated these differences they have risked moving away from their charitable and social development role.

### **11.2.1 Mission statements**

Since their inception, natural changes in the aims and objectives or the mission of all three organisations have occurred from within through a process of evolution as the organisations developed and responded to their environment. In the 1980s Organisation A's annual reports displayed mission statements employed by the organisation during its lengthy history.<sup>28</sup> The statements provide an insight into the changing attitudes and priorities in social development over time. What began in the early part of the 20<sup>th</sup> century as a moral crusade to improve the lives of vulnerable members of the community, then changed into a collective, community-based process for acquiring and disseminating knowledge, followed by a period of reliance on experts to instruct advise and help the target group, and then by the 1980s, the organisation's mission became one of assisting particular members of the community to help themselves. These changes maintained compatibility with Organisation A's purposes.

In Organisation B there were fewer changes to the mission, but those changes were also evidence of the organisation's response to new understandings of social development practice. The organisation moved from taking responsibility for identification and delivery of its programmes in countries overseas in the 1960s

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<sup>28</sup> To preserve organisational anonymity, the mission statements are not disclosed or referenced.

and 70s, to more clearly identifying its supportive and collaborative relationship with partner organisations in those countries by 2010. Similarly Organisation C, which only became established in the 1980s, started with a complex mission which encompassed many, diverse, ideas held by the people on the establishment Trust about how the organisation might provide for the needs of the young people it wanted to help.

As it became more established and experienced in its work, Organisation C adopted a shorter and more concise mission which spoke of encouragement and holistic development of individuals “with particular concern for those who are at risk and have special needs”. While this mission has remained, in the organisation’s aims and objectives the organisation has the right to “undertake, as the organisation sees fit, programmes which are directed toward achieving one or more of the elements referred to in the mission statement”, and to “pursue a course of business that aims at long term financial security.” In the late 2000s, following a funding crisis, Organisation C’s mission statement in its annual reports changed, removing the reference to at risk and special needs groups. The emphasis on long term financial security introduces an explicit focus on funding which, coupled with potential watering down of the organisation’s mission statement leaves room for the organisation to shift away, at least for a period of time, from its charitable purpose.

Organisation C is the only one of the three organisations which has explicitly signalled a change in its mission, however temporary, in this way. Although Organisation C’s statement was underpinned with a set of principles the first of which stated that the organisation existed to “empower people, particularly

youth...” the organisation has been subject to commercial sector style claw-back of funding when targets are not met. This involves the organisation either not receiving, or paying back, money from its contract. Where this money has been committed to programmes, shortfalls present particularly high risks for small organisations and mitigate against dealing with people experiencing the most difficult problems. This does not mean that the organisation does not deal with those who are most needy:

TEC cut the money. We had to decide which course. We used to get all kinds of long-term beneficiaries: low, medium and high risk. They would have been low category, now only get high risk, really hard, hardest to get into jobs, training, general motivation (Manager L, Organisation C).

The organisation has, however, changed tack and broadened its catchment, aiming to catch at-risk children in a more preventative way through general school programmes rather than focussing mainly on dealing with them once they have become vulnerable. In her 2010 Annual report the Chairperson wrote:

The ongoing changes in government funding and reduction in philanthropic funding called for resourcefulness and creative options without losing sight of our mission...We have achieved this in a number of ways:

- Changing the management structure;
- Increasing the diversity of experience for all ages – from primary school children to senior citizens, out of work adults to corporate managers
- Development of collaborative programmes with other agencies (Chairperson I, Organisation C).

While the amended mission allows the organisation to continue its work with the disadvantaged this is no longer the central stated purpose. Organisation C hopes to improve its financial security through generation of income from corporate and

self-paying programmes. This would enable it to continue programmes for more vulnerable people, a focus to which many current staff and board members in the organisation are committed.

### **11.2.2 The role of values**

Organisation C underpins its mission with a values statement which is monitored by a committee of the Board. The values include: empowerment of people, particularly youth; commitment to Te Tiriti o Waitangi/The Treaty of Waitangi and working within its framework; environmental protection; being trainee-centred; high work quality; and personal leadership. Identification of values can strengthen and clarify the intention of a mission statement, however Organisation C's values are not necessarily confined to charitable organisations. Coupled with removal of the organisation's focus on high risk youth, broad value statements may assist the organisation to shift into away from its voluntary, charitable sector roots.

### **11.2.3 The role of partnership agreements**

In developing their constitutions prior to 1985, the larger organisations had adopted broad aims and objectives which they have substantially retained. Since then, Organisation B has made only cosmetic rather than significant change. The organisation had managed to retain substantial control over its programmes following the initial shift to contracting. A 2007 review of Organisation B's relationship with its funder identified two documents which played an important role in providing Organisation B with this autonomy. One was an overarching strategic framework between the Ministry and NZ Non-Government Organisations (NGOs) in the aid and development field. This identified common ground between the Ministry and the NGOs and established the rights and responsibilities of both

parties. In particular it included “diverse funding mechanisms to support NGOs’ own activity, based on shared principles”<sup>29</sup>.

The other was a specific document setting out the funding relationship between the Ministry and Organisation B. According to the reviewers, this document provided for congruence of overall organisational goals and objectives but not alignment. In particular it provided a degree of autonomy over programme content. The review identified that although Organisation B expressed a desire for a stronger partnership agreement with its funder, there was no real incentive for it to pursue this because the existing agreement was permissive, rather than restrictive. A more defined partnership may have reduced the organisation’s independence. Organisation B has, from time to time, asserted this independence:

We have been asked by [funding Ministry] to [undertake a project] in (Country) linked to (tourism venture). We were not happy with that. We said we would like to have our [field workers] who were working in that province to meet and talk with [funding Ministry]. They have now produced a report and [funding Ministry] has now agreed that it is not suitable for a [project] (CEO K, Organisation B).

Organisation B declined approaches by its funding Ministry to undertake work, such as development of programmes in Afghanistan, a country outside its experience. It also refused to adopt practices which it did not feel appropriate such as allowing a Member of Parliament to participate in some aspects of the organisation’s work.

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<sup>29</sup> This is one of the key building blocks of the development and relationship principles in the Strategic Policy Framework for Relations between NZAID and New Zealand NGOs set out in Nowland Foreman, G (2005) *Evaluation of the Voluntary Agency Support Scheme and Emergency Management and Disaster Relief Fund*, (p49).

Organisation B's partnership approach changed when a new government minister, post 2008, re-integrated the semi-autonomous aid division, back into Foreign Affairs and brought a stronger economic and business orientation to Foreign Affairs as a whole, as well as a more concentrated aid focus on the Pacific. Funding was withdrawn from two of three programme regions in which Organisation B operated and although Organisation B retained its total funding its work is now focused on a single region and the content and way of working has been substantially changed. These changes occurred without consultation, ignoring the contents of the partnership agreement. Organisation B accommodated the changes, incurring staff losses and winding down long term partnerships. Internal changes were made to the work focus of the organisation to align it with the Minister's economic agenda:

I think in the past if we had looked at it and analysed it we would have seen that we did quite a lot on the economic and productive sectors but we didn't always call it that. For example, quite a lot of work that we do in the private sector is really capacity building, human resource development, training, management training. We worked, for example, with the (Partner Organisation), done several assignments in there. We could say that that is in Tertiary Education, or we could equally say that the impact of the work is economic development because all those people go work in the development sector so now ... in the past we would perhaps have called that development education, now we call would call it economic development, it's a bit of a manipulation of that (Manager I, Organisation B).

Organisation B was able to absorb this new approach because one of its aims is to promote economic development, however the organisation had spent considerable time over a period of fifteen years identifying its role in international development and the role which was funded post 2008 was not the role they had determined.

Organisation B adopted a dual path of accommodation and resistance to the changes, aiming to insert as much social development practice as possible into new business oriented processes. Short term work has been nested inside longer term relationships designed to build capacity in partner organisations. However there is recognition within the organisation that commitment to this path means adherence to some basic understandings:

...where I would draw the line would be economic development which is outside of that, for instance, the development of a fish cannery in a port. Who benefits from that? Well you might say more employment on boats but are the boats local or Japanese or whatever. It could mean people could have access to canned fish but does it all get exported – all of those questions have to be asked. So there are certain economic developments which are geared towards making the country richer which may trickle down and there are those which work from the bottom up (President A, Organisation B).

The organisation is reluctant to pre-define areas which may test the relationship further although there is an expectation that some things would be beyond the pale:

I think there would come a point where, for example if it became apparent that some economic development [programme] was only producing money in the pockets of those at the top then I think we would just say no. We would rather disappear than line the pockets of the ... (President A Organisation B).

The 2007 review of Organisation B indicated that both Organisation B and its funding Ministry needed to do more work to develop a meaningful partnership but the ability to do this was removed by the new Minister and his very different agenda. Organisation B's aims and objectives were sufficiently broad to enable it to accommodate the Minister's new approach, however the organisation has had to

work hard to maintain a development perspective in some of its programmes which could, without vigilance, become low cost contracting for government . The organisation is trying to find ways of funding work in the countries no longer supported by government funding.

#### **11.2.4 Mission and the role of government contracting**

In Organisation A, the modern mission has also been broad enough to encompass changes in its approach to its work, however the core programme of the organisation, which involves visits to people in the community, has been placed under pressure by the dictates of the contract so that the organisation has struggled to meet extra needs:

... the downside was the staff felt their relationship with the (people in the community) was changing because (field staff member) was going to have to deal with different aspects of service delivery. She wasn't able to visit as many times, wasn't on demand like in the past so we would have had some issues around that. Even now, the (field staff) will say I've made some visits I can't record because (people in the community) were desperate but if I record it, I'm over delivering (Former President D, Organisation A).

One former President went further, criticising her organisation's willingness to respond to government requirements. She suggested that the organisation was now just an arm of the funding Ministry:

If Ministry says jump, (Organisation A) says how high - before, you knew what funding your community across NZ wanted you to go for.

[PW: Ever refuse a contract?]

A number got close, I do recall, yes, we did. Clear about what we were trying to do and what we wouldn't sell our souls for and

what worth we were valued at. If they said, this amount of money but only to do that we'd have said no. We think our (community) deserve more than that so if you're not going to give us the money (we want) we are not going to do (what you want) You've got a lot more power, got people power with you. For politicians that's very powerful. Didn't draw on it all the time but we did draw on it (Former President E, Organisation A).

Despite these concerns, a former GM provided an alternative view of the changes taking place in Organisation C when he spoke about the need to adjust the expectations people had of how needs might be met, particularly because of technological change:

... changed in terms of how we defined them but the core things we did to help [people in the community] probably didn't ... How they get the support and information to [people in the community] was starting to change...I wouldn't say it had been converted into a new fundable product. [New programme] was the way that we funded that and we started on some significant new technology applications to the day to day work of the [field staff]. That wasn't going to change the fact that they were there to provide info and support to the [people in the community]. I suspect the product might be changing in terms of [professional field staff] side to less face to face and more through technology... if the product is the bit you're delivering on the ground there might be less face to face contact, more can be provided online but its almost a generic product. Its support that's being delivered to [people], new ways of conveying information and support to [people] (Former General Manager F, Organisation A).

Whether the changes were seen to be making the most of new technology or bending to the wishes of the funder, decision-makers in Organisation A had a clear understanding that there were elements in the organisation's programme that had to be defended against the funder. The funder was focused on efficiency, reducing costs and targeting needy clients while Organisation A had a fundamental commitment to universality:

We based our programs increasingly on need within the context of a universal service. Universality was important but we recognised some have greater need ... We needed to be careful that we didn't allow the high-needs based priority that the Ministry wanted to decimate or disintegrate the universal service because universality was the core. I guess there was some sort of fundamental cornerstones to the success of [Organisation A] ... One of those was universality. That was why we had extremely strong community support. If we had just become an organisation to support high needs [people] ... That would be a commercial organisation to contract out. If we lose that then the organisation had a limited life ... That's why I argued for the volunteer side quite strongly I think that the universality was fundamental to our core strength as a community based organisation. That was our reason for being. It wasn't to contract to the ministry. It was to provide for [specific group in the community] for all of NZ. One of the things that I feel was successful over the period was to keep that universality applicable to all of NZ within reason (Former General Manager F, Organisation A).

Maintaining the link between universality and volunteer retention was also an important objective for Organisation A because of its need for volunteers.

Involving people from a variety of backgrounds added strength to the organisation in the political sphere, something the former CEO believed people in the funding Ministry found disturbing:

When we got into contracting the Ministry was expecting that the number of [people in the community] seen by [Organisation A] would go down quite dramatically, and they wanted it to. It was part of the political thing from the officials' side. They saw we had too much strength that caused compromise to their commercial contracting models and they couldn't handle that because it meant that occasionally we would pull political rank and override, or have an undue influence on what they were going to fund and they couldn't live with that (Former General Manager F, Organisation A).

When the initial funding for Organisation A's telephone service disappeared and the organisation found itself in competition with its funding Ministry, which had developed its own broader programme, the organisation was able to find funding from its own reserves and alternative sources, to proceed for a short time on its own. Its members around the country lobbied Members of Parliament to support a service they believed was more effective than the one being offered by the Ministry. This resulted in the Minister directing the funding department to restore the programme's funding:

... there were some in the Ministry that would have liked to decimate [Organisation A]. If we hadn't had the community strength that we had, and embraced modern management alongside keeping strength in our community ... some of us understood that. If we hadn't have done that [Organisation A] would have been dead in the water. I think a good indicator of our success is that they are probably seeing as big a percentage, probably more [of target group], than when I came in. We thought we were going to do well if we maintained at 75 percent, now seeing 80 percent or 90 percent. They (Government) have now embraced that. We've moved on. Government has moved on. We've done a better job. [New Manager] has done great in strengthening that relationship and we will probably be here for another 100 years and that is what we were trying to do (Former General Manager F, Organisation A).

Although Organisation A's resources and its membership base enabled Organisation A to stand up to its funder, this success was not without problems. The relationship between the funding Ministry and Organisation A required careful reconstruction:

We knew that if we gave (new programme) up that was really the end of our technology pathway ... So we knew we really had to keep funding ... We learnt a lot from it ... We didn't have a good name with the Ministry... There was probably some tension with the Ministry and the Minister. [New CEO] worked with one of the

managers at the Ministry. (They) really stripped it right back down. Where we were coming from. What we were doing. What we were trying to achieve. I think that then built that relationship with the Ministry. Last year we invited the Ministry to our strategic planning day and we presented our plan to them and said this is where we wanted to go. (The Official) came up at the end and said 'I've never been invited to a strategic planning before. I really understand where [Organisation A] is going, why haven't you invited us before?' I think that we have to learn that we have to share information with the Ministry. We need them to understand where we are going too (Former President G, Organisation A).

While the organisation won a major battle and retained its own programme, the attention paid by the organisation to the health of the ongoing relationship with the funder has been an important determinant in the overall outcome, particularly when contracts must be renewed every three years.

#### **11.2.5 Summary, organisational mission**

All three organisations experienced problems in delivering their mission, aims and objectives on their own terms once contracting was established. Organisation C's more specific mission provided it with less room to manoeuvre as the contract process became narrower and more specific. The two larger organisations had adopted mission descriptions which were broad enough to absorb the significant programme changes demanded of them in much the same way that those identified by Young (1998, p 279) in the United States had done. Organisation B's experience shows that Larner and Craig's (2005) argument that common goals can be achieved in the neo-liberal environment has some merit. However, while the development of a partnership agreement mitigates the power imbalance between funder and funded organisation, the action by the new Minister in 2009 indicates that power in partnerships is only temporarily ceded by government and can be

retaken at any time. This places some constraint on the charitable organisation in a partnership because it may feel it cannot risk taking action which may upset the funder, even when the freedom to do so has been agreed.

Organisation A did not have a partnership agreement but its community linkages proved to be a countervailing asset against government, serving to remind funding departments of the existence of a higher process. There are, however, limitations on the mobilisation of this asset and the tolerance of funders. As a result, the important role of advocacy in creating an environment for change, has become a casualty.

### **11.3 Advocacy**

In the table of responses to the question on the meaning of social development above, there were a cluster of people in Organisation A and, to a lesser extent, Organisation B, who said they thought social development involved responding to the needs of the community and engaging in social change. Other than through its programme work, advocacy is one way of achieving these ends. Only Organisation A makes a clear and explicit commitment in its aims and objectives to advocate about the issues involved in its work. Organisation B has a clause which says the organisation will raise awareness about its work focus, which is generally interpreted within the organisation as a public educative role. Organisation C, while committing itself to environmental awareness, neither specifies how it will do this, nor to whom.

### **11.3.1 The role of advocacy in the three organisations**

There was no specific question in my interviews about advocacy as I was interested in the extent to which it was identified as part of each organisation's programme work. Very few interviewees raised the topic independently with all but one of the discussions arising in Organisation A. Organisation C had never been involved in advocacy. The one interviewee who discussed advocacy in Organisation B indicated that the organisation had operated a self-imposed constraint on advocacy for much of its existence and had focused only intermittently on development education according to the availability of interested and willing volunteers, or where it meshed with fundraising or publicity work:

... but I think the way to deal with it in the first instance was through the professional arm of govt because that's their job and I think those people are more likely to influence the current Minister. Those are the people with whom we have the immediate relationship because with certain political thinking there is a lot of listening but not hearing and you can be accepted to go and say your piece but its like talking into a blank wall. Its better to work through accepted channels. If it doesn't create a policy change at the very top it might do so incrementally through the way in which things are implemented but I think there is more value in that than in waving banners and not being heard (President A, Organisation B).

Organisation B had been involved in setting up an umbrella organisation in 1985, campaigning for government to improve its commitment to aid in the late 1980s and a campaign to change the government's aid programme focus in the late 1990s, however the President attributed these activities to staff rather than Board strategy. The President said that the term advocacy was associated with waving banners and taking government on, something which was problematic for the organisation in 2010:

[Organisation B] is frightened to take the government on I think because it's the most unusual situation that we find ourselves in with the power of the individual ... Before that I think we fronted up to government and I include the professional arm of government ... but largely because [Organisation B] was regarded as a knowledge base for them. My feeling is that the current [funding Ministry] does still look to certain aspects of what [Organisation B] does ... and I think that's what [Organisation B] has always been better at doing than [being confrontational] [President, Organisation B].

The CEO of Organisation B had been chair, actively involved in the umbrella organisation for aid and development NGOs, which was the forum in which collective advocacy was developed. Advocacy in Organisation B is largely a staff driven activity, conducted as part of this external collaborative group. At Board level, concern about the consequences of confrontation with government is a major restraint on pursuing change in government policy.

Organisation A's advocacy has been rooted in its members through the conference remit process. In its objectives, Organisation A says that it will "act as an advocate for" its community of interest in "the health, economic, social and law reform processes". The organisation has been an active and influential advocate for its community since its inception, pioneering significant changes in laws and government policies which have improved lives throughout New Zealand.

Although the organisation continues to advocate on behalf of its community, the way in which it conducts advocacy has changed and the organisation is much more circumspect about how it raises issues that may not find favour with incumbent governments. This change has been attributed to the receipt of government funding:

Our hands are tied now in terms of lobbying or criticising the government for things they aren't getting right because, since 2002, they have succeeded in getting 100 percent core service funding from government: [field staff] salaries, vehicle, support services around education, management, quality monitoring those professional services. Deal made, now don't criticise us anytime ... In 1972 the President of the day would be quoted in the media on a regular basis, just as I did in my day. You were quite entitled to give [Organisation A]'s opinion. Now you'll find the President is unheard, would never feature on TV criticising some policy - they have dropped off the radar - not the activist group they used to be (Former President D, Organisation A).

The change in approach to advocacy has been the result of lessons learned. As has been seen in the previous section, the strength of Organisation A's traditional campaigning was the organisation's ability to lobby Members of Parliament in their own constituencies. While the organisation's strong political clout had worked well in the past, the new contracting relationship meant that there were times when the organisation was challenging the ability of its funding Ministry to take its own decisions on how to deliver policy outcomes:

We had strong political leverage that was in our favour, but the Ministry is supposed to be independent of ministers and they wanted to go down a path, so we did have a lot of difficulty: one, to keep it a national contract and two, to increase funding (Former General Manager F, Organisation A).

Organisation A had to decide what kind of advocacy it was engaging in.

Programmes, such as the telephone helpline, were developed with community needs in mind but the organisation was challenged about whether it was lobbying for access to the service or its own needs:

Were we advocating for ourselves to be appropriately resourced or were we advocating for [community]? In the past the passion got in the way of thinking about how we were doing this and what's the most influential way to do this. Public debates about

funding that had long-term impacts on [Organisation A] ... still recovering from that (CEO I, Organisation A).

The traditional process of seeking political support which had stood Organisation A in good stead since its inception became problematic in the neo-liberal structures which underpinned modern governance:

I believe until recently our relationship with [funding Ministry] was one of suspicion. They were suspicious of us, they didn't believe us. It was a difficult relationship. I think we've worked hard. There's been a couple of different teams that have worked hard with the [funding Ministry] over the last 3 or 4 years and that's really improved and we have an excellent relationship with [funding Ministry] and also with [Government Ministers]. We meet with the [Government Ministers] and we meet with all parties. We have to be apolitical and I believe that the relationship has been really good (CEO I, Organisation A).

Suspicion because of political action (Senior Manager H, Organisation A).

We went to the government of the day and they put pressure down to our [Ministry] funders, which wasn't really the right way to do it. We need to work in partnership with our funders (CEO I, Organisation A).

As a contractor, Organisation A had gained Ministerial intervention in matters relating to contract management and this interfered with the separation of governance and management inherent in the practice of New Public Management. Following this period, Organisation A separated the different forms of advocacy so that the CEO led the funding negotiations with the Ministry and the President attended in a supporting role only. The volunteer arm of the organisation now deals with political advocacy. However the reference by the CEO to the apolitical role of the organisation and the organisation's good relationship with government, indicates the problematic nature of challenges to government policy. To reduce

negative exposure the organisation is more likely to join up with other like-minded organisations to campaign on some issues:

I don't think we hide behind organisations ... but sometimes we do ...as a board we have grappled with some of these things, saying we should be out there advocating for that but we also have to think are we going to go it alone and what are the implications to the organisation if we do, whereas if we are advocating along with another organisation then we are not out there. It would be a question from the Board members 'why aren't we leading that' and I think its just whether the environment hadn't been right, or ... I don't think we are as strong as what we were (President G, Organisation A).

Organisation A did, in recent years, play a leading role in support of a controversial Private Member's Bill which was pertinent to their constituents. Prior to the Bill being introduced Government had approached Organisation A to find out its position because it saw the organisation as representative of middle New Zealand. However the organisation has been more tentative about other pieces of legislation, which would also improve the conditions for its constituents, but which have not been well supported by government nor some in the business community. In 2010, Organisation A's approach to advocacy was described as one in which the everyday work of the organisation contributes to raising awareness about improvement in the well-being of their community:

... depending on the issue and the time, what's appropriate, and how you do it is different. It's part of the development of the organisation. Being in the face and publicly fighting isn't the most influential position. There are more subtle ways that we know about now of influencing policy (Manager, Organisation A).

The Manager said that the organisation was becoming more sophisticated about how it lobbied and engaged around issues.

### **11.3.2 Summary of advocacy**

The use of public and political advocacy has been more evident in this research in the organisations with members. In Organisation A, in particular, there had traditionally been strong links between changes sought at the grassroots level and the organisation's engagement in lobbying for policy and legislative change. The successful outcome in which funding for the telephone service was restored was achieved by using what Elliott and Haig (2012) have identified as radical advocacy, "associated with external democratic processes that are overtly political and open to contestation" (p. 11). This led subsequently to a bifurcation of advocacy within the organisation. An "elitist technical approach" (ibid) is conducted between the staff of Organisation A and government executives and radical advocacy is conducted in a more anonymous fashion by participation in external organisations. This is also the path preferred by Organisation B where there is evident fear of political consequences from speaking openly about issues controversial to government. Elliott and Haig (2012) link changes such as these to the introduction of contracting.

### **11.4 Summary, Mission And Programmes**

Nowland-Foreman (1998) has identified one of the principal differences between the change to contracting in *Aotearoa/ New Zealand* and other countries as the prior existence of government programme support through grant funding, and the conversion of these grants into contracts, a process he describes as "contracting-in... social services previously provided much more autonomously by independent voluntary organisations are standardised, more narrowly specified, and brought

under tighter government control and supervision through the vehicle of purchase of service contracts replacing grants-in-aid” (p. 115).

A list of the purposes of contracting attributed to a former Minister of Social Welfare by Nowland-Foreman (1998) includes, among a range of market-related objectives, the need for greater accountability of voluntary organisations to government (p. 115). Nowland-Foreman argues that this focus shifts responsibility away from boards, members and other stakeholders and he cites the suggestions in an international review of externally imposed evaluations that the process can disenfranchise and undermine legitimate governance structures and further marginalise members. This shifting focus can be seen in all three organisations as the organisations focus on the financial health of their organisations and compromise on aspects of the work they deem necessary to meet their objectives.

Organisation B’s experience of the change to contracting was, however, different from the other organisations for most of the research period, and this had a significant impact on the way programme accountability developed in the organisation. Larner & Craig’s (2005) argument that common goals can be identified through partnership agreements in a neo-liberal environment was demonstrated in the development of Organisation B’s strategic relationship with its funding Ministry. While Organisation B underwent many changes in the 1990s, which can be associated with the financial accountability of contracting, the partnership document, developed in the 2000s, was based on an existing degree of autonomy in its programme work. Organisation B did not, however, operate in a highly competitive environment like the domestically focused organisations and the relationship between the staff of the organisation and the funding Ministry was

a very close one. This enabled the development of an explicit agreement which identified common goals and provided some independence to deliver these goals as the organisation saw fit. This high level agreement fitted well with Treasury's pluralistic ideas on contracted policy delivery but did not, ultimately fit with well with rigorously applied Agency Theory. When a Minister and government appeared with a very different agenda, the neo-liberal governance model easily enabled a shift in power back to the funder.

The ability to maintain commitment to organisational mission was strongest where an organisation had sufficient resources in both money and people to work through adversity or supplement government funding and continue to provide programmes in its own way. A lack of appropriate resources meant greater responsiveness to government policy imperatives and restructuring. For the older organisations, broadly written mission statements, similar to those identified by Young (1998) in the United States, allowed for greater flexibility in accommodating government priorities.

As has been shown in the previous chapter, changes in management and governance in all the organisations have been geared towards ensuring the organisations are able to manage funds and deliver contracted services. Leaders in all three organisations have, to some extent, had to consider the extent to which their organisations can change while retaining their integrity. This consideration has been a principal challenge for the leaders and, where there is a lack of deep understanding of the charitable and social development purpose of the organisation, the organisation may be compromised by the programme requirements of market oriented government. In this situation, the wider needs of

the communities with which the organisations work, can only really be met by identifying alternative funding sources. All the organisations have taken steps to ensure their survival by building better relationships with a range of funders and by seeking alternate ways to earn income. The following chapter will consider the impact of these efforts.

# Chapter 12 Non-Government Funding

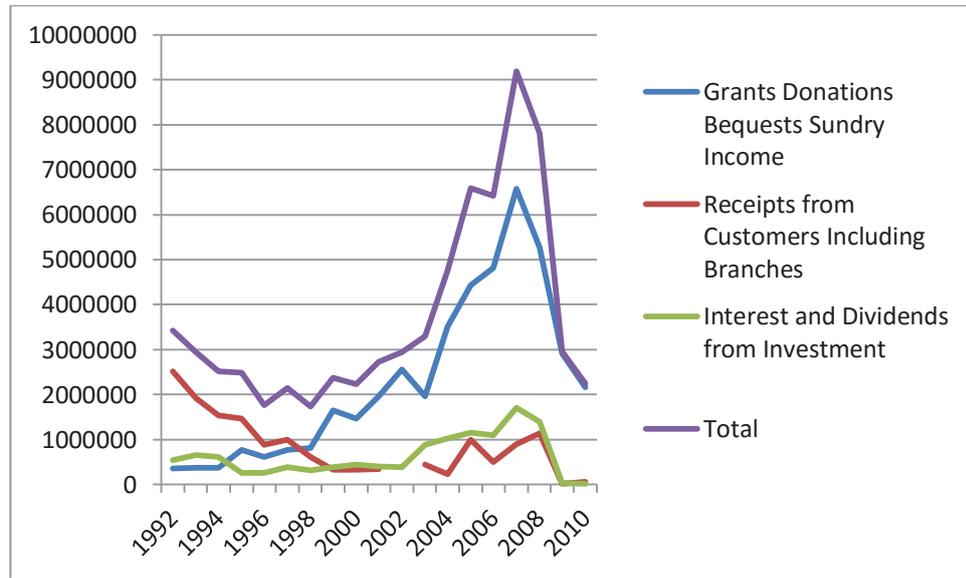
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The financial vulnerability, which has accompanied greater dependence on government funding, has precipitated increased effort to search for new funds. Since 1985, all three organisations have, with varying degrees of success, experimented with new forms of alternate fundraising which have relied less on volunteers and local activity and more on the public at large or the business community. Among the changes which have occurred, four are key: centralisation of fundraising in member-based organisations; investment in marketing and public relations to improve the public profile of organisations and identification of potential new donors; the development of business sponsorship by the largest organisation; and, experiments to generate income from social enterprise activity. This chapter reviews these four elements of change across the organisations.

## **12.1 The role of non-government funding**

The three organisations have had different experiences in the search for alternative funds. Chapter 8 showed that Organisation C, which had received most of its income from alternative sources in the years prior to 2002, has, since then, achieved a maximum of 30 percent of its income from funding sources other than government (Appendix 11). However, when this occurred in 2007, Organisation C's total income was only \$432,000. Of the three organisations, Organisation A has been the most successful in actual income, with a peak alternative income of approximately \$9 million in 2007, shown in Figure 12.1 (See also Appendix 9):

**Figure 12.1. Organisation A: Income from sources other than government 1993-2010**



Source: Annual Reports Organisation A

However \$9 million was only about 18 percent of Organisation A’s total income that year. Figure 12.1 shows that the organisation’s investment in dedicated fundraising and marketing staff during the 2000s had an impact on its alternative funding. Organisation B has had least success with alternative income, averaging approximately \$400,000 over fourteen years from 1996 to 2010.<sup>30</sup> This ranged from 15 percent of income in 1996 to 6 percent in 2010 as funding from government had risen during that time.

The small role alternative funding played in the total income of the organisations masked the importance of its role in providing the organisations with the opportunity to pursue work of their own choosing. All three organisations have begun to focus more carefully on this area in recent years, indicating that it is likely to play a bigger role in their future. For this reason, in this chapter I will review the principal forms of alternative fundraising which the organisations have expressed

<sup>30</sup> There is a gap when annual accounts changed date between 1999 and 2000.

an interest in, or from which they have tried to generate more independent income. These are business sponsorship, including cause-related marketing and social enterprise activity. I will also examine the role played by members of governing committees and management in the shift towards these new forms of funding.

### **12.1.1 Business sponsorship and cause related marketing**

Interviewees in all three organisations talked about the need for their organisation to raise more money from business sponsorship. However they all acknowledged that raising money from this source is not easy, that it does not suit all organisations and it requires investment in relationship building with funders over time. It is also an area which can produce tensions within the organisation if particular products are seen to conflict with the organisation's aims and objectives, or if sponsors make demands which people within the organisation don't like.

Organisation A has been very successful at attracting business sponsorship. This has been helped by its size, national coverage and reputation. The organisation has always been courted by sponsors and, in the 1980s, it already had a small number of partners who associated their products with the organisation's work. The governing committee of Organisation A is protective of the organisation's reputation and sponsorship proposals have always had to go through a board committee:

... we are really careful about who we do have relationships with. Look closely that our values align because, to me that's important and for the organisation that's really important. We sit down and look at the score-sheet and where organisations might sit. We look at only working with a certain number of organisations. They expect to be able to leverage us as well. We've got a strong brand

and that's what makes it so inviting for people... That's where we do have tensions with marketing and [professional service arm]. Marketing would go out and sell us but they know they've got to align us with promoting [organisation's programme focus]. I think so far we've managed to do that reasonably well (CEO I, Organisation A).

Involvement in sponsorship has, however, softened the organisation's criticisms of some products:

... but then one day (food processing company) came knocking on our door. They said "We can do a lot for you. Your [community] use our products". We got bold ... because the money was quite substantial and it was going to be ongoing. We knew we were going to be crucified ... [field staff] were up in arms. They were going to strike. It came down to the fact that the food was being prepared far more hygienically and was good for [community]. It was often better than [home cooked food]. We battled for quite a while. There was lot of toing and froing with [food processing company]. We had to consent that some money went for [field staff] education, That appeased one part of the party. Then we established a panel and they had oversight on what went into the products. Two senior staff on the panel ... warmed to it, got our labelling on [product] and got the money (Former President D, Organisation A).

As a result of this funding, Organisation A was able to create a new programme.

This was followed by approaches from other product manufacturers:

... but we had a very staunch stand. Thou shalt not use [product, for environmental reasons]. The money was looking good. The product widely used by [community]. [Community] said "what's the matter with you lot? That money could be important" ... But its about having to sit back and say "lets get real" (Former President D, Organisation A).

However the organisation eventually agreed to branch sponsorship by a food producer, one of whose products had also been the subject of negative campaigning because of its international use. Many members of the branch were

shareholders in the company and it was felt that the low key nature of a linkage in very localised advertising would be acceptable.

Interviewees referred to tensions between the marketing and programme staff because marketers were often keen to accept a wider range of products than the ethics of the organisation would permit. As early as 1991 a remit to the organisation's annual conference attempted to open the process for accepting sponsors to consultation with members:

That the (Organisation A) consult nationally with volunteers and (field staff) on the acceptability of products for sponsorship and endorsement, that (Organisation A) be seen not to contravene its own Policy Statements of the product being 'compatible with the aims and objectives of the society' and that it does not by implication endorse or 'promote this product above all products in its field' (Remit to Annual Conference 1991).

This attempt to insert a democratic process into a business arrangement was lost and sponsorships have continued to create controversy. A major sponsorship with a bank caused problems for branches when they were forced to change from long standing relationships with local banks to a centrally organised sponsoring bank. Not everyone was happy to see advertising which identified the organisation closely with the bank and even with other organisations it sponsored.<sup>31</sup> These sponsorships have, however, brought considerable sums of money and, as has been seen, new types of volunteering:

[Bank] is raising our profile. We aren't doing the advertising, we can't afford to. [Bank] is leveraging to heck the relationship but they are paying for it. To me, we need to be pragmatic about that.

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<sup>31</sup> Among several issues raised by interviewees when asked about sponsorship were concerns about the placing of the organisation's name on a sporting shirt, in the place where the sponsor's name normally went. The sport was thought by some to extol values not in keeping with those of the organisation, particularly when recent members of the sporting code had been associated with activities the organisation had campaigned against.

Its giving us a little more funding to do more around [specific programme] or other areas we want to work in for [community]. So we need to be clear about benefits ... More than just the funding. Its allowed to use [Bank] rooms, run courses ... for [bank] staff. They help the volunteers. It's more than just these transactions. They're helping us develop our governance packages. They get involved (CEO, Organisation A).

Business sponsorship has been beneficial in financial terms for Organisation A.

Sponsorships and donations reached \$5 million in the 2000s (Figure 12.1)

although the total fell back during the recession in the 2008. Money from sponsors is often tagged to particular programmes and, apart from the organisation's general need to be sensitive about issues affecting the sponsor, sponsors often have specific expectations from these arrangements:

... but there aren't free lunches, these are contractual relationships. ... which both parties have gone into very seriously. Are these people we can work with, what are the benefits for us and what are the benefits for them? (Senior Manager, Organisation A).

Sponsors can exert significant influence on an organisation. Two Presidents in Organisation A described the pressure brought to bear by one long term sponsor to develop a more professional board with external input. The organisation tried to resist these demands but eventually succumbed:

So a lot of talk at that time around us becoming a more professional board. I hate that word. Strings around the money, not because we weren't managing our money, I don't think they understood what [Organisation A] was today, a huge organisation. They wanted two independents on the board, which is now happening, and they felt we should be looking at our whole structure, have better expertise. We worked hard over the years to have that balance of expertise and passion, got to have both ... We were professional, evolved over 100 years, built capacity and

changed or we wouldn't still be here (Former President C, Organisation A).

Organisation A has built a portfolio of over twenty sponsors, arranged in three tiers of importance with a limit on the number of sponsors in each tier in order to maximise the organisation's income. Some sponsors have been with Organisation A for over 25 years. The sponsors' logos are prominent in the many aspects of the organisation, for example its annual reports and web-site and on some of its community buildings. A former President believes that the organisation could not have survived without this type of funding, particularly the major new programmes such as the telephone helpline in which the technology was sponsored.

Business sponsorship has been most successful in Organisation A. It is the most attractive to business because of the number and nature of the people in the community with whom it works. Financially beneficial sponsorships have not developed in Organisation B, although the organisation does have a Foundation which was developed to raise money from business. It was established by a few prominent businessmen who took a personal interest in Organisation B in the 1980s. Once the initial investments were achieved, the fund stagnated, although it continues to provide an annual grant to the organisation tagged for programme work. In Organisation C there is an acceptance that, other than small scale local sponsorship such as naming rights on equipment, the organisation is too small and lacks the public recognition required to attract businesses sponsorship.

### **12.1.2 Sponsorship and cause-related marketing issues**

Organisation A's high public profile and strong community integration enabled it to develop business partnerships in sponsorship and cause-related marketing which the smaller organisations have been unable to achieve. Eikenberry (2012) cites American research by Krishna and Lichtenstein, Drumwright, and Braig, which shows that cause-related marketing may lead to increased funding because it inspires consumers to connect to charities in new ways, or provides access to a population that organisations have problems reaching through traditional funding methods (p. 13). Organisation A's funding from this source grew rapidly and while the same research also shows that cause-related marketing can "crowd out" giving and volunteering because consumers see their purchases as a type of gift (ibid), it is not possible, in this research, to identify any connection between the fall in annual appeal donations and the increase in business sponsorship.

In a critique of cause-related marketing based on a large United States initiative aimed at Hiv/AIDS in Africa, Wirgau et al. (2010) argue that cause-related marketing distances people from the focus of their philanthropy and all the issues which surround its purpose. It allows people to think that social issues can be addressed through consumption alone, rather than through philanthropy as a means of social transformation. The authors argue social relationships between donor and recipient are necessary for sustainable social change (p. 627) but in Wirgau et al.'s case study consumers had no formal connection with the organisation they were supporting beyond the act of consumption. This is less likely with many of the products Organisation A has become associated with, as

they are closely linked with Organisation A's focus and purpose and it is likely that most users have had some contact with the organisation.

Eikenberry (2012) argues that cause-related marketing devalues the moral core of philanthropy by making virtuous action easy and thoughtless. Thus, rather than raising questions about the consequences of consumption, cause-related marketing encourages people to buy more, making them feel better about it; it lulls people into a false sense of doing good, even as they are potentially doing more harm (Nickel & Eikenberry 2009). Organisation A's experience of a struggle, at Board, staff and conference level, over the ethics of supporting products it had previously campaigned against, contrasts with the flexible attitude of some general members towards ethical issues. Products which make busy lives easier, or an organisation's willingness to provide support, compete with issues of long term impact on the environment or the situation of people in poorer countries.

Organisation A's willingness to allow the very localised sponsorship by a food producer, despite its ethical national stance against its use, was a very pragmatic response but raises questions about the role the organisation plays in advocating about issues and the connection between ordinary members and the organisation's mission.

Organisation A's conference decision in the 1980s not to endorse a remit which sought to have sponsorship brought to the general membership placed these decisions with the Board, operating within a guiding framework. While this was a practical solution to what would otherwise be a cumbersome process, it distances members from ongoing debate about ethical issues and it places responsibility for such decisions with people who have also been tasked with ensuring the

organisation's financial sustainability. The comments of one former President that the organisation could not have survived without this funding, indicates the pressure that decision-makers may experience to rationalise values.

Although Organisation A places a strong emphasis on alignment between its values and those of potential sponsors, there is evidence that some objections to product sponsorship have been rationalised over time. Confining deliberation on difficult ethical issues to small groups within the organisation inhibits member engagement with issues which contribute to change. This lack of engagement with members may be intensified when board members are co-opted for skills or drawn from outside the organisation. Organisation A's proposal to delegate responsibility for sponsorship to staff, to expedite decisions between board meetings, may further remove the organisation's community from these ethical issues, weakening links between them and the work of their organisation.

### **12.1.3 Summary of sponsorship and cause related marketing**

Sponsorship has provided Organisation A with substantial alternative income because of the organisation's good reputation, high profile and strong links into New Zealand society, all of which can be a benefit to business. This has enabled Organisation A to work on established and new programmes which are not funded by government. However there is evidence that, despite vigilance at governance level there has been an associated softening of principles, and there has been evidence of some member discomfort about business linkages. Although the smaller organisations have found sponsorship less fruitful, they, like Organisation A have also developed linkages with the business world.

## **12.2 Social Enterprise**

All three organisations have either considered, or attempted to develop, their own income through activities intrinsic to their organisation or related in some way to the work that they do. There was ambivalence among some interviewees about the compatibility of aspects of these business activities with their organisation's aims and objectives. The larger organisations have only recently become engaged in this type of activity while Organisation C is now on its second period of engagement with income generation activity within the last 25 years.

### **12.2.1 Organisation A**

Organisation A was, at the time of the interviews, investigating turning a hire service involving safety equipment, which had been operated by branches as a community service, into a business activity. The president spoke about the service, as it was currently run, being a risk to the organisation. She spoke particularly about the risk that arose from untrained volunteer provision of the service, citing particularly the possibility that a death might arise from poorly set up equipment. The President said the challenge for the organisation was to identify the objective of the service and whether current provision addressed it:

Where we'd like to get to is [safety hire programme] being a stand-alone business. At the moment some ... rentals run at a loss and it's all funds raised by volunteers. We had to put some compliance in place and employ some skilled people to generate some income and run the [programme]. But there are two arms really, advocating for that safety, more users, but also low rental [equipment]. It's a matter of finding ways to generate more income from [equipment] ... really just looking for opportunities for where [Organisation A] is that business but still keeping the educational arm going along too, keep the two working alongside (President G, Organisation A).

The President's dilemma highlighted a struggle in all three organisations between those who wished to try new market-oriented ways of earning income and those who found these things incompatible with a social service organisation:

... a lot of volunteers don't see [Organisation A] as a business ... see it as a service to the community. We have to get more savvy about our [programme]. When we first started talking about [Organisation A] being a business the volunteers said 'no it's not' but we're saying you are dealing with huge amounts of money and I think our new marketing and comms manager is looking at ways to promote [programme] as well as generate income from it, and there is also that advocacy role. One of the things we need to look at is are we in the business of [programmes] or are we there in an advocating role? (President G, Organisation A).

### **12.2.2 Organisation B**

Organisation B's marketing and fundraising staff developed an income generating project which involved a partnership between the organisation and an adventure tour company. Participants were able to gain a short insight into the work of the organisation but the project had only minimal involvement of programme staff. Participants committed to fundraising a sum of money for Organisation B, and to speaking about their experience as part of a development education programme on their return. The new venture was signalled in the 2006-07 Annual report and, according to the 2007-08 annual report, twelve New Zealanders were provided with the opportunity to travel responsibly and carry out a community project in Cambodia. There were plans to repeat the exercise in Tanzania, Lao PDR and Papua New Guinea, however, by 2010 the venture appeared to have run out of steam. My estimate of the maximum total of donations from one trip was \$57,000, if all participants raised the sum required. While the project had international development overtones, there appeared to be a lack of real integration between

the project and the core work of the organisation. Independent funding for the organisation rose in 2007 and 2008, but there was some scepticism coupled with questions about the real level of profit:

It was external relations but is now communications and fundraising unit as a form of ethical tourism with some fundraising tied around it. It seemed to me at one level something that wasn't core business for [Organisation B]. I had a bit to do with it. There was an attempt to do one in PNG. All of it went into Cambodia I think, or Vietnam, Cambodia and Vietnam, and I observed what was going on. I had little engagement with it. I basically thought that it was not core business for us ... it raised some money, but once again ... I think if you looked at the costs and the staff time that went into it, the amount minus expenses was probably minimal (Programme Manager I, Organisation B).

### **12.2.3 Organisation C**

In Organisation C, income generation has played a more consistent role than in the other two organisations. The organisation has always charged fees for some of its courses and, for two periods of its existence, following changes in government funding, the focus on earning income from businesses has been particularly strong. While there was a willingness to experiment with business focused team building programmes in the 1990s, the founder was uncertain about the organisation's ability to cope with the extra work and the impact it would have on the organisation's mission:

There was a move towards user paid, high echelon, outdoor leadership courses, plus ... for two to three years, on corporate groups and team building. [That] was beyond our mission statement but [ it was] supposed to bring income for youth at risk courses. It was reasonably successful but not the golden pot at end of rainbow for other courses. It ended up taking a lot of energy away from our core business. I was one of the people that was never sure that was the way to go. Now back towards our mission statement (Founder A, Organisation C).

The founder also perceived a prejudice by corporate clients against organisations working with disadvantaged youth. She felt the organisation did not have the capacity to spend time and resources on changing its image to accommodate this group. At the same time the board member promoting the idea also recognised the limitations of what he was trying to do:

The other thing was credibility, the whole perception at the time, and I think it still is a bit, is that an outdoor pursuits centre can do the outdoor stuff but they don't really understand your (company's) business and that's true. You know the knowledge that I would have from working with 800 corporate teams is a 'way wider and for me, I want to be paid \$1,200-\$1,500 a day. [Organisation C] would not be able to do that, under that communal type system that would be seen as being out of sync with what the instructors get paid, even though my skills are much greater (Former Board Member F, Organisation C).

The former Board Member identified a perception among people in social development organisations that business was "a bit dirty" and that there was a cultural difference between the two:

... trying to marry that whole idea of corporate team building, and the speed you need to move on those kinds of things, with our organisation which is about helping people. ... [Organisation C] been a great democratic organisation, you make decisions together. What I felt is that suddenly you get opportunity to do a \$14,000 team building thing, to quickly work out the resources we need to do that, to fly to Auckland, to see the client whatever. If you had to consult over those sorts of things you probably wouldn't get the business. Quite apart from presenting as a consultancy as opposed to an outdoor pursuits centre (Former Board Member F, Organisation C).

The founder expressed the view that although it should be possible to marry up business and community activities, it required very altruistic, charitable individuals whose prime motive is making the enterprise work for the sake of the

organisation and she felt that people of this type were rare. In more recent years however, Organisation C's loss of funding from government has prompted the organisation to relook at this source of funding and it has begun to rebuild its focus on business team building. When asked if the organisation was a business or a social organization, the manager in 2010 described it as sitting in the middle:

... businesses' team building, corporates, community groups, motivating people to function better. That's the business side, people pay for our service, I think it's growing. Last year we had fifteen corporates come through, \$25,000. Looked at as a percentage of our overall revenue, it a small percentage, less than ten percent. Trying to grow it actively, less money from government but don't want to deliver less courses so we subsidise courses for unemployed from business revenue (Manager L, Organisation C).

#### **12.2.4 Summary of social enterprise**

The social enterprise activity which occurred in Organisations B and C has not proved to be as successful as sponsorship and cause related marketing has been for Organisation A. It has, as with sponsorship and cause related marketing, highlighted some of the possibilities and problems of integrating market methods into charitable organisations. Chapter 3 identified a clash of culture when charitable and business organisations become closely intertwined, and this has been evident in the experience of all of the organisations. The principal difference between the income generating activity which developed in Organisations B and C and that of Organisation A was the extent to which the ventures had been, or were proposed to be, integrated into the purpose of the organisation. Organisation A's proposed safety equipment hire venture was based on an existing activity which had been organised and run by volunteers for social benefit. Organisation B's ethical tourism activity was related to, but not part of, the organisation's work. Its

purpose was to raise money although the activity had some connection with the work of the organisation and the fundraising and publicity involved benefitted the organisation. Organisation C's business team-building programmes were purely income generation, using the resources of the organisation for the purpose of making money.

All of the organisations found themselves with problems of compatibility between income generation and social purpose. Organisation C's initial income generating activity impinged on the social purpose of the organisation by diverting resources and placing pressure on the organisation to better meet business expectations and the financial needs of specialist staff. The Board member who had promoted business team-building in Organisation C, highlighted the contradiction between the need for fast, flexible approaches to decision-making in business and the more democratic, cooperative and consultative culture which is inherent in charitable organisation.

Organisation A's plan to turn an existing service, which was already of benefit to the community, into a business, reflected the way in which a business and social dichotomy had permeated that organisation's activities. The purpose of the re-orientation of the community service as a business was identified as income generation. It was also an effort to isolate legal and financial risk where aspects of volunteering and subsidisation of cost had become potential problems. However a suggestion that fees be increased to cover costs caused some questioning within the organisation about the purpose of a scheme that had previously been primarily about social good.

Dilemmas such as these make explicit the different imperatives that many of the organisations are experiencing as they engage with market activity. A US study of social enterprise activity in not-for-profit organisations, cited by Eikenberry (2012) found that most were unprofitable or broke even and that many of the 5 percent that claimed profitability did not account for indirect costs (p. 12). The activities of Organisation B and C produced small but inadequate profit and while the financial outcomes of Organisation B's activity are not known, they appear to have foundered for similar reasons. The Programme Manager believed that not all contributory costs were taken into account.

A former Manager in organisation C, discussing the nature of business development in the sector generally, described the problems of becoming involved in business for charitable organisations:

Frequently organisations will create an entirely new delivery arm and bolt it on in something they will have expertise in [which] takes a couple of years. Sometimes you can pull that off, most of the time you can't. Too many failing points in that. The other approach is who are we? What do we want to be doing?, [What is]our ambition. Now let's find somebody to pay for that. Now, in business it's the extrinsic one. Where are my niches? I'll buy in what I need in terms of HR etc. Where are my shareholders? I can compensate for my skill lack because of my financial surpluses. Community organisations can't think like that because we don't understand it. We don't have the predatory nature. We can't say 'well, I really want to get into disability - I'm just going to buy these two disability organisations and use that to push forward'. We aren't able to do that ... (Former Manager G, Organisation C).

The belief that engagement with the market through business development is not comfortable for social development organisation, is among several factors Fowler (1997), writing about non-government organisations in developing countries,

suggested should be considered before undertaking an income generating venture (pp. 145-146). Many of the factors, which relate to organisational preparedness, recognition of the different cultures involved, and a need for different ways of thinking, were relevant to the organisations in my research. In particular, Fowler suggests that organisations must ensure stakeholders at all levels are convinced there is a need to engage in income generation. There was at least one significant staff member in each organisation who had expressed doubts about the value or appropriateness of the ventures proposed or undertaken by their organisation. Fowler also recommends preparing existing staff and volunteers for a loss of cohesion and some confusion, rebuilding the entrepreneurship that existed prior to the onset of regular government funding, restructuring the organisation to enable two cultures to co-exist, and changing the way of thinking from an expenditure and reporting model to a revenue and reinvestment one.

It appears that much depends on the structure of the venture and the way in which it co-exists with the charitable organisation and its purposes. Fowler (1997) cites *Oxfam UK/I* as an example of success with a £17 million profit from a £53 million pound annual turnover in 1993 (p. 140). Fowler's argument that, other than where a business is solely run by volunteers, it is difficult to manage both business and not-for-profit activities together because the values and work styles in each are different, accord with Chew's (2008, p. 30) identification of the need for special management skills to bridge the cultural interface between social and business organisation in social enterprise. These findings were echoed in the comments by the Founder of Organisation C that those running a social enterprise need special qualities.

## **12.3 The Management of Fundraising**

The marrying up of cultures has been particularly necessary where staff from different organisational backgrounds transfer into the charitable sector. Since 1985 the new tasks of building wider support bases, engaging with businesses and building a rapport with commercialised government funders has been increasingly undertaken by specialist professional fundraising, marketing, communications and public relations staff, most often with experience in business or commercialised government. Their involvement has been driven by CEOs keen to address a strategic goal of increased independent income. As the new group of staff members become established the governing committees must balance their ideas with the aims and objectives of the organisation and its way of working.

### **12.3.1 Professionalisation of fundraising**

In Organisation C, neither board members nor volunteers had the skills or the time to undertake fundraising work:

Professionalization of staff has got benefits. Most of us on the board didn't have the skill to approach people in an adequate way to get the sponsorship. We hope that someone who has had the training can do that more effectively. A staff position to do that with direction from the management, the way it ought to work, may not find a board member who has those skills but can find a professional ... to do it (Former Board Member D, Organisation C).

Organisation C did try to develop its fundraising capacity by employing a Manager who had fundraising expertise but she found that the general management work was so time consuming she did not have time to apply her fundraising skills. The now former Manager said that Organisation C had missed the opportunity of

developing long term relationships with people who had participated in the courses since their inception:

Fundraising is relationships, reputation, then the revenue .... [Organisation C] has a good reputation. It is well regarded even though the community might be one of the lower socio- economic groupings. However within that community there are some people with wealth and some knowledge of the organisation. Developing relationships is the key to expanding any possibility of philanthropic gifts coming through. Then they become a genuine ethical way of asking people, in a way that you always retain the relationship even if they say no. One of my biggest fundraising gifts was achieved this way ... It must be a long term process ... [Organisation C] in need of funds and would welcome philanthropy. It hasn't done those steps yet and it needs to perhaps engage its Board more in that they have a role to play I believe (Former Manager H, Organisation C).

By 2010, Organisation C had a part-time marketing person to build connections and identify new funding opportunities. Organisation B overcame its early difficulties in finding suitable fundraisers and by the late 2000s it too had a dedicated fundraising and communications team. The largest growth of staff was in Organisation A, and while the results were evident in the growth in income, there were tensions about the nature of the organisation and the business approach of staff:

Some people in [Organisation A] would have argued to strip all the commercial stuff out and run it as a business and leave the volunteer stuff out. Then you could have a governance structure around that, that wasn't impeding management ... Two of my managers would have felt that. 'We don't need this handicap of do-gooding boards. Need to respond to the Ministry's desire to be very efficient and if it's separate it's clear what it's costing' ... One of my operations managers was arguing to cut it free, it cost us and why bother keep it on but it represented a whole lot of other things (Former General Manager F, Organisation A).

### 12.3.2 Governance oversight

The Board and CEO of Organisation A developed a strategy in the 2000s which promoted the organisation as two wings, professional staff and volunteers, working in synergy. However management in all the organisations had greater freedom to act in 2010 than they had in 1985 and Boards had to develop boundaries on action through policy work. They also required confidence to make decisions which were unpopular with management:

Management come in and they want to change, bring their ideas in. Sometimes there was conflict between governance and management because management wanted to do this and this and we have had to say “No, this is the values of the organisation”. At one board meeting a GM-marketing had a fantastic sponsorship idea with an Australian company. Huge money, millions of dollars and as a Board we said no. The look on the management’s face “you’re just a bunch of housewives, you don’t know anything”. But we just knew that we couldn’t go with an Australian firm and probably six months later that firm hit the headlines. It’s just really trying to say to the management that our brand is our biggest asset and we can get millions of dollars from it but our values have to align with the sponsors’ values. We used to have people come in ... and they think it’s going to be an easy sell, just seven women... That’s one of the biggest challenges [that] as a board we’ve had with management, sometimes [we] just try to reel them in a little bit ... (Former President G, Organisation A).

However, increasingly, decision-making was delegated to management so that activity could proceed between meetings:

... management drawing up a level of risk for us so they don’t have to come to us for every decision. We only have six-weekly board meetings. Sometimes the opportunity might have gone. We are setting the boundary around the level of risk that management can go to before consulting the board. There’s more flexibility (Former President G, Organisation A).

Organisation B's council has similarly sought to maintain oversight control of fundraising direction through joint involvement in scoping of direction, policy development and monitoring of activity, as can be seen in the President's description of governance oversight of fundraising in Chapter 10 (p 221, this thesis). The people in governance were required to understand the thinking of the new business-trained staff, and anticipate the consequences for the organisation of different approaches to fundraising. This applied not only to new forms of fundraising but also existing sources, approaches to which were also changing.

### **12.3.3 Centralisation of fundraising**

In both Organisation A and B there was a shift away from reliance on donations received through member-based fundraising, which was community-based, towards centralised fundraising which targeted businesses or individuals directly. This shift was accompanied by a combination of membership reduction and growth of professionalism and the appearance of new technologies. Organisation A's annual appeal, which had at just over \$1 million in 2003, changed from the door to door collections in the late 1990s to direct, street collections<sup>32</sup> and collections at supermarket check-outs by 2005, during the same period as centralised fundraising was becoming established. While volunteer participation in appeal week could still involve approximately 4,500 volunteers in 2010, it was much lower than the 10,000 volunteers of the past.<sup>33</sup> Although Organisation B did not have the spread of branches and depth of membership which existed in

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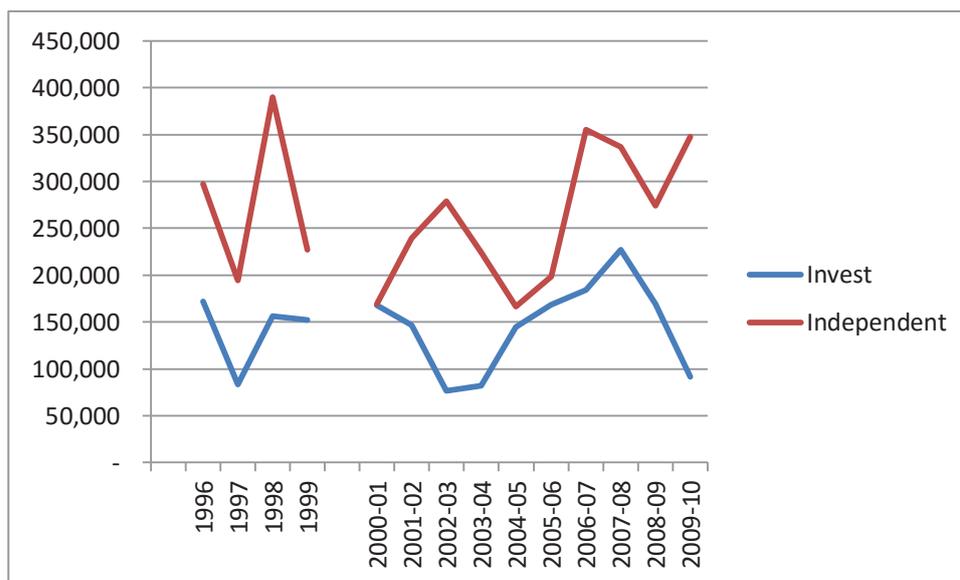
<sup>32</sup> It is not clear whether street collection means door to door collection in the suburbs or standing on busy streets in the CBD, however it generally means the latter. The rise in two income families is the most likely impetus for this change as finding time when volunteers and donors coincided may have become more problematic.

<sup>33</sup> Figures provided in interview with President Organisation A.

Organisation A, the changes in the way it sought donations provide an insight into the changes which were being promoted by professional fundraisers.

A former Executive Director of Organisation B said that, in the 1990s, the branches did not regard fundraising as their role. The organisation did not conduct national appeals although it had been sending direct mail appeals to members and supporters since the 1980s. Council Members in Organisation B became reluctant to invest in other forms of fundraising, particularly when efforts such as art auctions and a commemorative book raised only modest sums of money, or simply broke even.

**Figure 12.2. Organisation B: Income from Non-Government Sources 1996-2010**



Source: Annual Accounts Organisation B

Figure 12.2 shows that the progress of independent fundraising in Organisation B since the early 1990s has ranged between \$150,000 and \$400,000 (See also Appendix 10). Passive income from investments has contributed between \$76,000 and \$227,000 per year so that the highest independent income has been \$563,000

in 2007/2008. However the increases in fundraising can be correlated with specific fundraising strategies in the organisation.

Although the Board of Organisation B wanted to find alternative funding, the Chairperson in 2010 attributed its low income from independent fundraising to the Council's risk averse nature and to its long-term confidence in the security of government funding:

... the dilemma for some people ... everyone wants to be independent but I ask what degree of independence do you want to have? If you want to be truly independent you have to raise funding, your own resources, build endowments etc. Barriers ... some people don't see from the same page, say 'the government won't let [Organisation B] die - may cut us but we'll be OK, we're still in business'. But they don't share my vision ... Complacency, before I took up the chair we were doing business just among ourselves not going out to outside stakeholders finding those with common interests, forming synergies. Just too busy inward looking (Chairperson J, Organisation B).

#### **12.3.4 Commodification of fundraising**

In the mid-2000s Organisation B was undertaking themed appeals so that where, in the past, they might have made a general appeal for funds for their overall work, they now linked funding to specific programmes, for example HIV/Aids. These appeals were further refined by providing potential donors with choices about which programmes to support. Donations could be made in the form of the purchase of a "gift" for someone else, who received a tangible symbol of the donation being made on their behalf, such as a Christmas tree decoration:

It's easy, just choose the type of (programme) you'd like to support and fill in the attached order form. We'll send you a plantable paper Kiwi Christmas decoration for you to give to your family and friends (Brochure, Organisation B).

The brochure provides details of four programmes in education, environmental protection, business development and health which donors can choose to support. This support can be broken down into payments for one day, several days, one week or one month. This approach can also be seen in the establishment of a school focused programme where pupils are encouraged to buy a small product during a fundraising period established to raise awareness about the organisation's work, as well as raising funds.

In this environment, membership value was gauged in terms of funds provided for the organisation, rather than the value of involvement and committed support, so that plans were developed to persuade members to become regular donors and membership was commercialised in staff thinking:

... our fundraising strategy ends up having to be multi-pronged ... what we have found in the past is that members, by buying their membership, think they have contributed and one of the things we have been trying to show our members, in a nice way, is that your \$30 membership is not a major contributor to what we are trying to do so that's part of the ... where we have to fundraise \$18 a day comes up. So they can ... see that my membership pays for 2 days of a (single programme) and we've got 100 (programmes) in the field ... so we've ... been trying to make our members see that being a member is saying I want to be part of (Organisation B), show support in some way and some of that is about having the right to vote. You know that is part of what you are buying but actually if you want to support [Organisation B] ... there is more to support than just membership ... We have a tiny database compared to all these other agencies because we are a bit behind on that and so we are really conscious about how much we can ask our current members and supporters for things, and we have been trying to grow that, and we have been trying to move people along and so what we actually want is to make people become ...regular givers. That's the best thing for us because we can anticipate the income – we know what we are getting (CEO, K, Organisation B).

### **12.3.5 The marginalisation of members**

In 2010 Organisation B was contemplating a shift to Trust status with a self-contained Board of Members and a support base of donors. The development of increased income through regular giving was viewed as a first step towards inducing further giving:

... so we have got to move people ... deepening their commitment and understanding and support, so part of what we want to do is make sure people can understand us more. So with our current supporters we are trying to get their level of contribution going up ... We'd also like to launch a new, as part of our 50<sup>th</sup> anniversary next year, a ... club for high growth donors ... and that will get ... special treatment, but we need to get ways to broaden our database. (CEO, K, Organisation B).

The scheme was described as one in which high value donors got extra information about the organisation's work, the opportunity to meet people involved in the work and perhaps the opportunity to visit programmes. Sitting alongside this would be the ordinary member who would receive the organisation's quarterly magazine and regular newsletter. The CEO described the strategy as one which celebrated success while avoiding the "boring annual reports and accounts". This fundraising strategy had been developed in the context of falling membership which was associated with a particular age group. The strategy focused on identifying a supporters group which would have more flexibility than branches. This strategy accompanied longer-term moves by the organisation to delink branches from formal accountability processes.

### **12.3.6 Summary of management of fundraising**

The introduction of business-minded staff into the organisations has been a governance strategy to upgrade the organisations to meet the demands of the new

environment. The task of finding new, independent funding has brought specialist fundraisers and marketers into all three charitable organisations, many of whom were trained in business and who are market-oriented. In a study of “boundary crossers”, individuals who made short or long term transitions from one sector to another, Lewis (2010) identified data which suggested that innovation, learning and the challenging of accepted ideas occurred when people moved across sectors (Lewis, 2010, p. 227). This has been evident in Organisation A but less so in Organisations B and C. Organisation A’s comparatively greater attractiveness to business can account for a large part of this success, but it required knowledge and experience to bring the organisation and its sponsors together. The experience of Organisation A at governance and CEO level when dealing with their own staff over the integration of market ideas into the organisation indicates that, while innovative possibilities can result, a high level of vigilance about organisational values and practice are required at this interface.

#### **12.4 Summary of Non-Government Fundraising**

The alternative market-based activities being pursued by the three organisations has brought substantial new funding to the larger, best-known organisation and while it has had the potential to provide extra funding for the other two, the early efforts of the organisations have not been particularly successful. The experience of Organisations A and C with business sponsorship indicates that this activity must be tailored to organisational size and community reach so that while large, nation-wide, trusted organisations can achieve considerable success, small, local organisations cannot expect large amounts of funding from this source. Social

enterprise has proved to be more accessible for all the organisations, and has provided some benefit to Organisation C.

My research shows that there have been problems of compatibility between the different cultures and objectives found in market-oriented activities and those of charitable organisations. Business-related activity in charitable organisations was a site of ethical and practical tension and there was a danger that adjustments made to accommodate these tensions could weaken charitable purpose.

Organisation A's establishment of systems which ensure consideration of organisational values alongside new proposals was a practical solution to providing vigilance about maintaining organisational values and purpose.

Nevertheless the pressure on the organisations to find new funding, and the lack of space for discussion about the ethical issues at the outer reaches of the organisation may have caused a lack of understanding about some cause related marketing issues among members which put further pressure on the organisation and led to a loosening of resolve among board members. The research showed that governance involvement and oversight can mitigate the potential damage caused by business methods, particularly when business- oriented fundraising activity is introduced.

Marketising change is not always however related to the larger and newer activities but can be caused by subtle changes to existing activities, some of which, as was identified in the proposals for changes to membership in Organisation B, can have an incremental and cumulative impact on the nature of the organisations. The next chapter will consider this accumulating process of marketisation, which

has been identified in the previous chapters, and the over-arching impact it has had on the nature of the three charitable organisations in this research.

## Part 4

# Chapter 13 Marketisation

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The changes which occurred in the three organisations have been complex and dynamic with multiple levels of causation. They have, over the period of twenty five years, been similar to those identified in the literature. In particular all three organisations have become more professional and managerial and lost some control over the content and delivery of programmes. Two organisations have changed their approach to advocacy, reducing its visibility. All three organisations have become increasingly outward looking, seeking new sources of funding and support.

Much of this change has been influenced by government's neo-liberal shift in the 1980s and by the social and technological changes that have accompanied it.

Ubiquitous market characteristics, which underpin neo-liberalism, are evident in the processes of change. In this chapter, I use the ideal characteristics of charitable organisations, identified in Part 1 of this thesis, and my findings in Part 3 to identify the extent to which the organisations have changed. I identify indicators of market influence on the changes leading to the entrenchment of hybridity in all the organisations. I then discuss the advantages and disadvantages of hybridity, and explore the links between hybridity, mission-drift, and social enterprise. Finally, I discuss the larger impact of the marketisation process on the role played by the three organisations in civil society.

## **13.1 Changing Characteristics**

Synthesising insights from a range of sources and considering their applicability to my New Zealand case studies has allowed me to develop a refined typology of the characteristics of charitable organisations first set out in an idealised form in Chapter 2. This amplified typology points to four groups of characteristics related to civil society, social structures, values and operations. First, civil society characteristics: these are drawn from Edwards' (2008) ideas relating to the role charitable organisations play in society and the public sphere. Second, structural characteristics: these are drawn both from Billis (2010 b), where they define a linkage and logical flow between owners and members (pp. 54-55), and also from the three studies outlined in Chapter 2 (Ball and Dunn, 1995; Community and Voluntary Sector Working Party, 2001; and Tennant et al., 2006). Third, values characteristics: these, drawn from multiple sources, combine with the structural characteristics to form the anchoring core of the characteristics. Last, operational characteristics: these are drawn from Fowler's (2002) description of a voluntary organisation's relationships with its service users and external environment, the source of its resources and the nature of its feedback mechanisms. Using these four categories, I have developed an innovative typology, tabulated in Table 13.1, which depicts an idealised version of charitable organisations engaged in social development, and I include an assessment of the extent to which each characteristic was evident in the organisation in 1985 and then again in 2010.

### **13.1.1 Charitable organisation characteristics: 1985**

In 1985, the organisations had already departed from the idealised characteristics described in Chapter 2. These variations were mainly in the operating principles

and can be seen under that heading towards the bottom of Table 13.1. This is the area in which the organisations had to deal with their external environment and it is where resource dependence and isomorphic pressures resulting from funding were most likely to have had an impact on the organisations. Departures from the ideal characteristics in other areas can be variously explained by: close working relationships with government funders, as in Organisation B's weakened independence from its inception; organisational decisions not to engage in some activities, as with Organisation B and C's respective decisions to limit or resile from engagement in public advocacy; and Organisation C's lack of interest in close links with other organisations.

In Table 13.1, I have used 'Yes' (Y) and 'No' (N) to indicate where the identification is straightforward. Where some elements of the attributes have been eroded but still exist, I have used 'Weak Yes' (WY) to describe this and where only a very small element is present I have described this as 'Mainly No' (MN). Where the organisation's attributes are mixed, for example where it has both volunteers and staff involved in provision of services or in administrative activity, then I have accorded both 'Yes and No' (Y/N) to the characteristic.

**Table 13.1: Differences in charitable characteristics by organisation  
1985 and 2010**

Characteristic	1985				2010			Change
	A	B	C		A	B	C	
<i>Civil Society</i>								
Pursuit of visions of a good society	Y	Y	Y		WY/N	WY/N	WY/N	Promoting Government vision in practice, as well as own and limited in own
Associational life leads to change	Y	Y	WY		Y	Y	WY	Original purpose still motivates people to achieve social change
Seeks to secure political consensus in public sphere	Y	WY	N		WY	N	N	Advocacy being combined with others, disappearing, or non-existent
<i>Structure</i>								
Owners are members in association	Y	Y	WY		WY	WY	WY	Considering shift to trust base (Orgs A & B). Established trust (Org C)
Volunteers, members and staff share commitment to the organisation's mission	Y	Y	WY		Y	Y	WY	Commitment to stated mission largely remains
Priority is the charitable mission which is confined to particular purposes set out in law and regulated by government	Y	Y	Y		Y/N	Y/N	Y/N	Government priorities exists beside organisation's priorities
Human resources are members and volunteers	Y/N	Y/N	WY		Y/N	Y/N	WY/N	Many more staff employed but still volunteer input in A and B
Voluntary	Y	Y	Y		Y	Y	Y	Boundary-shaping decisions remain with organisation
Independent	Y	WY	Y		Y/N	Y/N	Y/N	Government and business funding may influence decision-making
Self-governing	Y	Y	Y		Y/N	Y/N	Y/N	Not always able to make independent decisions but maintain responsibility for "boundary-changing" decisions
Non profit	Y	Y	Y		Y	Y	Y	
<i>Values:</i>								
Altruistic	Y	Y	Y		WY	WY	WY	Financial health becoming more important

Characteristic	1985				2010			
	A	B	C		A	B	C	
Pono/trust	Y	Y	Y		WY	WY	WY	Weakening of trust in market relationships which are designed to mitigate risk
Cooperation interconnectedness	WY	Y	Y		Y/N	WY	Y/N	Competition has undermined but it has re-emerged. Internal relationships being lost
Aroha/compassion Manaakitanga/ caring for each other	Y	Y	Y		Y/N	Y/N	Y/N	Programmes changes shift organisation away from most needy people in favour of financial health of organisation
<i>Operational</i>								
External relationships with clients temporary	Y	Y	Y		Y/N	Y/N	Y/N	Shorter term contract focus and compliance reducing contact
Use negotiation to integrate with the communities in which they work	WY	WY	Y		WY	WY	WY	Increase in government funding and compliance may increase perception of official status
Funded by donors, dues and legacies	Y	Y	WY		Y/N	WY/N	Y/N	Most funding through contracts from government or other earned income
Construct own feedback mechanisms	WY	WY	WY		MN	Y/N	MN	Much more accountability to government also have focused on own accountability processes

Source: Author

Key: Y=Yes; WY=Weak Yes; Y/N=Yes and No; WY/N=Weak Yes and No; MN=Mainly No; N=No

There were significant differences in the characteristics between 1985 and 2010 with only four characteristics remaining the same. These were: the motivation to achieve change which underpins associational life in the organisations; the commitment to staff and volunteers to the mission; the voluntary, as in freely, and independently existing, nature of the organisations; and their not-for-profit status.

Table 13.1 shows that, where characteristics have changed, two processes are apparent. In one, there has been a weakening of the characteristics, as, for example, the weakening of the public advocacy in civil society when organisations

were subject to coercive or mimetic isomorphic pressures in relation to funders. The second process of change has been the introduction of new characteristics which sit side by side with existing ones. This is evident in the existence of volunteers beside paid staff, or in areas where the organisations have maintained control of some activities, while others have been dictated by the funder. The changes which have occurred in the three organisations since 1985 have been in keeping with the literature about change in the sector as a whole and indicate a hybridising sector.

## **13.2 Hybridity**

Figure 13.1 shows that, in 1985, all three organisations in this research were already hybrids. They either had some characteristics drawn from other sectors at the time of their establishment, or they had absorbed these characteristics through adaptation to external resource influences. By 2010 the influence of external forces was much more pronounced. In this section I will use Table 13.1 and Figures 13.1 and 13.2 to draw on Billis' (2010) model of Organic Hybridity to discuss the extent of this hybridity in the organisations at the beginning and end of the twenty five years covered by my research.

Billis' (2010b) model of hybridity (pp. 58-62) identified two categories of the phenomenon relevant to my research. In the Organic Shallow Hybrid there are small numbers of paid staff, a local base, significant volunteer participation and a high degree of overlap between the various roles in an organisation (Billis 2010c, p. 241-242). According to Billis (2010b) this type of organisation is one which is

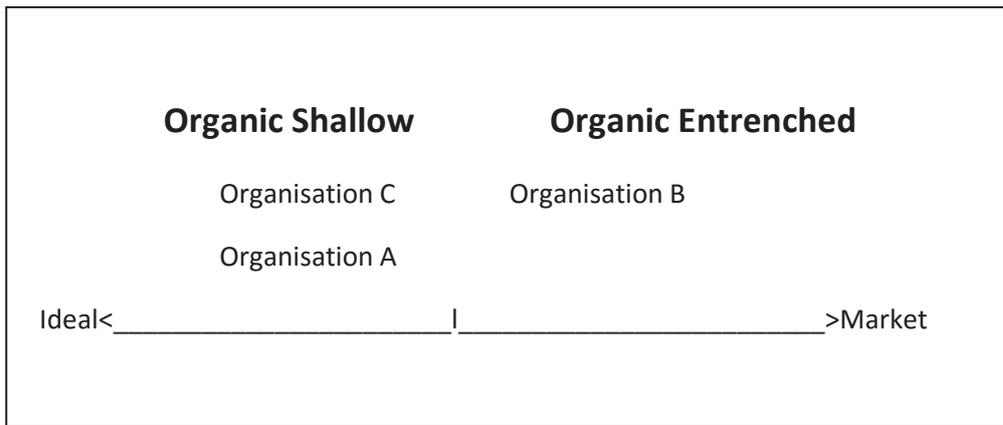
adapting to its environment from within and whose status as a third sector organisation is not in question (p59). The Organic Entrenched Hybrid is one which:

“... is likely to have grown steadily through the infusion of resources from public contracts and commercial initiatives. It will have a multi-level hierarchy of paid staff, probably highly dependent on these external sources of revenue, with senior staff playing a significant role as principal owners” (ibid. pp242-243).

Billis based this model on structural principles which I have included in my model of charitable characteristics. Despite my model having additional characteristics, the central nature of these structural characteristics makes Billis' hybridity model relevant to formation of a comparative picture of change.

Figure 13.1 shows that, of the organisations in my research, Organisations A and C could be placed in the Organic Shallow category in 1985, while Organisation B was already an Entrenched Hybrid. Although Organisation A was the largest in 1985 and received considerable sums of money from government, it was not directive because the money was provided to support staff rather than to direct what they did. Central administration was small because funding was for field staff and volunteers took responsibility for administrative oversight at branch level. While Organisation C appeared to be a small ideal-type of charitable organisation, run by volunteer effort, with no employees, Figure 13.1 shows that there were some ideal characteristics which were weak and one which was non-existent.

**Figure 13.1: Hybridisation of Organisations A, B and C in 1985**



Source: Adapted from Billis (2010) by Author

Although Organisation C derived a significant proportion of its income from course fees which are market transactions, and had no members other than the board, it was also run by volunteers and I have, on balance, placed the organisation in the Organic Shallow category. Organisation B's government funding from its establishment, and the dominant role played by paid staff, place the organisation in the Organic Entrenched category. I have placed the organisations within their category but I have chosen not to place them at different places along the continuum because I found it difficult to determine a scale with so many variables involved.

Buckingham (2010), in research conducted in England, developed a pyramid model of welfare hybridity based on four idealised sites of market, third sector, government and the family. She proposed that hybrid organisations are situated along on a trajectory which moves away from their ideal state towards one or more sectors. In particular, Buckingham recognises that changes in government have meant that the trajectory of the Third Sector Organisations is towards the marketised state (pp. 10-11). While this model is not applicable in my research

because I have not used the concept of the family, the notion of hybridity as a dynamic process is useful because the changes which have been demonstrated in Table 13.1 did not occur in a single step but developed in stages during the twenty-five year period. While changes have been wrought by shifts in government policy, Organisation B shows that the interpretation of those policies by individual Ministers can have a stronger impact in one sector than another under the same government. Buckingham's recognition that market influence is combined with that of the state is also applicable to New Zealand. However, my interpretation varies somewhat from Buckingham's in that I do not concur with the view that the organisations are simply moving towards a marketised state but rather suggest that the actions of the marketised state are pushing charitable organisations closer to the market.

By 2010 all three organisations were situated in Billis'(2010b) Organic Entrenched category. My research shows that the marketising influence of government had become particularly strong in all three organisations, something which is reflected in the growth of Y/N cells in Table 13.1. In one example, Organisation A was trying to meet its objectives of responding to community but government's efficiency objectives dictated a set number of visits by field staff. Organisation A's objective could still be met but only if it identified alternative sources of income. Where alternative funding could not be found there was a weakening or erosion of organisational autonomy, which the CEO acknowledged.

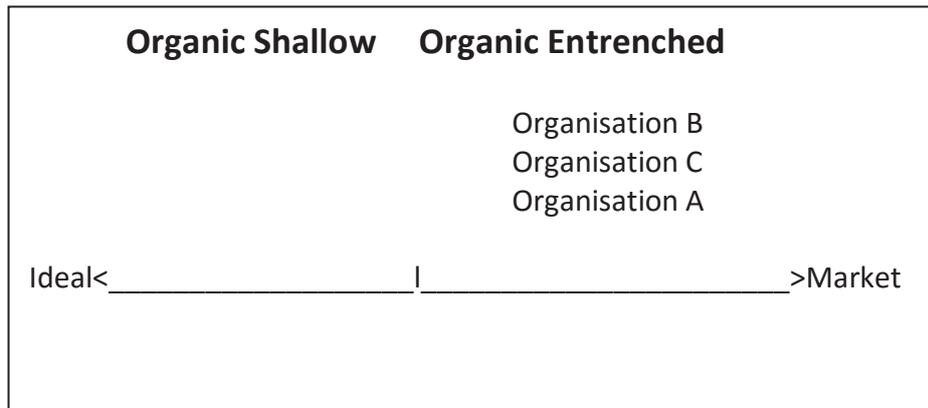
In all three of the organisations, marketised government's focus on financial values interfered with the aroha and compassion which had underpinned the relationship with their communities. This could be seen in Organisation A's inability to respond

to the full range of community needs, in Organisation B's refocusing on less needy Pacific countries and a narrower, economic development focus, and in Organisation C's reduction in courses for at-risk youth because government had transferred the risk for non-achievement to the organisation.

In two of the organisations, the finite nature of contracts replaced ongoing annual grants and introduced shorter-term relationships with some clients, beside the more enduring relationships with members and volunteers. Volunteers remained in all the organisations but their role became increasingly confined as professional management and skilled governance developed in response to contract compliance requirements and government's need for secure financial management. The change from grants to contracts in itself shifted the organisations into a market-based funding relationship which led directly to erosion of advocacy and the adoption of metric accountability measures. By 2010, all three organisations had shifted into the Organic Entrenched category (Figure 13.2)

According to Billis (2010b), the shift from Organic Shallow to Organic Entrenched Hybridity involves an organisation becoming dominated by paid staff and developing hierarchical organisation while retaining associational principles and absorbing alien principles from the public sector.

**Figure 13.2: Hybridisation of Organisations A, B and C in 2010**



Source: Adapted from Billis 2010, by Author

Not all the changes in the characteristics shown in Table 13.1 are market related. Two in particular are the shift in the approach of the three organisations to their external environment, and the construction of feedback mechanisms, both of which are found in the operational characteristics and both of which come from the government sector.

### **13.2.1 Government sector characteristics**

Fowler (1997) identified differences between government’s authoritative approach, the isolation of businesses, and the strong identification which NGO development organisations, the organisations which are the focus of his work, have with their partner communities. Fowler, focusing on international NGOs, argues that because NGOs cannot sell their services to people who are in social need, and because the process of producing development is “rooted” in the communities themselves, NGOs must negotiate the integration of their work (p. 24). This sense of closeness between the charitable organisation and the community is at risk if government funding provides an organisation with an air of authority. This can happen when government directs at risk young people to

Organisation C as a condition for accessing a benefit, or when government to government negotiations in developing countries determine work for Organisation B, and it can happen where people in communities feel compelled to use the services of Organisation A because of a perception that it is part of the establishment.

One particular government-related hybrid feature which developed in the charitable sector was the bureaucratic construct of metric accountability. Fowler argued that the normal feedback for NGO development organisations was “constructed from multiple users” while Government received feedback from voters through elections and businesses used market indicators (p. 27). In 1985 feedback was poorly defined in all three organisations and generally involved annual reports, financial statements and personal perception. In its shift towards the market, government sought to develop improved accountability. Its solution, to develop proxy indicators which measure outputs and outcomes, translated social development processes into metric measurement.

This government imposed solution has had a significant impact on the organisations. The domestically focused organisations experienced a loss of funding for programmes which involved hard to measure activity such as Organisation C’s discussions with young people round a campfire. Similarly, Organisation A’s inability to respond holistically to members of the community by ensuring visits as needed was the result of this approach. The use of funding claw-backs, identified by interviewees in all the organisations, is an extension of this feedback process, penalising perceived non-performance based on metric measures. The adoption of alien values and practices not only establishes the

characteristics of other sectors within charitable organisations but it also erodes some of their existing characteristics.

### **13.2.2 The Extent of marketisation**

In Chapter 3 I identified, based on Billis (2010b) and Fowler (1997), the structural and operational characteristics of market organisations which included: the measurement of decisions in financial terms; governance through strategy and policy in managerially controlled firms; income from sales and fees; momentary relationships through customer transactions; conditioning and control of the environment; and, market feedback. In this section I use the characteristics typology as a base to develop a set of indicators which can show the extent to which characteristics of the market have become established in the organisations.

Eikenberry (2012), drawing on a range of researchers, has identified some structural and operational characteristics of the market, and has pointed out the modern pervasiveness of these characteristics where consumer identity, self-interest and economic ties are substituted for citizen identity, public good and social ties (p. 3). Eikenberry highlights the modern trends towards consumption and the measurement of decisions in financial terms and argues that marketisation converts social relationships into instrumental relationships. This shift to instrumental behaviour has been described by Paine, Ockenden and Stuart (2010) in their research on hybridity and volunteering (p. 109), and it can be seen in my findings on volunteering in Chapter 11 of this research also.

Drawing on Clarke; Curtis; and Nickel and Eikenberry, Eikenberry (2012) argues that:

... marketisation de-politicises the public realm through economic and managerial discourses, framing policy as value neutral and “what we can afford,” rather than what we need or want, basing decision-making on competitiveness and the market, considering that which can be economically valorized and counted and expelling that which cannot, and collapsing the distance between the market and the negative impacts it has on human well-being (p3).

Eikenberry’s, review of the literature provides some added insights into the nature of marketisation, and by combining these with the characteristics identified by Fowler (1997) and Billis (2010), I have identified four principal indicators of marketisation in charitable organisations. These are a focus on contracts, the adoption of corporate governance, the depoliticisation of the public realm through economic and managerial discourses and the existence of mission-drift. Each indicator has a sub-set of indicators and I have used these in Table 13.2 to identify the existence of marketisation in the three organisations.

Table 13.2 shows that marketisation is strongly evident in all three organisations. There are some important absences. Shareholder ownership based on financial power is unlikely to appear in any of the organisations, however the consideration by Organisation B of a tiered donation model, and its shift towards a Trust model of governance, provides the possibility that, in the future, some Board members may be appointed based on financial commitment, a parallel process similar to, but not the same as, this characteristic. Even then the absence of a personal profit motive would stop the organisation being identified as a business.

The second absent indicator is the promotion of consumer identity over citizen identity. While leaders in the organisations, particularly CEOs, displayed propensities towards business language in the post 1990 period, and some in more recent years were inclined to describe their community as consumers, the programmes of the organisations have not been transformed into user-pays. Organisation A's cause -related marketing and Organisation C's income generation programme of business team-building could qualify, as could some programmes aimed at lifestyle participants, but as yet these play a modest role in the work of the organisation. While cause related marketing is absent in Organisations B and C, both have expressed an interest in business sponsorship and it is their size and reach which inhibits this occurring, rather than a lack of willingness on the part of the organisations.

The remaining indicators have a mixed presence. In some instances an indicator is present in one but not all of the three organisations, as in the lack of exposure to competition in Organisation B's international work, compared to the domestic situation of Organisations A and C. However the most common situation, reflecting the 2010 characteristics in Table 13.1, is the presence of dual characteristics, showing that while an organisation has absorbed some characteristics of the market, charitable organisation characteristics remain in some form. Table 13.2 provides a further insight into the entrenchment of hybridity in all the organisations. Whether this hybridity is regarded as a positive or negative attribute depends on the degree to which the varying characteristics can coexist productively and the extent to which market characteristics distort those of the charitable organisations.

**Table 13.2: Marketised Status of Organisations A, B and C in 2010**

		Org A	Org B	Org C
<b>Contract Focus</b>	<b>Resources for Contract Acquisition</b> Managerialism/Professionalisation Entrepreneurial Managers	Yes	Yes	Yes
	<b>Narrow Short-term Focus</b> Short term relationships – episodic, superficial and individualistic Relationships based on financial transactions	Yes/No Has maintained relationships but needs not always able to be met –set number only and contacts timed. Relationship with community not based on financial transactions but governed by financial transaction with funder.	Yes/No Shift to shorter term projects. Trying to maintain development approach to reduce superficiality. Less community focused work. Some financial involvement in relations with community and governed by financial transactions with funder.	Yes/No Mix of long and short term relationships. Some not based on financial transactions but some governed by financial transactions with funder. More short term income based activity.
	<b>Metric Evaluation</b> Excludes that which cannot be economically valourised A normative ideology surrounding market-based solutions and business-like models	Yes government directed but work done to determine reporting process done by organisation –met the needs of funder.	Yes although organisation has done work to identify qualitative evaluation processes, supported by funder.	Yes
<b>Corporate Governance</b>	<b>Shareholder Ownership</b> Based on financial power	No	No but moves towards non-membership model and stratification of support based on funding could lead to board membership based on financial contribution.	No
	<b>Professional governance</b>	Yes/No Election guided by skills, and co-option to board based on skills	Yes/No Election guided by skills, and co-option to board based on skills	Yes Skills based board

	Org A	Org B	Org C
	<p><b>Strategy and Policy Directed governance</b></p> <p><b>Decision-making based on competitiveness and the market:</b> Based on organisational self-interest rather than disinterest or public good Focus on efficiency and fundraising</p>	<p>Yes/No Concern for maintenance of government and business funding has inhibited some activity. Active awareness of need to nurture volunteer wing.</p>	<p>Yes/No Government policy change presented a dilemma about role temporarily in favour of funding maintenance. No real competition at present.</p>
	<p><b>Board members who seek entrepreneurialism and self-sufficiency:</b> Increasing reliance on commercial activities for funding Seeks to maintain recurring relationships and condition and control the environment</p>	<p>Yes Strong focus on alternative fundraising. Strong emphasis on relationship maintenance with funders. Changed advocacy to maintain government relationship</p>	<p>Yes Shift to business programmes. Employment of marketing person to develop new programmes and seek alternative funding.</p>
<p><b>Depoliticises the Public Realm Through Economic And Managerial Discourses</b></p>	<p><b>Promotes consumer identities over citizen identities:</b> uses language of business – efficiency, customers, profit Consumers are self-interested individuals making cost-calculated choices to meet their material needs and desires in the marketplace <b>Funder limitation on campaigning</b></p>	<p>No Language shift – recent leaders use more business language. Programmes remain free but considering market based charging for safety rental scheme</p>	<p>Yes/No Some language shift. More programme participants are paying but still programmes funded by government.</p>
		<p>No information Right to advocacy preserved in partnership agreement prior to 2008 but informal limitations operating</p>	<p>No information May depend on contract</p>

	Org A	Org B	Org C
	Yes	No	No
<b>Involvement in cause-related marketing</b> profit-motivated giving –contributions tied to sales	Yes	No	No
<b>Frames policy as “value neutral”</b>	Yes/No Shift to technical, internal advocacy, moves it away from political nature. Engages in combined advocacy on public issues.	Yes Ongoing treatment of policy as internal advocacy moves the organisation away from its political nature.	Yes Ongoing lack of engagement in policy debate treats policy as value neutral by default.
<b>Mission</b>	Yes/No Competition with other providers Possible erosion of social ties with volunteers, if adopting instrumental approach. Erosion of social ties with members as work replaced by professionals. Maintains social ties with other agencies – through umbrellas and combined advocacy. Focus on CRM replaces shifts donors away from altruistic giving.	Yes/No No involvement in competition. Erosion of social ties with members as work replaced by professionals. Maintains social ties with other agencies – through umbrellas. Focus on funding leans towards materialism and though organisations display no indication of hedonism, fundraising may substitute appeals to personal reward in place of altruism.	Yes Competition with other providers Erosion of social ties with volunteers as work replaced by professionals Focus on funding leans towards materialism but though organisation displays no indication of hedonism, the generation increases provision of activity for personal pleasure
<b>Drift</b>	Yes/No Meets some but not all community needs because of contract dictates re number and length of contacts. Combined campaigning has challenged status quo but limited by erosion of organisational voice and close ties with funder. Growth of access by community to programmes but not in organisational involvement. Minimising of programme contact and inability to respond better to social need may contribute significantly to current poor health indicators for principal target group in community.	Yes/No Erosion of social ties with partners as government driven programme priorities replace partner identified priorities. Lack of public advocacy limits public awareness of problems created by government change in policy. Programmes still geared to promote change in people's circumstances but no longer able to focus on programmes and objectives of partners and their choosing.	Yes/No Continues to meet some community needs but can't address issues the way they have been. Reduced commitment to programmes for vulnerable people reduces commitment to change. Lack of public advocacy limits public awareness of problem created by government changes in policies. Meeting some community needs.
<b>Value Shift:</b> Substitutes competition for voluntary cooperation Erodes social ties other than economic ones Increased focus on financial health Favours materialistic or hedonistic values individualism	Yes/No Meets some but not all community needs because of contract dictates re number and length of contacts. Combined campaigning has challenged status quo but limited by erosion of organisational voice and close ties with funder. Growth of access by community to programmes but not in organisational involvement. Minimising of programme contact and inability to respond better to social need may contribute significantly to current poor health indicators for principal target group in community.	Yes/No Erosion of social ties with partners as government driven programme priorities replace partner identified priorities. Lack of public advocacy limits public awareness of problems created by government change in policy. Programmes still geared to promote change in people's circumstances but no longer able to focus on programmes and objectives of partners and their choosing.	Yes/No Continues to meet some community needs but can't address issues the way they have been. Reduced commitment to programmes for vulnerable people reduces commitment to change. Lack of public advocacy limits public awareness of problem created by government changes in policies. Meeting some community needs.
<b>Unable to meet community needs:</b>	Yes/No Meets some but not all community needs because of contract dictates re number and length of contacts. Combined campaigning has challenged status quo but limited by erosion of organisational voice and close ties with funder. Growth of access by community to programmes but not in organisational involvement. Minimising of programme contact and inability to respond better to social need may contribute significantly to current poor health indicators for principal target group in community.	Yes/No Erosion of social ties with partners as government driven programme priorities replace partner identified priorities. Lack of public advocacy limits public awareness of problems created by government change in policy. Programmes still geared to promote change in people's circumstances but no longer able to focus on programmes and objectives of partners and their choosing.	Yes/No Continues to meet some community needs but can't address issues the way they have been. Reduced commitment to programmes for vulnerable people reduces commitment to change. Lack of public advocacy limits public awareness of problem created by government changes in policies. Meeting some community needs.

Drawn from Fowler (1987), Billis (2010), Eikenberry (2012) and My Thesis

Key: Y – Blue Yes/No – Purple No – Red, No information – Green

### **13.3 Comparative Advantage**

There are very few organisations in the charitable sector which possess ideal characteristics, suggesting that the pure model may have some disadvantages. The ubiquitous nature of hybridity indicates that there is some advantage in combining characteristics of different sectors. However hybridity may not only erode important features of charitable organisations, but may also expose the organisations to the constraints inherent in the other sectors. In this section I discuss the merits of hybridity in the three organisations.

Buckingham (2010), drawing on Salamon and examples from Fyfe and Milligan, and her own research, has identified problems of particularism, excessive amateurism, mismatches between social needs and resources, inconsistent standards, and a lack of accountability in organisations which have more ideal characteristics (p.9). My research has shown some evidence of this prior to 1985. Organisation A's volunteer management of field staff payments was erratic, Organisation B sent managers without relevant experience into the field to do project scoping work, and organisation C's Board members dealt with administration in the evening, and maintained the property on a voluntarily basis. These amateur efforts were not necessarily a negative approach. Organisation B's staff gained experience which provided them with the potential to develop a more holistic understanding of the organisation's work and Organisation C might never have become properly established had it not had access to the funds provided by the Founder's willingness to do administration at no cost to herself. However, mismatches between resources and social need were evident in Organisation A's lack of presence in Maori communities, something which was remedied, initially,

by government intervention. A lack of accountability was particularly evident in Organisation B's consistent inability to meet the number of targets for projects in the field agreed with its government funder. Paid staff and more professional approaches have resolved some of these issues.

Billis and Glennerster (1998) view hybridity as an advantage because of the multiple stakeholders, ambiguous structures, core financing from a mix of donations, charges and taxes, and workers who are both paid and voluntary. The states of personal, societal and community disadvantage identified by Billis and Glennerster can be overcome by voluntary organisations because this mix of characteristics provides organisational flexibility and increased options for action. The personal disadvantages of people in Organisations A and C's communities have been overcome by the use of paid professionally skilled staff provided with bureaucratic support, common in both private and state sectors. Organisation A maintains a volunteer contribution to this mix which keeps the organisation in close contact with the community, improving its understanding of the issues they face. Volunteers and staff in both organisations remain motivated by the desire for change and improvement in people's lives, rather than the need to make money.

Organisation B also works with disadvantaged communities using a similar mix of state and private sector characteristics, which has, with the organisation's people to people skills, enabled it to make a contribution towards the problems of inadequate public services and an absence of private sector provision in partner countries. While the mixing of different characteristics to achieve their purposes can lead to charitable organisations having comparative advantage over organisations in other sectors, it is important that the organisations retain

sufficient charitable sector characteristics to make it clear from which sector they are operating.

Billis and Glennerster (1998) argue that disadvantages arise when other sector influences become too strong (p. 96). Some of these disadvantages have been made apparent in my thesis. The ability of government funding to make organisations sensitive to the median voter concerns of government (ibid.) was seen in both Organisation A and B's approach to advocacy where both favour the more muted approach of speaking with government officials, albeit that Organisation A has taken a public stance on some controversial issues. The stronger focus, in all of the organisations, on market concerns of financial accountability and organisational sustainability has led to programme change and the displacement of activities.

Decisions about advantage and disadvantage can depend on perceptions of where the greatest benefit lies. Volunteering may involve the disadvantaging weakness of amateurism for some and the advantageous strength of community connection for others. While many of the changes illustrated in Table 13.1 may be perceived in either a positive or negative way, taken as a whole they represent a systemic change which has shifted the organisations away from their charitable organisation roots towards the market. This process is often referred to as "mission-drift".

#### **13.4 Mission Drift**

Charitable organisation mission statements sit beside visions, values, and aims and objectives as defining maps of organisational intention and practice. However, in Chapter 11 I described how the three organisations have been forced to choose

between their own ways of working and those prescribed in government contracts. Neo-liberal theory suggests that it is not necessary for organisations to have the same objectives in order to work together (Treasury, 1987, p. 4). However organisations, such as those in this research, that receive the bulk of their funding from government have found their ability to pursue their own development path has been limited by the government approach.

The process of undertaking tasks that have only tangential impact on an organisation's mission is often referred to as "mission-drift", a term which directs the focus to the mission statement of the organisations. In this section I argue, rather, that mission drift is an accumulation of the changing characteristics of an organisation, something which may be captured in an organisation's changing mission statement, but also may not, because mission statements are often deliberately broad to enable organisations considerable room for manoeuvre. I contend that organisational values, structure and practices, are implicit in organisational mission and the inability to operate as they wish, combined with the absorption of characteristics from other sectors, has had an impact on missions even when statement of the mission has barely changed.

#### **13.4.1 The nature of mission statements**

The mission statement has been described as "the organisation's ultimate reason for its existence," (Kilmister, 1989, p. 39). According to Kilmister it should be a description of the organisation's efforts which should be readily understood and remembered by members, clients and wider community (p. 40). There were three places in which the mission statements of the three organisations in my research could be found. These were in their constitution, strategic plans and annual

reports. A mission statement in a constitution is more difficult to change, and this placement was the preferred option of only one organisation, [Organisation C]. Organisations A and B had their mission statements in strategic plans which were regularly renewed.

Organisational mission was communicated in a variety of terms by the three organisations. It existed as purposes, aims and objectives or mission, but most of these contained the elements of vision, mission, aims and objectives. Drawing on Mead and Champoux, Hine (2008) identifies the mission as “the *intention* of the organisation’s operations”. The mission sits beside the vision, which “encompasses the *desired end-state*”, and the values, which “express the *ends and means* underpinning both mission and vision” (p. 42, emphasis in the original). The interlinked nature of the vision aims and objectives indicate that a change in mission has the potential to cause change in values of the organisation and that the corollary is also true, that changes in values may have an impact on the mission of the organisation. Hine (2008) has identified values as an ongoing presence, even if they have not been explicitly stated (p. 43). This suggests that change can happen quietly as organisational values, and possibly other characteristics, change.

Mission statements often remain in place while change occurs and it is over time that there will be a realisation that the mission is out of step with the organisation.

#### **13.4.2 The systemic nature of mission-drift**

The changes between 1985 and 2010 occurred in conjunction with the systemic, neo-liberal policy shift by government in the 1980s. My research shows that the implications of contracting, the core principal-agent relationship at the heart of the 1984 policy change in government, were not well understood at the time by the

charitable organisations' leaders. The principles of the market which were introduced brought about a clash of systems, in which the market, reinforced by government, has had a great deal more power than the charitable organisations. The result, as shown in Table 13.1 has been a gradual process of change at different levels of charitable organisation characteristics. While some of the flow-on changes are obvious, for example when Organisation A is unable to respond to community need, its independence and self-governance are undermined as well as values of *manaakitanga*/caring and *aroha*/compassion, or when Organisation B changed to skills based governance, this eroded member/volunteer ability to pursue organisational mission. In this next sub-section, I have taken an example from my field research to show the interlinked nature of market related changes and how a shift in one part of the system can have flow on effects into others

Organisation A's proposal to move its community-based safety hire programme to a commercial one shows the charitable and business organisation "culture' clash which is becoming more evident as organisations try to find different ways to fund their programmes and reduce the impact of government contracting. The volunteer run service was operating at a loss, posed some potential risks to the organisation and its community and it was being subsidised by fundraising but made a valuable contribution to the community, particularly for people who could not afford to buy the equipment. The service enabled the operational characteristics of volunteering, donor funding and community integration, identified in Table 13.1, to operate beside the structural characteristics of volunteer commitment to the organisation's mission, and independence. Table 13.3

shows how some of the characteristics are likely to adapt to the proposed business shift:

**Table 13.3. Comparison of characteristics: charitable organisation and social enterprise in Organisation A's safety equipment hire**

<b>Charitable model-hire service</b>	<b>Social enterprise model</b>
Volunteering, some paid staff	Paid staff and volunteering
Donor funding through fundraising/funding through fees (market transactions)	Funding through fees (market transactions)
Community integration – operating for community good	Operating for community good and organisational benefit
Volunteer commitment to organisation's mission - education and subsidised community access to safety equipment	Staff commitment to mission – education – provision of safety equipment – limited to those who can pay market rates
Independence	Independence
Altruism/ competition with other providers	Competition with other providers/less altruism
Aroha/compassion and manaakitanga/caring	Break even or profit – financial objectives.
Associational life that leads to change	Consumer choice – may lead to change but some may not be able to afford

Source: The Author

The proposed shift to a business operation involves the need to increase hire fees, thus losing some of the altruistic nature of the exercise and eroding some of the caring and compassionate values in the organisation. Table 13.3 shows, in particular, the increasing focus on financial concerns so that altruism and compassion and caring values compete with profit. While value shifts are a principal casualty in these processes, other characteristics are also affected. Unless volunteer commitment can be maintained, the commitment to the mission transfers to paid staff. While staff are also committed to mission, the motivations become mixed. What once was an activity operating for community good and

sustained by community based altruism becomes one which places community good on a par with financial concerns and has the potential to diminish the role of volunteers. Community integration can be eroded when the activity becomes simply a market transaction. Collectively these small shifts play a part in the changes seen in Table 13.1.

While some changes had a direct impact on an organisation's ability to pursue its mission, such as the reduction in Organisation C's programmes for at risk youth, this would not be the case with Organisation A. Its vision and mission were, by 2010, so broad that it provided no specific guide to the nature of the organisation's approach to its work. Hine's (2008) example of the identical mission and aims statements of the World Bank and Oxfam in 1985, where both organisations were dedicated to "helping people help themselves" (p. 43) illustrates the importance of looking beyond the stated mission to understand the nature of the organisation and its level of hybridity. This helps to determine the potential extent of mission-drift.

Organisation A had, by 2010, developed a set of values and guiding principles which underpinned its mission. Some of these related, in their explanations, to charitable organisation characteristics I have identified. There was, for example, specific reference to trust and commitment to a shared vision. It was notable however that many charitable organisation values I have identified were not evident, such as values of altruism, compassion and caring and commitment to volunteering. Organisation C's statement of underpinning values were largely unrelated to charitable organisation characteristics. The disquiet which was felt, in some parts of both organisation A and C, when dealing with potential business

ventures, points, however, to the likelihood that enduring but unstated values, noted by Hine (2008, p. 43), and possibly even innate understanding of other characteristics, are present in charitable organisations.

While mission-drift can still be the result of an explicit change in an organisation's mission, as ultimately happened in Organisation C when it removed the commitment to at risk youth, the change which occurs through systemic, cumulative change is more prevalent in the three organisations. Organisation A's broad mission permitted the appearance that no change had occurred when my research contradicts this.

### **13.5 The Nature of the Three Organisations in 2010**

Billis (2010b) suggests that mission-drift is not inevitable in hybrid organisations (p. 60), and I concur that, where an organisation is set up as a particular form of hybrid and maintains that identity over time, it is unlikely that mission drift will occur. However, the three organisations in my research have all drifted, or slid, from one hybrid state to another. This raises the question of whether an organisation can drift into another state entirely so that, rather than incorporating a business operating for a social purpose within the charitable organisation, as Organisation A was considering, the organisation itself becomes the social enterprise. The difficulty of identifying the nature of a social enterprise raises this possibility because hybridity involving both market and charitable sector characteristics is a feature of both charitable sector organisations and market-based social enterprise.

### **13.5.1 Are the three organisations social enterprises?**

In a study of hybridity in social enterprise organisations in the UK (Aiken, 2010), the organisations studied displayed some similarities to the three organisations in my research. One was a Charitable Trust similar in structure to Organisation C, a model which is being considered by Organisations A and B. This Trust, and a Charitable Company in the study, received their funding from public sector contracts, or a combination of these and private sector donations, funding arrangements which align with all three organisations in my research. Billis' (2010b) has argued that organisations have "roots" and primary adherence to the characteristics of one sector (p. 56). In this section I argue that while, by 2010, the organisations in my research had absorbed market mechanisms to achieve their social goals and, according to some criteria, could be described as social enterprises, their roots still lay in the charitable sector.

### **13.5.2 Some criteria defining social enterprise**

Aiken (2010) refined his broad definition of social enterprise by using a set of nine criteria, developed by Borzaga and Defourney. The organisations in my research met most, but not all, of these criteria, which are economic, entrepreneurial and social in nature (p. 156). All three organisations in my research had: a continuous production of goods and services; some paid workers; an explicit community benefit. They were launched by citizens, their decision-making was not based on capital ownership and any profit distribution was limited to their purposes. One social criteria, that the organisations should have some degree of participatory decision-making for users, was identified by Barrakeet and Collyer (2010, p. 24) as a reflection of characteristics of social enterprise in Europe, the focus of Borzaga

and Defourney's research. This criteria could only be met by Organisation A in my research.

One entrepreneurial criteria, economic risk-taking, is not always attributed to charitable organisations because of their charitable and not-for-profit status, which limits the accumulation of capital and restricts the purposes of resource allocation. Coupled with the contract-led emphasis on risk avoidance, the organisations in my research appeared to shy away from risk. There was evidence, set out in Chapter 12, that, prior to the late 2000s Organisation B's independent fundraising was limited by risk averse governing council members, content to rely on the relationship with government. In Organisation A, reputational risk was a strong factor in the careful development of sponsorship arrangements and, in Organisation C, the decision to shift away from a risky funding arrangement with a government department was central to the organisation's decision to amend its mission.

These actions create a false impression of the extent of risk inherent in the operation of all three organisations in the contract climate. Organisation A took some very large economic risks during the 2000s. The organisation's investment in the development of business funding, and in its technology venture were both successful, but the latter in particular was very uncertain. Had government declined to fund the venture, the organisation could not have continued to fund it, and millions of dollars of innovative development would have been lost. The CEO of Organisation A described the organisation as not a wealthy one, despite its high annual turnover.

Figures 9.1, 9.2 and 9.3 show that all three organisations did not make large surpluses, were inclined to deficit and, over time, their surpluses were very small as a percentage of income. This was exacerbated by the claw-back mechanisms in contracts which financially penalised failure to meet targets. The lack of in-built profit in contracts limits the organisations' ability to behave as businesses, something which was reinforced by the Board member in Organisation C, who commented that her organisation would not be viable as a business. This provides some insight into the level of economic risk-taking which occurs, as does the comment by the President of Organisation A in Chapter 12 of this thesis that there was no guarantee that the organisation's main, multi-million dollar contract would be renewed. The three organisations do not have the range of tools to address these risks in a business-like way because of their not-for-profit and charitable organisation status. There are limits on their ability to accumulate capital and they are unable to access commercial loans or attract investment. In an environment where they are being asked to behave like businesses, all three organisations have had to become financially entrepreneurial, even if it is an approach they may not have embraced willingly.

### **13.5.3 The lack of independence**

Where the three organisations departed from Aiken's criteria significantly, was in their lack of possession of a high degree of autonomy. This has been evident, in all three organisations, in both their dependence on government funding and, also, in the long-term trend towards tighter government controls of that funding. This was noted in the New Zealand sector, generally, as early as 1998 (Nowland-Foreman, 1998, p. 113). In 2012, six challenges, which were identified in the United Kingdom

*(Panel on the Independence of the Voluntary Sector, (2006, p. 9)*, aligned with issues identified in my research. Firstly, problems in the way public services were commissioned in the United Kingdom were evident among the organisations in this research, circumscribing their work and aligning it with government priorities.

Secondly, there was an inability for the sector to influence design, delivery and funding models. In my research this was found to be a bigger problem for smaller agencies in the competitive tendering environment. The largest organisation mobilised considerable community strength to ensure pre-contract engagement with its funder, but the process limited the organisation's ability to advocate publicly. Notwithstanding this, the uncertainty of funding means the organisation has limited room to manoeuvre because power remains with government.

Organisation B's pre-2008 relationship with government demonstrated the value of partnership processes in establishing some maintenance of independence and reinforces Larner and Craig's (2005) argument that this provides a potential model for future engagement, albeit with a willing government.

Thirdly, the blurring of boundaries between private, public and voluntary sectors which lies at the heart of this thesis, is considered by the Panel to have the potential to both add value and dilute voluntary sector independence. The British Government's treatment of the voluntary and private sectors in aspects of the contracting process, is similar to Organisations A and C's treatment by government in New Zealand. This approach was considered by the Panel to lead to identity confusion and to a potential lack of public confidence in the sector.

Fourthly, the risk of self-censorship and challenge to the sector's independence of voice is strongly evident in Organisations A and B, where suppression created by

structural change in government, business contract practice and political dictate, has led to increasingly cautious behaviour. Despite Organisation B's potentially greater freedom to speak out when it was working within its partnership, its dependence on Ministry funding and its close working relationship also created self-censorship.

Fifthly, the Panel argued that the priority of independence may decrease as external pressures grow (p. 22). There was less evidence in my research that the fiduciary responsibilities of governance identified in the United Kingdom, disinclined people to participate in governance. However the emphasis on business-related skills, which the Panel also identified as having the potential to marginalise the commitment to independence, is very evident in the three organisations in my research.

Lastly, the Panel criticised the ineffectual nature of regulations and safeguards which should protect the independence of the voluntary sector. The parallels between the institutional arrangements in the United Kingdom and New Zealand are seen in the 2005 establishment of the Charities Commission, and the development of a *Statement of Government Intentions for Improved Community-Government Relationships* (MSD, 2001)<sup>34</sup>. By 2010, the New Zealand Government announced its intention to strip the Charities Commission of its own autonomy and, since then, far from protecting the autonomy of New Zealand charitable organisations, the new Charities Services has sought to reduce their independence through its narrow interpretation of rights to advocacy (Social Development Partners, 2013). An assessment of the Statement of Government Intentions

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<sup>34</sup> This document appears to have been removed from government websites

(ANGOA, 2008) shows, in particular, the failure of government departments to involve the community in policy development which has already been shown in this section to contribute to lack of independence (p. 30). Nevertheless, the Ministry of Health has renewed its NGO relationship framework which commits both parties to work together on the basis of trust and mutual respect, in particular, respecting each other's roles and responsibilities (Ministry of Health, 2013).

#### **13.5.4 Charitable organisations as arms of government**

Seddon (2007, pp. 30-60) argues that, in the relationship he has described between charitable organisations and government in the UK, government's purchasing of services, and its ability to "call the shots" points to charitable organisations being nothing more than instruments of the state. The dependency of all three organisations in my research on government funding, and their lack of autonomy, gives some weight to this argument.

Shortly after the period that is the focus of this research, the Government, in 2012, set out its approach to delivery of its services in the social development sector. Government's *Investing for Outcomes* strategy provides a very clear insight into the government's perception of the role of charitable organisations (Ministry of Social Development, 2012). In the strategy, Government sets the policy priorities. The Ministry is responsible for relationships which will achieve government priorities, with a strong focus on accountability and investment geared to facilitate achievement of the priorities. Communities and NGOs, are able to "feed into the development process" which is limited to consultation over which services the Ministry will fund to meet the policy priorities. As Ministry providers, their role is

to “assess their organisational capability and delivery using a framework developed in partnership with MSD” (Appendix 13). There is little indication in this statement that government understands an independent role for charitable organisations.

### **13.5.5 Government contracting and social enterprise**

This lack of autonomy does not, however, preclude the organisations being described as social enterprises. Barrakeet and Collyer (2010), in Australian research on the nature of social enterprise, found that there was contention over the legitimacy of the term social enterprise for organisations trading in the quasi-market created by government contracting (p. 20). The research, which surveyed entrepreneurs, government staff, political advisers, and academics, did not arrive at a fixed position on the nature of social enterprise, but there was a consensus in the research workshops that mission-led organisations that trade should be considered social enterprises. There were also some strands of agreement that the nature of the client base should not determine whether or not an organisation is a social enterprise (*ibid*). The three organisations in my research that can be said to “tailor what they offer to what local and central government are prepared to buy” (Seddon, 2007, p. 27) are therefore, traders. There was recognition by some participants in Barrakeet and Collyer’s research that the shift from grant-based to contract-based funding of not-for-profits had “effectively manufactured social enterprise” (p. 29). However, one strand of participant response also indicated that competition for market share should be involved (pp. 20-21). In 2010, this would have excluded Organisation B, although the possibility of future competition has been signalled by the Minister.

Barrakeet and Collyer (2010) note the fluidity of organisations and ventures engaged in social enterprise, their ability to be located on a continuum of community and business activity and to “evolve into or out of the social enterprise field” (p. 23) This fluidity makes traditional conceptions of distinct and definable ‘market’ and ‘non-market’ sectors lose analytic traction when the full range of endeavours concerned with the creation of community and public benefit are taken into account (pp. 23-24). This lack of organisational clarity is also a feature of Organic Entrenched hybrid organisations, which includes alien principles from the public and private sector. These alien principles are evident in the financial transactions and customer focus which are integral to contracting. Organisations A and C, as Organic Entrenched hybrids involved in trading and subject to competition, could therefore be identified as social enterprises. However both organisations can also be seen, in Table 13.1, to have retained, in some form, most of their charitable organisation characteristics. Billis (2010b) suggests that these “roots” identify their “primary adherence to the principles” of the Third Sector.

Organisation A came closest to development of a business identity with its split between business and volunteer operations and its President’s identification of the organisation as a “compassionate corporate”. Organisation C’s shift towards development of business activity to support its social objectives can also be seen in this light. However, all three organisations in my research have retained characteristics of associational life, volunteering and their voluntary and not-for-profit status. The organisations have maintained some ability, albeit weakened, to integrate with communities. They still have some form of member ownership and still retain elements of trust and altruism. The CEO of Organisation A referred to

the important community role their organisation played. The CEO of Organisation B said shifts towards the market were due to the (funding) partner, rather than any desire in the organisation. The CEO of Organisation C believed the organisation sat “somewhere in the middle” although the business activity was growing. Notwithstanding the description of compassionate corporates, none of the organisations described themselves as social enterprises. By maintaining their charitable sector identity, however uncertain many of their leaders have been about what that means, the organisations continue to situate themselves in civil society.

### **13.6 Marketisation and Civil Society**

The accumulated characteristics of the ideal charitable organisation identify it as part of civil society. However civil society is composed of a broad range of organisational types, all of which contribute to its general shape. The civil society sphere is both shaped by its constituent parts and, in turn, helps to shape them (Edwards 2010, p. 88). Because of this I have attributed three of the characteristics of civil society identified by Edwards (2010) as characteristics which belong to the organisations in this thesis. These are: the visioning of a “good society”; associational life that leads to change; and seeking to secure political consensus in the public sphere. In Chapter 2, I reviewed Edwards’ discussion of the three schools of thought which identified different approaches to the nature of civil society. Edwards argued that each had something to contribute to a description of civil society. He combined the three approaches to provide a description of a sphere in which the type of organisation that pursues social justice is particularly important. In this section I will discuss the contribution the three organisations in

my research make to this concept of civil society and the impact marketisation has had on their ability to maintain their role.

### **13.6.1 Visions of a good society**

The first responsibility identified by Kilmister(1989) for a governing board is identification of organisational direction through its mission or purpose. However, for all three organisations this mission sits within an overarching vision of the world they would like to see. This vision is generally idealistic and consciously aspirational. Its value is in the ongoing motivation provided for those involved in the organisation and its wider supporters. The three organisations have articulated visions such as sustainable wellbeing; mutual understanding across culture; effective or holistic development of communities and individuals; making a positive difference in the world; and achieving the best conditions of well-being for their community. These aspirational statements sit beside government's overarching vision in 2010 which entails growing a sustainable economy and providing security, prosperity and opportunities for all New Zealanders (Key, 2008). As with a mission, when a single statement can mean different things in different circumstances, government's vision can be endorsed by people from different political persuasions. The only slight clue to the neo-liberalism which underpins it is the predication of security and prosperity for all New Zealanders on a growing sustainable economy.

This vision was translated, by the range of Ministries with which the three organisations work, into goals which prioritised their support or contribution to economic growth, or to a more competitive and productive economy. As my research has shown, when these economic aspirations of government are

integrated with social policy, financial priorities take precedence and efficiency becomes paramount. The value of human beings is often expressed in terms of their contribution to economic growth or ability to participate in the workplace.

In the case of Organisation B, which had a vision in 2010 of sustainable well-being for its partners, the organisation found itself working closely with a funding Ministry whose priority was firmly focused on New Zealand's well-being: "New Zealand's security and prosperity interests are advanced and protected, our voice is heard abroad" (Ministry of Foreign Affairs, 2010, p. 10). In this context, the Ministry emphasised its role of leading Government's interaction with other countries. This called into question the ability of Organisation B to prioritise programmes developed with partners. The CEO of the Ministry signalled that between 2010 and 2013 the Ministry would complete integration of its development effort with its diplomatic effort and pointed to outstanding work required "to ensure that both effectiveness and efficiency gains are captured" (Ministry of Foreign Affairs, 2010, p. 8). Organisation B, as with Organisations A and C, was faced with endeavouring to square the circle of government purpose, partner needs and holistic development by adapting their programmes, seeking to work differently or raise new funds.

One of the benefits of marketisation for the organisations has been ability to clarify ends and means. However, the impact of the market on the organisations' visions can be seen in the gap between their envisioning of a good society, which exists within the context of their charitable organisation values and practices, and the work they must do as government contractors, or alternative income generators. Eikenberry (2012) draws on a range of research in Eikenberry and Kluver (2004)

which shows that marketisation reduces space for civic action and engagement and inhibits the contribution of not-for-profit organisations to important pro-social value-based activity including research, advocacy and serving the poor. In particular Eikenberry identifies the loss of 'free space' in society where people can tackle social problems in their own way (p. 14). This is the 'free space' which exists in associational life and may, given the appropriate circumstances, lead to change.

### **13.6.2 Associational life that leads to change**

Edwards (2004) has argued that civil society consists of a large variety of organisational types, including hybrid organisations, and this variety, not only supports broader social progress but can strengthen civil society as a whole. Edwards does however argue that one type of organisation is particularly important. Edwards (2004) cites this as the association that, in Martin Luther King's words, practises the 'love that does justice', encouraging its members or supporters to live up to their moral obligations as well as their individual moral values, connect their 'individual life worlds to public spaces, encourage collective judgements and create networks of communication' (p. 87.) According to Edwards, this type of association is a vehicle for directing social energy towards problems of injustice and social exclusion, rather than generalised social norms. In 1985 all three of my research organisations were dedicated to social justice ends and the members in Organisation A and to a lesser extent Organisation B, were involved in campaigning and education activity to achieve this. The three organisations were different however and they brought different approaches to the quest for change. Since 1985 my research shows that the associational differences between the three

organisations have diminished. While I have made no change in the related civil society characteristic in Table 13.1, there has been an underlying, shifting reality signalled by the changes in other characteristics.

There has been a convergence of associational form, with Organisations A and B inching towards the less community integrated structure of Organisation C. While both Organisation A and B have struggled with falling membership, and a lack of willingness to make open-ended commitment by those who do join the organisations, efforts to address this have taken time to appear. Social services, health, development and housing and Maori-based volunteering in 2004, for example, attracted only 25 percent of volunteers in New Zealand, much fewer than areas such as sports and culture in which people have a personal or family interest (Sanders et al., 2008, p. 16). While helping values and making a contribution to the community remain a common motivation for volunteering among all ages in New Zealand, a 2010 study found that younger people were more focused on activities which helped them gain skills and employment, as well as meeting other young people. They also lacked understanding about how to become involved and take action on issues they cared about (Smith and Cordery, 2010, p. 11). Coupled with technological changes, which encourages other forms of social engagement, the public space for activism is changing.<sup>35</sup>

Smith and Cordery (2010) identified six methods for recruiting and retaining volunteers, all of which placed a strong emphasis on the role of management in organisations. This reflects an environment where volunteering is no longer a

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<sup>35</sup> Smith and Cordery's (2010) research also identified new forms of volunteering which included episodic, virtual, online or cyber, corporate, workplace, employee or employer-supported, and family, inter-generational as emerging forms of volunteering (p. 12)

social norm which arises spontaneously within communities seeking to address social concerns but must be encouraged and supported by professional organisation. The shift towards skill-based governance and the potential shift to non-membership based models of organisation in Organisations A and B can be seen either as a pragmatic response to this changed environment or a contribution to it. In the latter, contracting and the managerial environment have placed stronger value on skilled and experienced volunteers and this has contributed to a reduction in the processes that enhance citizenship and community cohesion. Broad-based active engagement in the public sphere has become circumscribed.

While all of the organisations have had some success in achieving change in their field of endeavour, the level and sustainability of that change depends on the building of broad based coalitions of support. Membership was one form of coalition-building but reaching out into the public sphere to build awareness and understanding of issues is also an important part of achieving changes which advance an organisation's vision.

### **13.6.3 Securing political consensus in the public sphere.**

The ability of the three organisations to reach beyond their own structure into the public domain to build coalitions of support around their vision is partly determined by a combination of the strength and depth of their volunteer involvement, their governance level commitment to engaging the public and policymakers in issues that matter to them, and their size. The most crucial factors are, however, the nature of their relationship with government and their growing commitment to market-based funding.

Close working relationships with government are not in themselves necessarily a barrier to advocacy. Prior to 1985, Organisation B's close working relationship with government resulted in self-restraint. However Organisation A had a highly effective record of advocacy despite its long history of funding from government. Organisation B's involvement in a strategic partnership arrangement with its funder in the post contract period involved an overarching sectoral agreement which specifically endorsed the ability of organisations to speak publicly on issues. Self-restraint appears to have become embedded in the culture of the organisation however, and fear of Ministerial reprisals in the post 2008 period reinforced the organisation's approach. This inhibited the ability of the organisation to convey the nature of change promulgated by government. Advocacy in Organisation A is still an organisational tool but it has been weakened by the restraints associated with contracting.

The restraints identified in my research have been documented elsewhere (Grey and Sedgwick, 2013; Elliott and Haig, 2012). Grey and Sedgwick's argument that "democratic debate has been transformed and rationalised into one based on an actuarial approach" (p. 55), and is about governance and managerialism, is particularly relevant to my research. The impact of government's managerialist approach can be seen in the separation of campaign advocacy from contract advocacy in Organisation A. This separation provides the impression that the work of the organisations is simply a technical service-delivery issue, devoid of politics. This can be seen in tendering processes when Organisation A's technology-based programme was treated equally with a non-New Zealand based business whose specialty was call-centre provision. Non-measurable issues of community

knowledge and understanding and links with existing community activities, which are integral to Organisation A's operation, were disregarded by its Ministry in favour of cost efficiency. Efforts to engage politically<sup>36</sup> became entangled in process protocols and endangered maintenance of core funding relationships, thereby militating against advocacy. Nevertheless Organisation A proved that effective community mobilisation was still possible, and despite the challenges involved, can be an effective counter to prevailing orthodoxy when used judiciously.

The adoption of business methods, such as corporate governance and business related fundraising, also have had an internal impact on democratic participation by limiting member and volunteer interaction. There has been a growing lack of incentive for people without prior skills to participate in Organisations A and B, at both governance and volunteer level. Instrumental approaches to volunteering can limit the social opportunities for deliberation and discussion and the narrowing access to governance reduces the perception of organisational ownership by members.

The replacement of community mobilisation around fundraising by market-based fundraising strategies such as sponsorship and cause related marketing can also be seen as both a pragmatic response to falling volunteer numbers and also a contribution to their decline. Commercial fundraising activities have the capacity to reach out to wider groups in the community and can involve people who would not otherwise become involved, such as staff of organisations released to do voluntary work as part of a sponsorship deal. Unless this type of activity is couched

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<sup>36</sup> The term 'political' is used in a non-political party sense because charitable organisations are unable to promote political parties in New Zealand.

in terms which draw people into the organisation or provide them with a better understanding of the organisation's work and the issues it faces, commercial activities such as cause related marketing, can cloud people's understanding of the true nature of community engagement. It can individualise solutions to collective problems and draw attention and resources away from the neediest causes (Eikenberry, 2012, p. 17). Eikenberry says this has the potential to devalue "the moral core of philanthropy by making virtuous action easy and thoughtless" (p. 17).

#### **13.6.4 Summary civil society**

The key components of the ideal civil society characteristics in charitable organisations are: the existence of an organisational vision of a "good society" which spurs people to become involved in charitable activity and maintains their involvement; the importance of "love that does justice" which underpins the work of charitable organisations; and, the mobilization of people to change problematic conditions, rather than simply ameliorate them.

Since the 1980s government has introduced its own contrary marketised vision of society and set up processes which ensure this vision is integral to funding. As the organisations shift away from associational life towards a social enterprise identity they become open to criticisms that they present a de-politicised image of social change at the expense of democratic values (Eikenberry, 2012, p. 15). The democratic role charitable organisations play in enabling people to envision society the way they think it should be, and in developing consensus around ideas for change, is being eroded. Marketisation of government has created an environment in which government's focus on economic development

predominates, where associational life has become subverted to a service delivery role and equated with business organisation. Important aspects of charitable activity that lead to change have been suppressed in this process. In an environment where government policy has created many of the inequalities which have developed in society, the role the organisations play in making people aware of the issues that arise for disadvantaged people and communities, has become muted by the structural suppression of advocacy as well as fear of the financial consequences of overt criticism. Efforts to make the organisations more independent by seeking funding from the business sector, while successful in financial terms have the potential to further erode the democratic role of the community by dis-incentivising participation, by changing the meaning of philanthropic giving and by denying community understanding of the role of development. Overall these changes lead to an erosion of the space for building community experience of democratic action and contribute to a more individualised and consumerist society.

### **13.7 Marketisation Summary**

In this chapter I have developed a table based on the ideal charitable organisation characteristics identified in Chapter 2. An assessment of the existence of these characteristics in 1985 and again in 2010 shows that none of the organisations in 1985 had all the characteristics of the ideal charitable organisation, and that, by 2010, there had been a further significant shift away from either the ideal or their 1985 state. The nature of shallow and entrenched hybridity, identified by Billis (2010b), indicates the extent of influence of alien characteristics, particularly the market. Two of the organisations were designated shallow hybrids in 1985 and

one was already in an entrenched state as a result of their close relationship with government. By 2010, all three organisations were entrenched hybrids with strong market and some government influences. I then developed a table showing some indicators of marketisation, which showed that the market was strongly embedded in the organisations but that two significant indicators were absent in all three organisations. These were shareholder ownership and promotion of consumer identities.

Billis and Glennerster's theory of comparative advantage was used to discuss the benefits of hybridity in providing the organisations with flexibility and expansion of tools to help them respond more effectively to some forms of disadvantage. However the dominance of market characteristics has appeared to bring disadvantages from the market into the charitable sector. I then discussed the relationship between hybridity and mission drift and proposed a concept of mission drift that places as much importance on the way in which an organisation achieves its mission, as the mission itself. In this way, mission drift can be seen to occur when a charitable organisation imports too many characteristics from other sectors, and its approach to its work changes. This is particularly relevant where an organisation strays from its charitable organisation values.

In trying to understand the extent of marketisation in the three organisations I considered the extent to which the three organisations could be defined as social enterprises, and I identified the potential for two of the organisations to be described in this way but noted that the third lacked the necessary competitive environment. Finally I examined the civil society derived characteristics of the organisations to identify how the changes have affected their ability to function

effectively in this sphere. The three organisations, two of which could be described now as social enterprises, have retained their commitment to stated visions of a good society but they have all been co-opted into delivery of a government vision which is not compatible with their own visions. All three organisations have found some role within government funding which enables them to provide a level of support for their communities and the hybridity which has developed has brought some clarity of purpose, planning and improved financial and administrative management to the organisations. This has, however, come at the expense of democratic processes and an organisational voice with which to advocate for their communities and gain the support of the wider public towards their vision

# Chapter 14: Conclusion

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Edwards (2004) says that civil society is the product of active citizenship and “what makes associational life a force for good, provides fuel for change and motivates people to raise their voices in the public sphere” is the determination of people to do things because they are the right things to do, not because they have been dictated to by government or enticed by the market (p. 111). The three diverse charitable organisations engaged in social development which are the focus of this research were established because of such active citizenship. This research, set out to determine the extent of marketisation in the organisations, how marketisation is recognized and how it has become established. It makes explicit the diminishing role of active citizenship in organisations by 2010 and the predominant influence of marketised government on them. The research supports arguments that the nature of the sector is changing and highlights some of the issues that have arisen for those in the charitable sector who are endeavouring to “do the right thing”. In this concluding chapter I will address the implications of the research for the organisations, the charitable sector and government. There are also implications for research that tests the frameworks developed.

## **14.1 Research Findings and Implications for Charitable**

### **Organisations**

In critical realist research the findings are particular to the organisations studied and the ability to extrapolate findings is limited by the many complex interactions which lead to emergence of phenomena. This generally means that a reader must infer the extent to which the circumstances of the research relate to their own organisation. However “new public management” in New Zealand is based on a strongly defined system of neo-liberalism within which one specific managerial system has been applied (Schick, 2002, pp. 2-3). This research suggests that the “remarkable coherence” of the system (ibid., p. 3) has made it possible to identify some similar processes at work within charitable organisations which have some common fundamental characteristics. While this can be seen in aspects of this research where, for example, links have been identified in all three organisations between contracting, professionalisation, loss of programme control and the growing focus on market-based fundraising, these links may not necessarily apply to other organisations.

The retroductive methodology used in this research has produced empirical data which provides a clear view of the changes which have occurred in the three organisations over a period of time. The table of characteristics (Table 13.1), derived from the literature reviews identifies the nature of charitable organisation and allows the nature of change to become explicit. The indicators of marketisation show influences which have been brought to bear on the changing characteristics.

In this section I will identify two principal findings from the research, within which there are several sub-categories, and note their implications for the three organisations and for the charitable sector in general.

#### **14.1.1 Market-based changes have weakened important aspects of the work of charitable organisations**

The set of characteristics developed in this thesis is based on a range of prior research on the voluntary sector (Ball and Dunn, 1995; Fowler, 1997; Uphoff, 1997; Community and Voluntary Sector Working Party, 2001; Sievers, 2004; Tennant et al., 2006). I have drawn particularly on the work of Ball and Dunn (1995) which includes a values focus that I consider particularly relevant to charitable organisations. I have also drawn on Edwards' (2004) work on civil society and included characteristics which I argue stem from the organisation's role as an integral part of civil society. These characteristics have enabled me to demonstrate the changing nature of charitable organisations, allowing readers to identify the various elements of that change which lead to an overall shift in the nature of the organisations. The nature of that shift has been demonstrated by development of a set of indicators of marketisation drawn particularly from work by Eikenberry (2012), Billis (2010) and Fowler (1997). This has made explicit the nature of the change which has been occurring. Time constraints in this research mean that these findings have been unable to be tested but they provide a framework which organisations can use to consider their own status.

This research has argued that while some aspects of marketisation have been beneficial for the three charitable organisations, there are many areas in which this shift has been detrimental to the aims and objectives and the overall vision of the

organisations. The benefits include: firstly, a stronger focus on accountability throughout the organisations (although the focus and nature of accountability post 1985 has been problematic, processes of accountability in programme work prior to that time were largely inadequate and the post 1985 period has improved awareness of the need for better feedback processes); secondly, a keener focus on aims and objectives through strategy and planning which began to appear in conjunction with government changes in the 1980s; and thirdly, improved attention to diverse community needs. Government reform has opened the organisations to the government's broader vision of society, away from a narrower, member-driven view of programme work.

The research shows that many charitable characteristics have been weakened or marginalised by marketisation. In this section I will describe four examples of this erosion in organisational voice, values, associational life and independence.

#### *Diminishing public voice*

The research has shown that, dependence on contract funding, the more mechanistic or utilitarian role of volunteering, the rise of technical, bureaucratic level advocacy, and changed political governance structures have all contributed to a loss of organisational voice in the two organisations who were more active advocates and campaigners prior to 1985. There were different approaches to advocacy however and only one organisations had a strong public campaigning profile. The ability of the organisations to bring to society's attention problems of disadvantage and issues of social justice identified in their work is linked to the level and type of volunteer involvement in the organisation, something which was particular evident in Organisation A's conference remits. This indicates that the

passion of volunteers for their cause is a driver of advocacy. This research concurs with Edwards (2004) argument that “inclusive and objective public deliberation is feasible only through channels that are not completely captured by markets or the state” and that “the condition of associational life and the regulations imposed by governments are always important factors” (p. 58). The restrictions on advocacy which have occurred, including restraints imposed by the organisations themselves, have implications beyond the organisations. A muted voice in charitable organisations detracts from general social awareness and understanding of social conditions.

#### *Weakened charitable values*

All three organisations have experienced significant contraction of their value-based activity. Values of altruism, trust and aroha have been eroded by the narrow contract focus and metric systems of accountability which place inhibitions on the ability of the organisations to work as they would wish in their communities.

However values have also been affected by the increase in professionalisation and decline in volunteer participation. A focus on values remained important however in specific aspects of the work of the three organisations, either guiding the selection of Board members or assessing business partnerships. The research also showed that organisational values need regular dissemination and reiteration, particularly as staff with different sectoral backgrounds and new members and volunteers become involved in the organisations.

### *The erosion of associational life*

My research has shown that marketisation has contributed to reducing and changing the nature of participation, professionalising the organisations and then the volunteers themselves. While society has changed and technology has radically altered the way people meet and communicate, the market-led emphasis on prior skills in both volunteering and governance limits the spontaneous nature of volunteering and closes what was once an avenue to personal and democratic development. Organisation A, for example, has provided society with several elected public officials who have developed this expertise through their involvement. The rediscovered value of volunteers in the two membership-based organisations appeared to stem from a mix of motivations. These are the competitive advantage volunteers provide in a contract environment and the social value of community ownership and participation. While these roles are not mutually exclusive, the former can be exploitative if great care is not taken.

### *Erosion of independence and autonomy in charitable organisations*

My research shows that accountability to government and other funders has been strengthened with marketisation, at the same time as internal accountability has weakened. Part of this weakening has been the loss of internal democratic processes something which has been linked in international research (Paine, et al., 2010) and confirmed in my research, to the changing nature of volunteer involvement and professionalisation.

Billis (2010c) describes organisational accountability as one of the “perennial problem of organisational life” (p. 246). Billis relates ownership of voluntary organisations to those who have effective power so that senior staff

members play an ownership role, as do external funders, whom he describes as a “ghosts at the ownership table” (p. 247). Although the CEO or senior manager is accountable to the board, corporate governance structures, which focus on ends rather than means, can provide significant leeway for staff to influence the direction of the organisation. The research shows the strong influence of staff in the adaptation of their organisations to market conditions in all three organisations, as well as the funders’ influential but less obvious role. Nevertheless a strong sense of ownership by the three organisations at governance level remains. Despite Organisation B’s powerlessness to resist the major changes made by their Minister in 2009, the President of Organisation B was clear about the limits to changes in direction before a decision would be made to close the organisation down.

In a report on independence of voluntary organisations in the UK, the independent panel said that strength of purpose in voluntary organisations will only be upheld if the organisations “and those with whom they work value independence and respect it in everything they do” (Baring Foundation, 2011, p. 5). The panel argued that the prime responsibility for maintaining this independence rested with the organisations themselves, and that the organisations can only maintain their legitimacy and independence through active engagement with the people and communities they serve and by reflecting their views. Organisation A has however demonstrated that as well as this active engagement with their membership, other key components of some level of autonomy were public reputation, and a willingness to engage politically.

Despite some organisational gains in the process of change, marketisation has produced changes which have weakened the voice, values, associational life and

independence of the charitable sector. Organisation A has, however, shown that leadership which focusses on aspects of the nature of organisations that need to be protected has enabled important characteristics such as volunteering to be maintained. This shows that where there is understanding of important sector characteristics steps can be taken to strengthen the organisation: this further points to a need for a more deliberate approach to strengthening sector identity.

## **14.2 The need for a collective approach to strengthening sector identity**

The research questions on which this study is based derive from my experience of working in the charitable sector through a period of dynamic change. Charitable organisations have long claimed a particular identity and have attached qualities to that which they maintain are more suited to community-based social action. My main observation has been that, since 1985, there had been ongoing pressure on charitable organisations to be more business-like. Countervailing arguments in support of the view that charitable organisations should have autonomy to develop modes of operation that are, at least in some critical ways, independent of business models have been lost in the general need to maintain funding sources.

The research shows that many significant reflective experiences within the organisations were conducted by people with a business or government focus, particularly in the field of governance and strategic planning. This has resulted in the adoption of corporate governance models which focus on separating the professional and volunteer components of the organisations. This research argues that the erosion of sector characteristics and the introduction of market systems

are part of a systemic process of mission-drift. The charitable organisations in this research are, however, concerned about a way of operating just as much as they are about their stated mission. This leads to a conclusion that mission-drift can be avoided.

#### **14.2.1 There is need for vigilance about mission-drift**

This research has shown the particular way of working in charitable organisations can benefit from importing some market characteristics. It does not, however, provide an indication of the optimum extent of this absorption, nor which characteristics are better for mission achievement than others. While marketisation is a ubiquitous influence across the charitable sector in New Zealand, organisations are free to identify the limits beyond which they would not be prepared to compromise. This choice is however reduced when organisational leaders are not clear about the things that make their organisations different. This was highlighted in the research when some respondents demonstrated a lack of clarity about the charitable role of their organisation. What has not been made so clear in discussions about marketisation so far, are some of the unanticipated benefits that can accrue to organisations if there is an opportunity to actively consider the implications of marketisation rather than merely succumbing to mission drift.

Within the organisations in this research there were examples of activity which reinforced their charitable sector nature. Organisation A has adopted a sector-led quality standards process which emphasises reflective practice and the organisation has also recognised the important role of volunteers. Organisation B has developed qualitative evaluation of its work which fed into government

accountability processes. Organisation C had a sub-committee of the board to provide an ongoing overview of organisational progress against its values base. This leads to a conclusion that stronger understanding of the characteristics that make the organisations what they are, coupled with more active sharing and promotion of activities such as these across the sector can contribute toward development of stronger self-awareness and sector identity. One particular area which may benefit from greater analysis and sector wide attention is governance.

#### **14.2.2 There is a need for sector specific forms of governance**

One feature of marketisation is the system of corporate governance which is commensurate with the governance process of “new public management”. The three organisations in this research, all different in size, structure and purpose, have espoused this approach. This research has shown that corporate governance inhibits participation of volunteers and contributes to weakening of democratic processes. Although the larger organisations in this study have developed governance boards which have a mix of elected and appointed members, something Billis (2010) has suggested is suited to hybrid organisation (p. 256), the democratic aspects of this mix have been subject to a strong emphasis on skills so that those seeking election must define for voters the skills they bring to their position. Corporate governance places heavy emphasis on particular technical and oversight skills which ignore less tangible qualities of governance. There has been evidence in the literature that voluntary sector boards in *Aotearoa*/New Zealand are not well versed in the more intangible dimensions of governance such as “development of an imagination for the future” or “the importance of relationship building and networking” and “dealing with professionalised management”

(Erakovich and McMorland, 2009, p. 145). While my research did not delve deeply into this issue there was evidence that corporate governance and the definition of skills were driven by both the requirements and the perceptions of government and other funders who were using business models as the standard.

Literature in this research identified the benefits of alternative governance practices such as casual intermingling of board and senior staff (Mowbray and Ingley, 2012). Campbell (2011) has identified the existence of collective forms of governance within the sector which involve this type of mixing within organisations but also enable organisations to utilise volunteer skills in a more integrated way. This points to the need for more deliberate research and systematic sharing of alternative options and successful practice within the sector.

#### **14.2.3 The importance of funding for research, and networking.**

There is considerable scope for strengthening the sector through collective action. Organisation A, for example, has shown that collective approaches to advocacy can provide organisations with more confidence about engaging in advocacy on more contentious issues. The constraints on funding in charitable organisations which were demonstrated in this research, in my experience, often mean that activities which are unable to produce immediate and tangible results for organisations or are not directly focused on programme outcomes, are less likely to be funded.

Coordinating and umbrella organisations which enable organisations to network and share experiences, conduct sector-wide research and advocate in support of the sector generally, are not well-funded by member organisations and are often dependent on government funding, ensuring that these organisation suffer from the same constraints as their members. This research has demonstrated the

limitations which the charitable organisations experience in trying to deal with the pressure they face on their own. Networking and collaborative organisations, focused on the strengths of charitable organisations offer the organisations the possibility of resisting aspects of marketisation. This can be achieved through sharing experiences, conducting sector based research which informs and supports individual organisations and developing a voice which advocates for the value of the sector in society.

### **14.3 Areas for further research**

The principal outcomes of this research are the framework of characteristics identifying the particular nature of charitable organisation within the voluntary sector (Table 13.1) and the table of indicators of marketisation (Table 13.2). There is a need for testing of the frameworks to identify if they have application beyond the organisations in this research. This research has built on previous research about the nature and condition of the sector. Many of the findings, particularly those on the impact of contracting, changes in volunteering and the role of accountability, are not new. This research has attempted to pull some of that research together but there is much more that can be done to gather and consolidated the findings of existing research. One area this research has identified as implicated in change in the organisations is technology. Although it emerged as an issue in the data, the limited references to it in the change processes may be very misleading, given its ubiquitous reach. There is a need for more research into the impact it has had in changing the spaces of social interaction and operation in the charitable sector.

The systemic impact of marketisation on the voluntary sector is an aspect of civil society life which can be explored further. In particular the nature of hybrid organisations, which has been a key aspect of this research, deserves further scrutiny in *Aotearoa/New Zealand*. Billis (2010) has described other forms of hybridity which involve the charitable sector, such as the creation of businesses within charitable organisations and the trend towards the creation of charitable trusts by public sector entities. These have become more prevalent in *Aotearoa/New Zealand* in recent years.

There is always a need for research on strengthening the sector which includes rebuilding associational life, particularly the identification of sector-based approaches to governance and the encouragement of democratic participation. Much of the responsibility for creating an environment conducive to a strong charitable, voluntary and civil society sector belongs to government, and the public who elect them. The nature of civil society and government's role in creating the conditions for a healthy civil society are beyond the scope of this thesis, which has rather examined the question of the changing status and role of charitable organisations from the perspective of the sector. However, the greatest implications of these changes come to bear at the interface with government – the pre-eminent funder of not-for-profit service organisations in New Zealand. The work done in the early 2000s to develop an improved relationship between government and the voluntary sector (Working Party on Government and Voluntary Sector Relationships (2001); Community and Government Steering Group, 2002) led to partnership processes between government and the sector described by Larner and Craig (2005) and identified in this research. However the

changes which occurred in 2008 in Organisation B point to the need for closer scrutiny of the way in which policymakers and individual Ministers understand the sector.

This research also points to a need to investigate the nature of charity in New Zealand and where it sits within the current relationships in which funding is orchestrated by government and government purposes dominate the agenda setting. Social development organisations function under a definition of charity which was developed in the 17<sup>th</sup> century. Several Commonwealth governments have conducted reviews of charitable purpose but the New Zealand Government has set aside a review planned by the Charities Commission prior to its change to Charities Services. This research indicates that there is a need to identify a new definition of charitable purpose. This could build on Commonwealth wide experience and work by researchers such as Turnour (2009) who has developed, from a legal perspective, a new approach to charity which focusses more broadly on civil society organisations and measures funding sources to define charitable status.

#### **14.4 Concluding Statement**

Social change is complex. The far-reaching and systemic changes which have been triggered by government adoption of neo-liberal policies have had an impact on society as whole. The permeation of charitable organisations by the market is mutually reinforced by a number of other concomitant changes. The current New Zealand situation is a cumulative product of government policy enacted over several decades by governments of both the right and the left. The underlying

problem which is beyond the scope of this research is the predominance of the neo-liberal model of governance and its far-reaching impact on all social relations. After 30 years this model has become entrenched and for many people it is now the normal way of things. However, at the very least, as Schick (2001) has intimated, there are options for amending the system at the edges. Charitable organisations can contribute to this by engaging in the active identification of potential changes, pushing the boundaries of what they are allowed to do, and being bolder in pursuit of change so that they can contribute to making it happen. In a polemic about the potential for business in the field of charitable activity, Pallotta (2008), a proponent of the market, wrote: "One of the cruelest and most dangerously disingenuous messages being preached to the nonprofit sector today is that it should act more like business – cruel because we don't allow it to and dangerous because it creates the illusion that we do ... "(p9). To "disingenuous" and "dangerous" could be added "misguided" because the pressure to adopt business models distracts the attention of the participants in the charitable sector from the important and alternative role the sector plays in shaping a just and good society.

# Appendices

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## Appendix 1

### NZ Treasury Principles for Framing Social Policy 1984

- a. policies which encourage individuals to make choices for their own good can be an effective means of achieving welfare objectives;
- b. there is a need for increased recognition of the complexities, interconnectedness and strengths of markets. Prices are important because of their twofold effect of providing incentives to producers to minimise resource use and to meet clients' demands, while making consumers aware of the costs and benefits of various goods and services, thereby preventing unnecessary consumption;
- c. following from (a) and (b), emphasis should often be placed upon the delivery of untied assistance (rather than subsidising particular goods or using them as a vehicle to achieve resource redistribution). Where assistance is tied to certain ends, use of government financing or subsidisation rather than public provision is generally preferable;
- d. emphasis should be given to the removal of impediments (including government supported ones) to the smoother functioning of markets;
- e. the rationale for public policy and its objectives should be clearly identified, and the potential benefits weighed against both the costs of the proposal, and the benefits of alternative resource uses;
- f. attention to the cost-effectiveness of policies, and especially their targeting aspects, is critical to improved social performance.

Government Management, 1984, p259

## Appendix 2: Information sheet for potential organisations:



MASSEY UNIVERSITY  
COLLEGE OF HUMANITIES  
AND SOCIAL SCIENCES  
TE KURA PŪKENGA TANGATA

### **Re: PhD Research on Marketisation of Charitable Organisations Engaged in Social Development**

Having been actively involved in the charitable sector for many years, I am currently a candidate for PhD in the Institute of Development Studies at Massey University and I am interested in understanding more about the inner workings of the sector. In particular I wish to understand more about the way in which charities are responding to the commercialisation of government and also to an increasingly market oriented public.

Although much has been written about these issues in recent years, there has been little research on the internal impact the process of marketisation is having on the organisation and structure of charitable organisations in *Aotearoa* /New Zealand. I am particularly interested in how the leadership at governance and executive level have guided their organisation through the critical decisions the organisation has faced over the period since 1984.

This study will take an in-depth look at 3 organisations which work in the social development sector, particularly in areas where there may be some personal or social disadvantage. I have identified research which suggests that charitable organisations have a particular advantage when working in this area and that this advantage may be affected by pressure to conform to some forms of externally imposed funding or market requirements.

I am interested in examining the organisational and structural changes these organisations have experienced over the last 25 years. To do this I would like to look at current and archival documents such as trust deeds or constitutions, governance committee records, annual, strategic and business plans, annual reports and other relevant material. I would also like to interview current and former members of your governing committee, particularly chairpersons, and current and former CEOs or Executive Directors and perhaps fundraising personnel. Lastly I wish to talk to any relevant government departments officials with whom the participating organisations have had regular contact.

I envisage that this study of each organisation would take about a month to six weeks. The lengths of interviews would depend on the involvement and knowledge of those interviewed but I would hope to keep these to approximately one hour. A copy of all

interview transcripts would be sent to interviewees, for amendment and correction. Information gathered in document surveys would not be specifically identified with any organisation and appropriate confidentiality would be maintained. Any information copying or removal would only be undertaken with the consent of the organisation. All information would be returned or destroyed as appropriate. Where informant's comments are used they would be identified only by pseudonyms or alphanumeric tags

It is not intended that individual organisations would be identified in this research, neither would this work be written up as a distinct case study of individual organisations but rather I hope to identify, from my initial data gathering, a number of key themes which will form the basis of further work.. I hope that, as the work progresses, I could return to discuss the issues which are developing with those who have participated in the initial study, and with any other interested or relevant people in the organisations. I would also like to offer a presentation of the study outcomes to the participating organisations.

Those from whom participation is sought are under no obligation to accept this invitation. Where they decided to participate, organisations and individuals will have the right to:

- decline to answer any particular question;
- withdraw from the study;
- ask any questions about the study at any time during participation;
- provide information on the understanding that names will not be used;
- be given access to a summary of the project findings when it is concluded.
- In recorded interviews the interviewee may ask for the recorder to be turned off at any time during the interview

This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. The researcher(s) named above are responsible for the ethical conduct of this research.

Where any concerns are raised about the conduct of this research which cannot be resolved with the researcher, Professor John O'Neill, Director, Research Ethics, telephone 06 350 5249, email [humanethics@massey.ac.nz](mailto:humanethics@massey.ac.nz) will be available to attend to these.

### **Appendix 3: Summary of proposed research sent to case study organisations**

#### Marketisation and Change in Charitable Organisations

Pat Webster

Charitable Organisations, as the institutional form of charity, are often identified with a particular set of values and ways of operating which distinguish them from organisations of the state and private sectors. It has been suggested that these characteristics give charities an advantage when dealing with people who are personally or societally disadvantaged. The role of charitable organisations in social development can be controversial, particularly in relation to the role of the state and issues of dignity and justice. While perceptions of charity have changed in response to changing social environments, charitable activity is heavily circumscribed by government regulation and by public perception of what is appropriate and, until now, change has been slow.

During the last 25 years charitable organisations have been affected by both the marketisation of society and of government, particularly since the onset of neo-liberalism in the 1980s. The adoption of New Public Management by government, with its internal and external focus on efficiency, contractualism, and key performance indicators, has fundamentally changed the relationship with the charitable sector. In particular, agency relationships have been created within which charities must meet government prescribed outcomes, and where government departments encourage the development of more businesslike organisation and structure within charitable organisations. Researchers have highlighted the potential for these processes to destroy the particular organisational characteristics which give social development charities their comparative advantage.

Charitable organisations must also seek funding from a more market-oriented public where there is greater emphasis on image, choice and consumerism. Fundraising techniques are being adapted to suit this environment leading some charities to become involved in "consumption philanthropy". There has also been a re-emergence of "social entrepreneurs" who seek to use the market to address social issues by promotion of business with a social purpose, or the setting up of business enterprise within charitable organisation. Initial studies of this field have identified potential tensions between the value systems operating in business and the voluntary sector, and the need for special management to address this. Some social entrepreneurs have argued that charity is an outmoded way of operating and that the market has greater funding potential to deal with the scale of the issues which need to be addressed in the modern world.

My research seeks to determine whether structural/organisational changes which have occurred in the charitable sector in recent years have enhanced or undermined the advantages charitable organisations have in working with people experiencing social or personal disadvantage. The study will focus on the extent to which government and donor funding has been the impetus for changes in the way charitable organisations operate. In particular, the research will focus on the locus of strategic decision-making at CEO and Board level in

charitable organisation in order to understand the approach taken by organisational leaders towards the marketising environment since the 1990s when the neo-liberal changes of the 1980s became established.

The study will use pragmatic, evaluative methodology to gather information about, and understandings of, the recent history of a selected group of charitable organisation involved in social development. The study involves:

- Document analysis – I will review annual reports, strategy documents and other relevant documents, agreed with the organisation, which build a picture of the organisation's progress. I will focus on the nature of change, the impetus for change and the process of change. I will identify themes for further exploration and I will identify individuals to interview related to those themes.
- Statistical Information – I will use the publicly available Charities Commission Register which, with the assistance of Charities Commission Staff, provides access to the annual financial returns for charitable organisations in table format. This will allow me to extract comparable information about the current income and expenditure of organisations but does not allow a historical perspective. Where access is available within individual organisations, I will look at membership and staffing structure, financial reports, and service related information to identify trends over time and any significant issues/events which have occurred.
- Semi-structured Interviews – Within individual organisations, themes identified through document research will form the basis for interviews with individual board members. In the case of the organisation/s which are the core focus of the study, document research will point to the relevant board members. Once the interviews start I will ask interviewees for names of further potential interviewees based on the information that arises. I also propose to identify individuals from the Charities Commission register who have experience on Boards. The data from the interviews will be transcribed and coded and the themes analysed and refined
- Focus Groups – The refined themes will form the basis of a focus group discussion involving interview participants and possibly others in participating organisations. The focus group will be used to validate information gathered and also provide further reflection on the themes.
- Seminar – The themes from research findings and the responses from the focus group discussions will be analysed and a discussion document will be developed which will form the basis of seminar/s with selected sector representatives and researchers, either together or separately.

The case study organisations will not be the subject of the research but rather they will provide key themes for further development. The themes which arise will be evaluated against prior assumptions and existing theory and some will be developed into discussion documents

for consideration by groups of interviewees, sector leaders and other researchers. I am not yet sure whether this will lead to new theory or simply the development of generalisations about the sector which may lead to new understanding. I hope that my research will provide good information which will allow organisations within the sector to reflect on the meaning of the current changes individually and collectively and the implications for charitable action in the future.

## Appendix 4: Letter to potential interviewees



MASSEY UNIVERSITY  
COLLEGE OF HUMANITIES  
AND SOCIAL SCIENCES  
TE KURA PŪKENGĀ TANGATA

Date

Address of Recipient

Dear

Following many years of work in the charitable sector, I am currently undertaking a PhD at Massey University. I am examining the changes which have occurred in charitable organisations in the social development field since the onset of neo-liberal reforms within *Aotearoa*/New Zealand. In particular, I am researching the impact of commercialised government and consumerised donors on the internal structure and function of charitable organisations, and how the leaders of charitable organisations have responded to the changing environment. Part of this research involves interviewing a range of current and past staff and governing committee members of case study organisations who can provide insight into the identified issues and their significance within their organisation.

The [Organisation x] has agreed to participate in this research and I am writing to seek your involvement as a current or former governing committee or staff member. If you are happy to be interviewed (please see the information about participants rights at the end of this letter), your consent would be required in writing at the time of the interview. I anticipate that the interview would take between one and two hours. The interview would be semi-structured and cover a range of topics. It is not intended that either [The Organisation], or individual participants, will be identified in this research, and a method of reference will be discussed at the interview. In the unlikely event that identification is needed, your written permission and that of the CEO would be required. The interview will be digitally recorded and the data will be transferred to a computer file and stored on my computer system. Should the data be transcribed, and if this is done by anyone other than myself, the person will be required to sign a confidentiality agreement.

Your recording will be available to you on request. When the research is complete, all recordings and any transcriptions will be handed over to my supervisor for disposal.

Once the recorded material from all participants in your organisation has been analysed, preliminary findings will be drawn and I may then invite some interviewees to discuss the findings in a focus group. This discussion would also be recorded under the same terms as those set out for individual interviewees in this letter.

Once completed, my PhD will be available in the Massey University library. A summary of the findings will be available to all participants and I would be happy to provide you with a copy of this on request.

Massey Ethics process requires that I inform you that:

“This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University’s Human Ethics Committees. The researcher named above is responsible for the ethical conduct of this research.

If you have any concerns about the conduct of this research that you wish to raise with someone other than the researcher(s), please contact Professor John O’Neill, Director, Research Ethics, telephone 06 350 5249, email [humanethics@massey.ac.nz](mailto:humanethics@massey.ac.nz)”.

If you have any other questions about this research please contact me. Otherwise you may at any time contact my supervisors:

Professor Regina Scheyvens  
Development Studies Programme  
Massey University  
Private Bag 11 222  
Palmerston North 4442  
[R.A.Scheyvens@massey.ac.nz](mailto:R.A.Scheyvens@massey.ac.nz)

Assoc. Professor Robin Peace  
Politics Programme  
Massey University Wellington  
P O Box 756  
Wellington 6021  
[R.Peace@massey.ac.nz](mailto:R.Peace@massey.ac.nz)

Although the (Organisation x ), as an organisation, has agreed to participate in this research, Massey University policy on research participants rights states:

“You are under no obligation to accept this invitation. If you decide to participate, you have the right to:

- decline to answer any particular question;
- withdraw from the study at any time;
- ask any questions about the study at any time during participation;
- provide information on the understanding that your name will not be used unless you give permission to the researcher;
- be given access to a summary of the project findings when it is concluded.
- ask for the recorder to be turned off at any time during the interview.”

I will contact you by phone to find out if you are willing to be interviewed and, if so, to work out a mutually convenient place to conduct the interview. I have a small budget for travel within New Zealand.

Thank you for considering this request to make a contribution to this study.

Kind regards

Pat Webster

## **Appendix 5: Initial set of interview question for pilot interview**

### **1) Intro/settling question**

These questions are designed to help put the interviewee at ease. I will explore their background and the reasons why they became involved in the organisation, including the skills and knowledge they bring to their role.

- a) Can you tell me something about your background before you became involved with (organisation)?
- b) How did you become involved with (organisation)?
- c) What has your involvement in the organisation been?

### **2) Role of (Organisation)**

There has been some discussion in recent times about the relative merits of charity, social development and social enterprise. This section will explore the respondent's perspective on these models in relation to (organisation) and its work.

#### **a) Charity**

- i) How would you describe the charitable role of (organisation)?
- ii) What do you think of the charitable model as a way of operating in today's world?
- iii) Could the charitable work that (organisation) does be done in other ways?
  - (1) What would be the benefits be?
  - (2) What would the drawbacks be?
- iv) Have you noticed any changes in the role of charity during the time you have been involved?

#### **b) Social Development**

- i) How would you describe the role of (organisation) in social development?
  - (1) What is the main value of this approach to work (organisation) does?
  - (2) What are the main difficulties?
- ii) Could the social development work (organisation) does be done in other ways?

#### **c) Social enterprise?**

- i) What do you understand by the term social enterprise?
  - (1) Can you describe any social enterprises which (organisation) is involved in?

- (2) How has this (could this) approach benefit (organisation) and its work?
- (3) Do you see any difficulties with this approach in the work of (organisation)
- (4) Have any specific changes been required to support new ventures?
- (5) How do you feel these activities fit with (organisation)'s overall aims and objectives?
- (6) Do you envisage (organisation) doing more work like this?

### **3) Organisational Change**

These question will explore changes that have occurred in the organisation and the causes of the changes

#### **a) Structure**

- i) Have there been many changes in the way in how (organisation) is structured since you became involved?

- (1) Can you tell me about what these changes have been
- (2) Can you tell me about the causes of these changes?

These will be explored in relation to:

- (3) management and staff
- (4) volunteers?
- (5) delivery of programmes?
- (6) Fundraising
- (7) Marketing
- (8) External relations

(prompts will be used where document research has indicated areas of significant change)

#### **b) Results of Change**

- i) What have been the results of the change you have experienced?
  - (1) What have been the main benefits?
  - (2) What have been the biggest drawbacks?

#### **c) Being businesslike**

- i) What do you understand by the term "businesslike" when it is used in relation to charity?
- ii) Do you think (organisation) is "businesslike"?
  - (1) Has this changed during the time you have been involved?
  - (2) How has this benefitted (organisation)?
- d) Do you see any drawbacks in a businesslike approach for (organisation)?

#### 4) Resourcing the Organisation

These questions will explore the sources of funding for the organisation and the impact they have on the organisation.

5) How big a role did/does thinking about income play in your involvement in the organisation?

a) How has (organisation)'s funding changed during the time you have been involved?

##### i) Government Funding

(1) Thinking specifically about the role of the core funder, government:

(a) Has the relationship between (organisation) and the government changed during the time you have been involved?

(b) If yes - what have been the main changes?

(c) What resources does (organisation) put into the relationship with government?

(d) What specific changes in the way (organisation) has worked would you attribute directly to the influence of government as a funder?

(e) Could (organisation) do its work without government involvement?

##### ii) Other Sources of Funding

(1) Thinking now about other sources of income, has (organisation) put increasing emphasis on finding non-governmental funding for its work since 1990?

(a) If yes, can you tell me something about why this is?

(2) What kind of response does (organisation) get to different kinds of fundraising?

(a) Do you think this has changed in the last twenty years?

##### iii) Partnerships and sponsorships

(1) Did you have any experience within (Organisation) with the development of linkages with businesses in the form of sponsorships or partnerships?

(a) How important are they for (organisation)?

(b) What benefits do they bring to (organisation)?

(c) What are the drawbacks for (organisation)?

(2) What role do you see these links with business in the future of (organisation)?

##### iv) Donor Funding

(1) How has raising donations changed during the time you have been involved?

(a) Has this required changes in the way fundraising is resourced?

(b) What do you see as the main implications of these changes?

**v) Future fundraising**

- (1) Is the organisation satisfied with the level of non-government funding it raises?
  - (a) Has (organisation) made any changes to try and attract more funding?
  - (b) Do you envisage changes in fundraising in the future?
- (2) What changes would make a major difference to (organisation)'s ability to work in the way you think it should?
- (3) If (organisation) had independent means of funding do you think it would operate differently than it does

**6) Leadership**

These questions explore the role of leadership in the organisation, how it relates to the organisation as a whole, how it has changed over time

a) Can you describe what leadership means in relation to (organisation)?

**i) The organisation's leaders**

- (1) Who are (organisation)'s leaders?
  - (a) What skills and attributes do you think are required for this/these roles?
- (2) What should the key concerns of an organisation's leaders be?
  - (a) Do you think these have changed over time?
  - (b) Has this affected the skills and attributes required?
- (3) How are (organisation)'s leaders appointed?
  - (a) Has this process changed over time?
  - (b) If so why?
  - (c) How this affected the way the organisation is governed?
- (4) Who are the organisation's leadership accountable to?
  - (a) Has this changed over time?

**ii) Role of (organisation)'s leadership**

- (1) What role has the leadership of (organisation) played when dealing with?
  - (a) the changing nature of government funding?
  - (b) the need for independent funding?
  - (c) the type of work (organisation) has been doing?
  - (d) the role of volunteer supporters over time?
  - (e) the staffing of the organisation?
  - (f) the role of CEO and staff?
  - (g) the role of the board?

**7) Summing Up**

This section aims to provide the respondent with an opportunity to think back on the overall questions and take a look at the place of VSA in the bigger picture

- a) Do you view the various influences on (organisation) over the time of your involvement as an opportunity for, or a threat to, the organisation?
- b) How do you feel about the way in which the leadership has dealt with these influences overall?
- c) What do you perceive to be the main challenges for the future?
- d) What are the main constraints on the organisation in dealing with change?
- e) How well placed is the organisation to tackle opportunities ?

## Appendix 6: Final version. Topics to guide interviews

### 1) Intro/settling question

Questions in this section are designed to help put the interviewee at ease. I will explore their background and the reasons why they became involved in the organisation and how they have been involved.

### 2) Role of (Organisation)

This section will explore the respondent's perspective on charity, social development and social enterprise in relation to (Organisation) and its work.

#### a. Charity

- i. How would you describe the charitable role of (organisation)?

#### b. Social Development

- i. How would you describe the role of in social development?

#### c. Social enterprise

- i. What do you understand by the term social enterprise?

### 3) Organisational Change

This section will explore changes that have occurred in the organisation and the causes of the changes

#### a. Structure

- i. What has been your experience of organisational restructuring in (Organisation) since you became involved?

#### b. Results of Change

- i. What have been the results of the change you have experienced?

#### c. Being businesslike

- i. What do you understand by the term "businesslike" when it is used in relation to charity?

### 4) Programmes

These questions are about the work of the (Organisation) and any change that have happened in the nature and focus of the work since 1990.

#### a. Focus of (organisation)'s programmes

- i. Can you describe the work (Organisation) does and its principal programmes?

#### b. Changes since 1990

- i. How has (Organisation)'s work changed since 1990?

#### c. The nature of Innovation

- i. In your experience where does the impetus for new work come from?

### 5) Resourcing the Organisation

These questions will explore the sources of funding for the organisation and the impact they have on the organisation.

a) How big a role did/does thinking about finding income play in your involvement in the organisation?

b) How has (Organisation)'s funding changed during the time you have been involved?

#### i. Government Funding

1. Has the relationship between (Organisation) and the government changed during the time you have been involved?

**ii. Other Sources of Funding**

1. What emphasis has (Organisation) put on non-governmental funding sources for its work since 1990?

**iii. Partnerships and sponsorships**

1. Have you any knowledge or experience within (Organisation) of the development of linkages with businesses in the form of sponsorships or partnerships?

**iv. Donor Funding**

1. How has raising donations changed during the time you have been involved?

**v. Future fundraising**

1. Are you satisfied with the level of non-government funding it raises?

**6) Leadership**

These questions explore the role of leadership in the organisation, how it relates to the organisation as a whole, how it has changed over time

- a. Can you describe what leadership means in relation to (Organisation)
- b.

**i. The organisation's leaders**

1. Who are (Organisation) leaders?

**ii. Role of (organisation)'s leadership**

1. What role has the leadership of the (Organisation) played when dealing with ... (issues from document research)?

**7) Summing Up**

This section aims to provide the respondent with an opportunity to think back on the overall questions and take a look at the place of (Organisation) in the bigger picture

- a. Have the changing influences on (Organisation) over the time of your involvement been an opportunity for, or a threat to, the organisation?

## Appendix 7: Participant Consent Form



MASSEY UNIVERSITY  
COLLEGE OF HUMANITIES  
AND SOCIAL SCIENCES  
TE KURA PŪKENGĀ TANGATA

# *Marketisation and Change in Charitable Organisations*

## PARTICIPANT CONSENT FORM - INDIVIDUAL

I have read the Information Sheet and have had the details of the study explained to me. My questions have been answered to my satisfaction, and I understand that I may ask further questions at any time.

1. I agree/do not agree to the interview being sound recorded.
2. I agree to participate in this study under the conditions set out in the Information Sheet.
3. I would like to be referred to in the following way in the thesis:

.....

4. I wish/do not wish to have my recordings returned to me.
5. I would like to receive a written summary of my research findings

Yes [ ]                      No thanks [ ]

If yes my email address is.....

**Signature:** ..... **Date:** .....

**Full Name - printed** .....

**Appendix 8: Transcriber Confidentiality Agreement**



**MASSEY UNIVERSITY**  
COLLEGE OF HUMANITIES  
AND SOCIAL SCIENCES  
TE KURA PŪKENGĀ TANGATA

***Marketisation and Change in Charitable  
Organisations***

**CONFIDENTIALITY AGREEMENT**

I ..... (Full Name - printed)

agree to keep confidential all information concerning the project .....

I will not retain or copy any information involving the project.

**Signature:** .....

**Date:** .....

**Appendix 9: Organisation A. Total income (Figure 8.1); Income by source (Figure 8.2); Source of income as percent of total (Figure 8.3); Income from sources other than government (Figure 12.1).**

Year	Govt Contracts	% of total	Special Projects	% of total	Grants Sundry Business	% of total	Branches Customers	% of total	Interest Dividends	% of total	Total (Actual Value)	Total* (2010 Value)
1992	17611130	84			360353	2	2513179	12	545018	3	21029680	31967093
1993	17611127	86			366302	2	1913517	9	659973	3	20550619	30810482
1994	16588985	84	668596	3	373827	2	1537199	8	610525	3	19779132	28845942
1995	17375177	83	973535	5	763763	4	1466066	7	264760	1	20843301	29536041
1996	18243000	87	1022000	5	616000	3	885000	4	260000	1	21026000	29053366
1997	18690000	81	2169000	9	765000	3	999000	4	380000	2	23003000	31523872
1998	19008000	81	2659000	11	809000	3	618000	3	310000	1	23404000	31956321
1999	19261000	79	2606000	11	1657000	7	326000	1	392000	2	24242000	32933250
2000	20949000	81	2618000	10	1461000	6	328000	1	444000	2	25800000	33709407
2001	22056000	80	2670000	10	1969000	7	351000	1	406000	1	27452000	35228239
2002	22985000	82	2088000	7	2557000	9		0	387000	1	28017000	35953284
2003	26240000	83	1972000	6	1964000	6	448000	1	889000	3	31513000	39367446
2004	26075000	79	1971000	6	3506000	11	228000	1	1030000	3	32810000	392999415
2005	30717000	78	2023000	5	4434000	11	992000	3	1159000	3	39325000	45662301
2006	31899000	79	2027000	5	4821000	12	501000	1	1093000	3	40341000	45639519
2007	39236000	77	2358000	5	6582000	13	900000	2	1707000	3	50783000	55680107
2008	37929000	79	2099000	4	5269000	11	1144000	2	1395000	3	47836000	50736504
2009	50000000	93	964000	2	2917000	5	18000	0	26000	0	53925000	56095814
2010	50743077	94	1024707	2	2162077	4	54362	0	24787	0	54009010	54009010

\*2010 value calculated using NZ Reserve Bank inflation calculator

Figures are collected from range of annual reports for indicative purposes only.

**Appendix 10: Organisation B. Total income Figure (Figure 8.4); Income by Source (Figure 8.5); Source of income as Percent of total (Figure 8.6); Comparison of Government Income and programme expenditure (Figure 9.4) Comparison of Non-government Income and Other Expenditure**

Year	Govt Contracts	% of total	Invest	% of total	Independent	% of total	Total (Actual Value)	Total* (2010 Value)	Programme Expenditure	Difference Contracts and Programme Expenditure	Total Non-Govt Income	Non-direct Programme Expenditure	Difference Non-gov & Other Expenditure
1996	3042410	96	171866	5	297012	9	3155304	4256942	2474765	567645	468878	476369	-7491
1997	2877684	82	83488	2	194132	4	3511288	4811955	3051984	-174300	277620	377684	-100064
1998	3905001	88	155950	4	389951	9	4450902	6077357	4048956	-143955	545901	456172	89729
1999	3919974	91	152179	4	227375	5	4299528	5840966	3898033	21941	379554	420000	-40446
2000													
2001	4209069	93	167689	4	169541	4	4546299	5834114	3764285	444784	337230	724956	-387726
2002	4948975	93	146984	3	239534	5	5335093	6664836	4190908	758067	386518	774768	-388250
2003	4585068	93	76802	2	279103	6	4940973	6078056	4556022	29046	355905	752603	-396698
2004	5647306	95	81839	1	224214	4	5953395	7130860	4634400	1012906	306053	705296	-399243
2005	4885104	94	144827	3	166762	3	5196693	6034150	4823021	62083	311589	759349	-447760
2006	5851568	94	168361	3	198355	3	6218284	7035014	5175680	675888	366716	817273	-450557
2007	5807480	92	183983	3	355320	6	6346783	6958816	5281387	526093	539303	880982	-341679
2008	6081492	92	227282	3	336556	5	6645330	7048265	5185617	895875	563838	899727	-335889
2009	6178011	93	169220	3	274427	4	6621658	6880221	6103520	74491	443647	1121532	-677885
2010	7470958	94	91686	1	347569	4	7910213	7910213	6658016	812942	439255	957450	-518195

\*2010 value calculated using NZ Reserve Bank inflation calculator

Figures have been collected from a range of sources and are used for indicative purposes only

**Appendix 11: Organisation C. Total income (Figure 8.7); Income by source (Figure 8.8); Source of income as percent of total (Figure 8.9)**



## Appendix 12: Annual surplus as a percentage of expenditure

### Organisation A

Year	Annual Surplus	Annual Expenditure	Surplus as %age of Expenditure
1992	590246	21069680	2.80
1993	696832	20550619	3.39
1994	-385164	19779052	-1.95
1995	-1015244	20843301	-4.87
1996	-1030000	21026000	-4.90
1997	687000	23003000	2.99
1998	-17000	23404000	-0.07
1999	-439000	24242000	-1.81
2000	-27000	25800000	-0.10
2001	366000	27482000	1.33
2002	1121000	28017000	4.00
2003	131000	31513000	0.42
2004	-156000	32810000	-0.48
2005	1500000	39325000	3.81
2006	-3569000	40341000	-8.85
2007	4516000	50783000	8.89
2008	1890000	47386000	3.99
2009	-130000	57349000	-0.23
2010	-68948	61906498	-0.11
<b>Total</b>	<b>4660722</b>	<b>616630150</b>	<b>0.76</b>

### Organisation B

1996	560154	3155304	17.75
1997	-274364	3511288	-7.81
1998	-54226	4450902	-1.22
1999	-18505	4299528	-0.43
2000			
2001	57085	4546299	1.26
2002	369417	5335093	6.92
2003	-367652	4940973	-7.44
2004	613663	5953359	10.31
2005	-385677	5196693	-7.42
2006	225331	6218284	3.62
2007	184414	6346783	2.91
2008	559986	6645330	8.43
2009	-603394	6621658	-9.11
2010	294747	7910213	3.73
<b>Total</b>	<b>1160979</b>	<b>75131707</b>	<b>1.55</b>

## Organisation C

1990	23561	144880	16.26
1991	93625	294077	31.84
1992	47934	234033	20.48
1993	30850	217324	14.20
1994	69806	325689	21.43
1995	44161	391554	11.28
1996	61753	325313	18.98
1997	39036	531554	7.34
1998	40435	525451	7.70
1999			
2000	30650	453799	6.75
2001	31268	466623	6.70
2002	91492	397475	23.02
2003	-28843	389972	-7.40
2004	51327	331504	15.48
2005	31175	414349	7.52
2006	82948	406507	20.41
2007	31530	533568	5.91
2008	7061	637843	1.11
<b>Total</b>	<b>779769</b>	<b>7021515</b>	<b>11.11</b>

# Appendix 13: Investing in Services for Outcomes brochure, Ministry of Social Development, 2012

JUNE 2012

## Investing in Services for Outcomes

Communities, social services and Government working together can improve outcomes for individuals, children, families and whānau in New Zealand.

The Government wants to improve the way the Ministry of Social Development (MSD) contracts social service organisations to achieve better results for communities. Government priorities will drive funding towards capable services that make a proven difference and get demonstrable results.

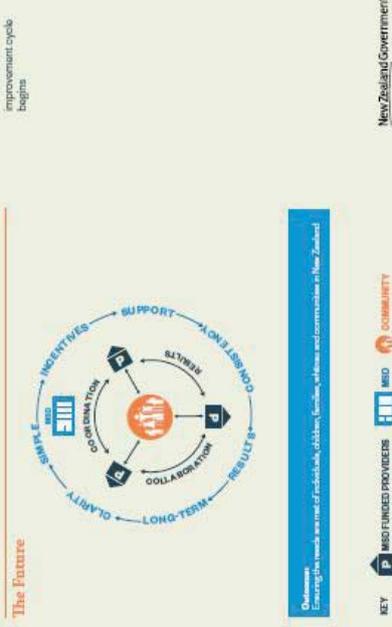
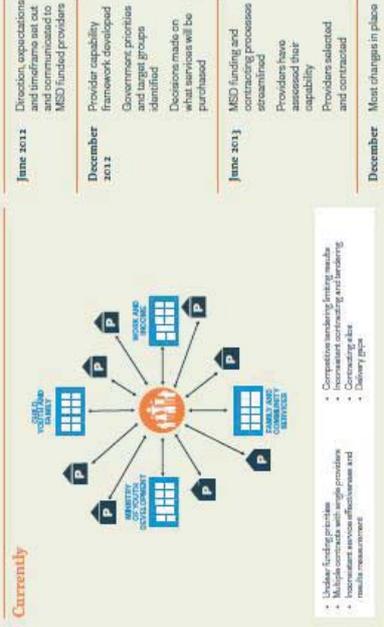
### FROM THE MINISTER FOR SOCIAL DEVELOPMENT

E ngā iwi o te motu, tēnā koutou katoa. We share the same aim as social service providers to support vulnerable families and communities effectively. This is at the heart of what we do and it makes sense for Government, MSD and the social services sector to work together.



MSD funds more than 2,300 social services providers to deliver around 4,300 contracts supporting children, individuals and families annually. These contracts are linked to MSD's four service lines – Work and Income, Child, Youth and Family, Family and Community Services, and the Ministry of Youth Development. It's vital these Government-funded services make a tangible difference to those who need it most.

**NEXT STEPS**  
Investing in Services for Outcomes will be implemented over the next 18 months and is expected to be largely operational by December 2013.



**FROM MURRAY EDRIDGE, DEPUTY CHIEF EXECUTIVE FAMILY AND COMMUNITY SERVICES, MSD**

*A vision for the social sector*

**Our vision for better contracting within MSD will ensure funding is used effectively and efficiently. We want to have more joined-up providers, funded under fewer agreements, delivering measurable results.**



The changes we will see:

- better use of multi-year and multi-agency contracts and better consistency across MSD's service lines
- incentivising providers to achieve the results our communities need
- funding targeted to what we know is working, and the organisations that can demonstrate success
- providers working together for better outcomes
- supporting providers to develop and adapt to changing expectations
- solid and measurable outcomes achieved with current funding levels
- better ways of measuring what results are being achieved.

We will maintain funding levels in the sector, however where there is evidence that our current funding is not delivering what works, the funding will be shifted to where it can make a difference.

In calling for change, the Minister has given clear direction to MSD that it too must transform the way it operates in order to support the community agencies in working with our most vulnerable.

We have a real opportunity to improve how we manage contracts and eliminate some of the existing issues including gaps and duplication, providers with multiple contracts with both MSD and other government agencies and short-term contracts which leave little stability for the community organisations we fund.

**Partnering with MSD-funded service providers**

The social services sector is central to achieving better outcomes on the ground. We are all working for the same goals – whether you work in the community

or in government. We all want families, whānau and particularly vulnerable members of society to get the support they need.

Over the next few months decisions will be made about which types of services MSD will fund in order to achieve the outcomes we need in line with Government priorities. Communities will have an opportunity to feed into the development process. We will also be engaging with the existing NGO Advisory Group and Community Response Model Forums.

MSD will work with its providers to develop a capability framework that builds on existing frameworks and experience. The framework will be used by MSD-funded service providers to assess their own delivery and organisational capability, which will then guide decisions on which providers are best placed to deliver which services, and where.

**Future support – Capability Investment Resource**

Some providers will need support to deliver results. We intend to invest in the providers that can demonstrate they have the potential to deliver services effectively. To support this, Government will provide \$31.66 million over four years through a Capability Investment Resource. From July 2012, this fund will be used to:

- continually improve the quality of social services funded by Government through strengthening organisational and delivery capability
- motivate and reward funded providers to achieve real results
- help join up providers across communities to achieve better outcomes for clients, families, whānau and their communities.

stronger, more flexible and integrated community-based social services. We are making significant change both inside and out for the families and whānau we need to support.

We need to make significant changes to see better outcomes within communities.

*I know that change can be challenging but it is so critical that we get it right for the families and children who need help. We simply must continue to improve our services.*

I hope you will join me in seeing this as an opportunity for all of us to change and make continual improvements that deliver real results for everyone.



**Hon Paula Bennett**  
Minister for Social Development

We are changing how we work within Government, and we're asking MSD-funded service providers to change how they connect with families and communities on the outside. We're asking providers to ensure they achieve the best results for families and communities through the way they work. In Government, we are also looking to change the way we work with providers.

Since 2004, I have been putting the building blocks in place to transform social services. I started by responding to cost pressures during the recession, then emphasised contracting and compliance through High Trust Contracts and Introduced Innovation Funding to encourage collaboration. I have set my expectations for our social sector agencies to focus on results for communities. We have, and will provide support to them but I will discontinue contracts where providers have continued to not meet Government expectations. This is an example of focused contract management that will support providers to deliver high quality, effective services.

These measures are a signal of more to come. With these building blocks in place, the next step is to ensure that the way we invest in services delivers

**INVESTING IN SERVICES FOR OUTCOMES – CHANGES AT A GLANCE**

**Government, MSD and MSD-funded service providers will work with communities to achieve the following outcomes.**



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<sup>37</sup> The Charities Commission Website was taken down during the course of this research and has been replaced by Charities Services in Internal Affairs. I have replaced the details in the reference with a link to the new site which still conveys the message about the prime importance of charitable purpose.

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