Public sector funding can be good for you: A study on the impact of European Union funding and its implications for theory and practice

Dr Hans Schlappa

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Abstract

This paper focuses on organisational benefits that third sector organisations (TSOs) derived from using European Union funding. Drawing on contemporary concepts around the co-production of publicly funded services this paper explores and highlights the importance of conceptual frameworks which provide a holistic perspective on organisational change to support the detection of positive organisational developments. The paper concludes with the argument that future research should focus more on the interaction between individuals of third sector and public sector agencies who between themselves create positive organisational impacts, and less on government policy or institutional structures.

1. Introduction

There is a tendency to view organizational change which results from public sector funding as a problem because such change is often considered to reflect the interests of the funder, rather than the needs of the organisation using it. Research on the challenges associated with accepting and using governmental funding stretches back over twenty years and has produced a substantial body of literature. An indicative reading list on this topic would include early research that begins to identify a range of organisational challenges associated with government policy and funding (Billis 1991; Billis and Harris 1992a, 1996). This was followed by studies which explored the link between funding and organisational change (Alcock et al. 1999; Scott et al. 2000) and discussions about the impact of government policy and funding regimes on TSOs and the third sector (Harris and Rochester 2001; Taylor et al. 2002). At the time of writing this paper the UK based Third Sector Research Centre is perhaps one of the most prolific generators of accounts about the organisational and sectoral challenges associated with government policy and funding (see:www.tsrc.ac.uk). When taken together, this body of literature supports a wide range of arguments about the pressures TSOs encounter in relation to every aspect of organisational management, such as systems, processes, structures, accountability, goals and governance. Literature which explicitly identifies organisational benefits arising from governmental funding is, by comparison, rather limited and often contested (McKinney and Kahn 2004; Taylor et al. 2007; Williamson et al. 2000).

This paper aims to contribute to the body of knowledge about positive organisational impacts which can result from public sector funding. In doing so it is in no way intended to question the importance of the arguments made by scholars who identify challenges associated with the use of public sector funding. On the contrary, without accepting that the use of public sector funding can have serious adverse consequences for TSOs we cannot develop arguments that help us find better ways of supporting their work.

2. Conceptual framework and study design

The theoretical framework for this study is based on a combination of generic organisational theory which conceptualises organisations as having a number of universal organisational characteristics and third sector specific organisation theory which perceives TSOs as having a number of organisational features which, in their combination, make TSOs distinct from public and private sector organisations.

With regard to universal characteristics of organisations, this study draws on Scott (2003) who argues that all organisations share four basic characteristics: they have a structure and organisational participants; they pursue goals and employ skills, processes and technology to get their work done. In addition, all organisations are influenced by their environment and in turn influence the environment they operate in.
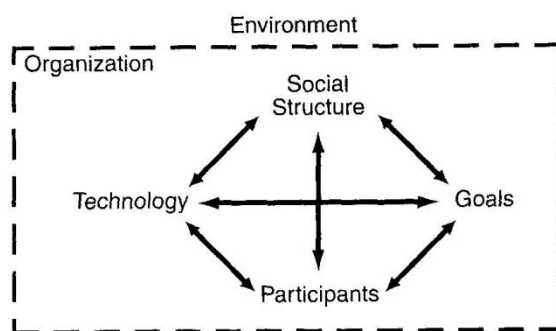
Figure 1: A Model of Organisations from Scott, 2003, p.18

Scott argues that these four organisational elements need to be considered together, because when they are considered separately it is not possible to develop a coherent understanding of an organisation:

"Each of these organizational elements – social structure, participants, goals, technology, and environment – represents an important component of all organisations. Indeed, each element has been regarded as of surpassing importance by one or another analyst of

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organizations. However, the chief value of Leavitt's model is a graphic reminder that no one element is so dominant as to be safely considered in isolation from the others. Organizations are, first and foremost, systems of elements, each of which affects and is affected by the others." (Scott, 2003, p.24)

With regard to the study of TSOs there does not appear to be a coherent organisational theory that is rooted in and specific to the study of the third sector and its organisations. Instead we find a wide range of contrasting, contradictory and often deeply contested perspectives about the nature of the third sector and third sector organisations. To overcome this challenge this study draws on theory of TSOs which conceptualises TSOs as rule bound and hierarchically structured (Billis 1993) and its contemporary development which conceives TSOs as displaying features of hybrid organisations (Billis 2010). Billis' theory draws on a substantial body of literature which cannot be done justice here, but studies which argue that TSOs have distinctive organisational features also have a long track record in third sector research (see for example: Alcock et al. 1999; Billis 1993; Billis and Harris 1996; Harris 1998a; Harris and Rochester 2001; Leat 1996; Scott et al. 2000).

These different strands of third sector specific organisational theory are combined here with the generic theoretical framework of organisations referred to above (Scott, 2003). In order to explore organisational impacts, change attributable to public sector funding in any of the following five dimensions was identified:

Organisational participants

TSOs have a multiplicity of organisational stakeholders which include staff and members of communities drawn in to serve on the governing body or contribute as volunteer workers (Davis Smith 2001; Harris 2001b; Milligan and Fyfe 2005; Pearce 1993; Scott et al. 2000). The study reported here paid particular attention to the way in which URBAN II funding affected paid staff and volunteers, including members of the governing body.

Organisational structure and roles

Current debates about the blurring of organisational boundaries and 'hybridity' (Billis 2010; Brandsen and Pestoff 2008) explore ambiguity and overlap of roles performed by members of TSOs, for example overlap in the roles of employer, manager, employee, volunteer or services user (Billis and Glennerster 1998; Lewis 1996). The multiplicity of external stakeholders, such as supporters, funders and beneficiaries can create complex and at times conflicting requirements, which have been found to express themselves in the formalisation of roles, composition of organisational members and change in the values the

organisation stands for (Chambre and Fatt 2002; Hanion et al. 2007; McKinney and Kahn 2004). The study therefore focused on changes in the roles, values, beliefs and behaviour among organisational participants.

Organisational systems and resources

TSOs can be expected to deploy a wide range of skills, systems and resources to get their work done (Anheier 2005; Lyon and Fernandez 2012). The elements that were most relevant to the study reported here were the systems used to administer and utilise EU funding, the people involved in using these systems, and the people delivering new services funded by EU programmes. Hence, we focused on changes in relation to roles fulfilled by paid and unpaid workers, the development of new skills or services, and the introduction or development of administrative systems.

Organisational governance and goals

One of the main responsibilities of governing bodies of TSOs is to set organisational goals and ensure that the organisation fulfils its purpose while, at the same time, responding to a changing operational environment and the interests and needs of its organisational participants (Harris 1993, 1996). As a cursory review of the literature shows, changes in funding arrangements can affect governing bodies in a wide range of ways, and can also lead to changes in organisational goals (Blackmore 2004; Brandsen et al. 2005; Harris 2001b; Shaw and Allen 2006; Wilkinson 2004). The study reported here therefore focused on changes in the composition of the governing body and organisational goals.

External Environment

As the environment is a pervasive influence on TSOs, there is a wide range of perspectives through which the impact of funding could be explored. While the principal conceptual approach adopted here is based on a resource dependency perspective (Pfeffer and Salancik 1978) of particular interest was the impact funding might have on the networks from which TSOs draw resources and support. This is because research points to the detrimental consequences of losing trust and support from other TSOs, which is often a result of competition for or acceptance of public sector funding (Harris and Schlappa 2007; Jeffrey 1997; Shirlow and Murtagh 2004; Wilkinson 2004) (Taylor 2000).

Study Design

The findings presented here are based on a doctoral cross-national study which explored the benefits and challenges TSOs encounter when they use European Union funding (Schlappa 2009). The study was undertaken in three different cities in England, Northern Ireland and

Germany. The particular funding source to which organisational change was related was URBAN II, a European funding programme that encouraged the inclusion of TSOs in urban regeneration (Commission of the European Communities 2000). In each city one URBAN II site was chosen and within each site three TSOs were studied in detail. The case study organisations included three small TSOs with turnovers of between £20,000 and £130,000 per year and six larger TSOs with turnovers ranging from £250,000 to £800,000 per year. Data were collected through 44 semi-structured interviews with volunteers, paid staff and board members of TSOs as well as agencies responsible for the local delivery of URBAN II. Thematic data analysis was undertaken with NVivo software.

3. Findings

The way in which URBAN II funding was found to affect TSOs resembled many of the organisational impacts identified in earlier studies, including pressures on their systems, structures and procedures, as well as changes in accountability to their stakeholders, changes in organisational goals, governing bodies and organisational members. However a key outcome of this study was that many members of the TSOs studied perceived such organisational changes as constituting, or contributing to, positive organisational developments. These findings are now presented under five headings:

- Organisational participants
- Organisational structure and roles
- Organisational systems and resources
- Organisational goals and governance
- External environment

Organisational Participants

Volunteers contributed to the delivery of new services funded by URBAN II in most of the TSOs studied, and in a number of cases volunteer numbers increased dramatically as a result of the URBAN II funded project. At times the increase in volunteers put severe strain on paid or unpaid staff. Overall, however, the inclusion of volunteers was seen to be of substantial benefit and seemed to outweigh the demands that arose from their training, support and management.

 "We didn't have volunteers as such prior to last year. It was still very much a two-man show, [the URBAN II Outreach Worker and the Chair*] did all the work themselves. ... We've now trained 208 people in North Belfast, so this is the start. This is our pool of volunteers."* (Project Worker)

"Without our volunteers we couldn't do anything around here" (Project Manager)

The findings suggest that the use of URBAN II funding did not discourage the engagement of volunteers as some of the regeneration literature would suggest (Milligan and Fyfe 2005). On the contrary, TSOs which were closely involved with volunteers prior to their URBAN II funded project were able to maintain and in some cases increase their involvement:
"All the current and former users come in and help with all sorts of things. So in some ways, they're giving their time voluntarily to give back to the project. And that's what you find; they like to give back, because they got so much from the project." (Project Worker)

In a number of cases, paid staff were introduced into TSOs which prior to URBAN II relied on volunteers to do all or most of their work. This did not create the kind of tensions between paid staff and volunteers predicted in the literature (Davis Smith 2001; Fyfe and Milligan 2003). While paid staff were dealing with administrative tasks, volunteers were trained and supported to do the work they felt strongly about, which in some cases included vocational training to improve their prospects of obtaining paid employment.
"We only had two crèche workers. So young parents made the decision that they would volunteer in the crèche. Then I partnershipped up with community learning and then they put on courses, NCFE courses so that young parents could become qualified crèche workers. So over the past four years we have qualified 22 young parents as crèche workers. So they're able now to work for us and they are able to earn £20 a week, which is their maximum allowance." (Manager)

Organisational structure and roles
A number of TSOs reported that they had experienced the formalisation and professionalisation of organisational systems and structures as a result of using URBAN II funding. Most of the smaller TSOs went through a challenging growth process which involved the development of administrative systems and the skills required to use them. These changes were not considered as having been imposed by funders, nor were they seen as a negative development. Instead, most smaller TSOs reported that they valued the formalisation and professionalisation of their organisation because they felt better placed to achieve their organisational goals.
"Every child who comes into the group now gets a standard pack. They all get a welcome letter. They all get the same gift aid form. They're all getting the same message, whereas before, they were getting five different messages. Having this hub here allows us to do this." (Volunteer)

"The young people can now create their own leisure activities here. For example on Saturdays they run a youth cafe entirely on their own. I open and lock up, but they do the rest and we don't have any problems with alcohol, drugs or violence during these sessions. The young people run that themselves." (Project Worker)

One of the key findings from this study is that the formalisation and professionalisation of organisational structures and processes was largely seen as being of benefit to the TSOs concerned. It did not, as earlier research suggests, lead to predominantly negative outcomes for TSOs. While the actual process of changing their organisation was associated with severe pressures on paid and unpaid workers, the organisational outcomes of this change process were seen as predominantly positive by study participants.

"We have done a lot with the URBAN II money. It has enabled us to get that initial training, initial bit of equipment, and the great thing is, it becomes self-sustaining. It just carries on forever because the money that we are saving and the money that we are generating enables the project to continue." (Board Member)

"By employing a social worker we can be more professional." (Director)

There were also significant changes in the roles that organisational participants fulfilled. Some volunteer workers became paid employees, and others became members of the governing body. Yet in some TSOs the URBAN II funded project led to entirely new organisational roles, such as volunteers providing services to other organisations on a fee paying basis to raise funds and develop a new services.

"Those qualifications have allowed us to go into schools, etc. and sell the product, be it the outdoor pursuits, the activities, the team-building and everything else and what's happened now is we're starting to develop a client base. That then is allowing us to sell our services, shall we say, to a huge audience." (Project Manager)

The findings from this study do not reflect arguments in the literature that the professionalisation of TSOs leads to a reduced engagement of local communities in regeneration contexts (Fyfe and Milligan 2003; Shirlow and Murtagh 2004). In most cases the URBAN II project led to an increase in the accountability of TSOs to their local stakeholders, possibly in part because the influx of URBAN II funding may have made the services more significant to local stakeholders. In a number of cases this resulted in an increased involvement of local residents in voluntary work, including the governance of TSOs.

"If you wander round the estate, most people have heard about us now. If you're talking to people, they know us and you wander round the estate and people say hello to us. ...There is a huge support network outside that we can tap into and use them for any sort of support." (Project Manager)

"No matter who you talk to, the strength, how people talk about this project is just phenomenal. How everybody supports it. Talk to anybody in this area, it's so well known, it's just crazy!" (Volunteer)

In contrast to smaller TSOs, little change to structures and roles was found in the six larger TSOs studied. None of them appeared to have formalised or professionalised their processes or roles in response to the demands arising from their URBAN II funded project. It is likely that the required organisational capacities to respond to these demands were already in place, thus requiring only minor adjustments. However, limited organisational change did not mean fewer problems arising from the use of URBAN II funding. On the contrary, some of the most severe strains were encountered by TSOs which were large professional service providers which were accustomed to dealing with substantial public sector funded contracts. The main reason for the challenges encountered was considered to be rooted in the approaches taken by public agencies towards funding and organising the implementation of their URBAN programme:

"We drafted 12 business plans before the local authority and the URBAN steering group finally approved it! Our finance director was beginning to ask for whom we were doing all this. This development work doesn't get paid. We have to use our own resources for that." (Board Member)

"And who pays for this huge administrative effort? We really only get the refurbishment costs paid for! ... The building belongs to the local authority, it doesn't become our property. We have a lease, we pay rent. You just have to look at it like that. We are working here for the local authority! We are doing everything there is to do with URBAN II, from A to Z." (Director)

"That [the administration of URBAN II funding] *really is a challenge. We have done construction projects before, but this thing is something else. ... The reports for URBAN really are a particular challenge."* (Director)

Organisational systems and resources
The administration of URBAN II funding was considered to be a challenge by most TSOs. In some cases this led to severe strain on organisational participants and systems without

creating significant organisational gains. However, smaller TSOs found that they had benefited from the development of new systems and structures. These developments were reported to have enabled them to do their work more effectively and to have left them in a better position to secure other resources once the URBAN II funding had run out:

"I know certainly that to provide policies and stuff like that has been quite a big process. But no-one's felt it as a hindrance. I think as workers we feel better that we're doing it properly because we want to do a good job." (Project Worker)

"Submitting tenders is a new field of work for us. It's useful to learn how to do it." (Director)

"We are learning how to account for funding and how to draw it down. That's a benefit." (Project Manager)

URBAN II funding led directly to the provision of new or improved services in most of the TSOs studied, but the way in which TSOs developed their services varied significantly. Larger TSOs tended to rely heavily on paid staff and were also eager to grow or consolidate their existing services with the new funding. Smaller TSOs, in contrast, seemed to be wary of having too much responsibility for providing government funded services:

"That's why we turned around and said, that handing over the money doesn't mean that you wash your hands of the responsibility. The responsibility can't be put on the community and this is what they were trying to do. And we said, "No, no, no that cannot happen", because at the end of the day, we can only do so much. At the end of the day, the government can't come shouting at us here if the suicide rate hasn't dropped. We can only do the work that we can do, but at the end of the day, there needs to be professional services." (Board Member)

There were also examples where TSOs avoided accepting offers of additional funding from public agencies to provide more services, and instead challenged public agencies to improve provision themselves rather than trying to pass this responsibility over to TSOs.

"What we're doing is asking for those people [from public sector organisations] *to come in and do the work. We weren't asking for money."* (Project Worker)

Organisational governance and goals

A number of smaller TSOs increased the capacity of their governing bodies in response to the pressures they encountered from the delivery of their URBAN II funded project. This

included the recruitment of residents, service users and volunteers to the governing body, as well as the formal training of board members.

"It took three years for parents to fully understand what responsibility they were undertaking... We started from the premise that if they can manage their children, manage their budgets they are able to comprehend the management of an organisation." (Manager)

"The problem was there was an Executive Committee but the Executive Committee hadn't lost anyone [through suicide]. ... so I was more or less trying to change the format so that we could bring more families in. It was the families that needed to direct this whole project in the way that it needed to go." (Board Member)

The findings contradict a number of arguments in the literature on the governance of TSOs. These arguments include that governing bodies can lose control over the overall direction their organisation as a result of receiving large sums of funding (McKinney and Kahn 2004) and that the pressures resulting from the acceptance of large sums of funding lead to the appointment of more 'professional' board members (Harris 1998b, 2001b):

"What's really luxurious about it at the minute, is that you have key people from statutory organisations involved at a committee level and forum levels so they advise them. It's brilliant. We have access to a lot of expertise but not to the point where the advisors from agencies are managing us." (Volunteer)

External Environment of TSOs
The work undertaken with URBAN II funding was reported to have raised the profile of a number of TSOs in relation to public sector organisations. By developing new services, which built on existing expertise and which responded to a particular local need, TSOs reported that they were able to maintain support from local people and at the same time attract support from public sector organisations. A number of TSOs suggested that their services had become more attractive to public sector organisations because of the substantial support they received from the local community, which was an indication of the value local people attached to these services.

"In my view, as I've said, it's brought lots of benefits. ... It has allowed us in many ways to build capacity and it has also given us an opportunity with them [public sector organisations], *not just to talk about money but also get advice, support and help in terms of future projects."* (Project Manager)

"We have of course had many important people on the site, including local officers and politicians, ministers, members of parliament and so forth. The importance of the project is understood." (Director)

Small TSOs which relied largely on volunteers were generally able to maintain their connections with their local community while also improving their relationships with public sector organisations. However, maintaining a balance between influencing public sector organisations and accessing their resources, while at the same time remaining independent from them was a challenge. The URBAN II funding did not appear to make it more difficult for TSOs to maintain or achieve this balance, however. The resources involved seemed to give more weight to the task of ensuring that the ties to local communities were not weakened, while relationships with public sector organisations were developed or maintained.

"I don't want to ever lose the community aspect. You can easily lose the community aspect; the more professional you become the more distant you become. I suppose at the end of the day, that has happened to all sorts of organisations. But as long as [the Outreach Worker] *and I are here, we will keep this as grass roots and to the community as we possibly can because at the end of the day, it's the community that's built us up. It's the community that has supported us and so we owe it to the community to make sure that we're there for them."* (Board Member)

"The point is that we need to be working with these agencies and we need to give them not only the confidence to do that, but the where-with-all, the networks and everything else they need to work with us." (Project Manager)

The study found that the institutional environment had significant influence over the way in which TSOs addressed the challenges arising from the use of URBAN II funding in that observable organisational impacts differed significantly in the three URBAN II sites. In two of them we found that programme managers and local partnerships charged with the administration and delivery of URBAN II were explicitly concerned with ensuring that TSOs were supported in obtaining and using the funding. For example, In Bristol the founder of a small volunteer based TSO had made an application for URBAN II funding to employ an administrator with the intention of reducing the administrative burden for the 31 volunteers working with young people. This was in part intended to increase the enjoyment they could derive from volunteering but also to free up time so that volunteer instructors could obtain legally required certifications to enable them to deliver a wider range of outdoor activities. The grant application was approved in principle by the URBAN II partnership board on the

condition that the programme manager would support the detailed development of the proposal. This was the beginning of deep collaborative process. The founder and the programme manager jointly developed a service model and business plan for a social enterprise that would provide certified training for instructors of other similar organizations in the city, offer organized outdoor activities for schools and youth clubs on a commercial basis, and create employment opportunities for some of the young people who were volunteering:

'To be honest, if the programme manager had not wanted to help us develop our project, I would have had a grant of £10,000 a year to pay the administrator's wages for five years and that would have been it. But his seeking questions made us think, and the project just suddenly went from being this very narrow administrator post to being "wow, oh my God!".' (Founder)

In Belfast the local partnership was also consensus among the regeneration partnership that the resources available through URBAN II should be used to support the development of organizational capacity among local TSOs to provide new services:

'So, if you are working in an area that has limited community capacity, you can't just give people some money and walk away. You have to maximize the organizations' chances of successful project delivery and to achieve that you have to give them some additional support." (Programme Manager)

These applications of collaborative principles in programme delivery were in contrast to the approach taken in Berlin. Here TSOs were considered to be sub-contractor who had competed against each other and successfully secured URBAN II funding through a rigorous commissioning process.

'The programme manager shows no interest whatsoever in what we are trying to achieve here. They only show up when they have official delegations who want to see an integrated youth training project.' (Project Officer)

'The borough defines the projects and we select suitable TSOs to deliver them.' (Programme Manager)

'Some TSOs thought that they would sail through the application process because they had a strong local presence. That was not the case. They had to secure URBAN funding through competitive bidding processes like everyone else. It was good to do it that way. It's the process that makes the decision. This process prevents you from following just a nice project idea and instead helps you to get the best deal for your money.' (Local Partnership Member)

'I don't know in detail what their problem is. I can't get involved in all the URBAN projects. The question is: if they do have substantial problems, what are they going to do about it? That's their problem, isn't it?' (Local Partnership Member)

For the director of one of the TSOs studied in Berlin the approach taken by the regeneration partnership and programme management staff reflected a way of working with public agencies that he had become accustomed to. While funding from public agencies remained critically important to enable his organization achieve its mission, wherever possible he and his colleagues would try to minimise the influence of funders on their work. This created a situation where many services were produced in parallel to public agencies, rather than in collaboration with them:

'I am glad when they don't get involved in our work. That always creates problems. We develop solutions with residents, not with public agencies.' (Director)

4. Discussion

The findings from the study reported here point to many positive organisational developments that can be attributed to EU funding. TSOs were found to have retained or increased their volunteer workforce which improved organisational capacity to generate income and deliver services. Organisational structures and work processes became more formalised in smaller TSOs which was reported as having been demanding but had resulted in service improvements and improved capacity to engage with their external stakeholders. Managing relatively large sums of funding, together with the onerous reporting and evidencing requirements associated with EU funding, put strain on smaller as well as larger ones. However, in contrast to earlier research TSOs reported that they were positive about having increased their capacity to secure and manage European funding.

The mere availability of funding or opportunities to deliver more services did not automatically made TSOs dash for the money as a number of earlier studies suggest. Instead we find a much more nuanced and considered approach where some TSOs carefully weighed up the implications of taking on more funding before accepting responsibility for delivering public services. Problems arising from the additional funding seemed to be more closely related to the rules and conditions adopted by Programme Managers and partnerships to control the delivery of the URBAN II programme, than the EU funding itself. Organisational size and experience in handling similar funding streams was also not a strong indicator for some of the problems TSOs encountered. The most severe

pressures were experienced in larger TSOs and were found in just one of the three URBAN II sites that were studied.

The influx of comparatively large sums of money did not seem to negatively affect the governance of the TSOs studied. On the contrary, many TSOs used the advent of URBAN II funding to train or change their governing bodies. In a number of cases the funding was used to support the achievement of organisational goals and TSOs were also able to constrain the influence of public agencies which became engaged in their work as a result of the URBAN II funding TSOs had secured. Rather than becoming a vehicle through which public agencies pursued their interests, TSOs viewed their new relationships as opportunities to make public agencies do more for their community. The findings point to a clear resistance towards being 'taken over' by public agencies and a determination to use the funding secured to expand their independence from and influence over public agencies.

Within the scope of this paper it is difficult to ascertain whether the differences in the findings of this study are due to the fact that earlier studies generally saw organisational change in TSOs as a problem, or whether it is the case that EU funding creates opportunities which the controllers and users of EU funding can exploit for mutual benefit. What the findings do show is that local interpretations of EU policy on the involvement of TSOs can vary significantly and it would seem, therefore, that it is the approach taken to the implementation of EU funded programmes both by TSOs and funders, which shapes the opportunities for the creation of organisational benefits. This paper suggests that many of the benefits identified are not due to the conditions and requirements associated with URBAN II funding, but are a result of the approach taken by the Programme Managers and TSOs to jointly deliver a project or develop a service.

The findings point to mangers of regeneration programmes as having a pivotal role in navigating the tensions arising from the requirements associated with EU funding conditions on the one hand and the expectations and needs of TSOs on the other. Whether EU or other public funding is used in ways which encourages or stifles the organisational development of TSOs appears to depend to a large extent on the opportunities created by staff controlling the use of EU funding and does not appear to be primarily dependent on the particular local or national contexts in which they operate. It would seem that programme managers and leaders of TSOs can, if they so choose, develop the organisational capacity of TSOs *and* deliver programme objectives at the same time. Such collaborative processes reflect quite clearly the principles of co-production in the provision of public services (Pestoff and Brandsen 2008) and contemporary debates on the blurring of sectoral and institutional

boundaries add to a growing body of literature which conceptualises the provision of publicly funded services as a collaborative process (Billis 2010; Pestoff et al. 2012).

The collaboration of individual officers who work for funders and providers of services clearly is pivotal for positive organisational development of TSO, and their actions seem at least as important as the partnership structures through which resources are allocated and controlled. Unlike commissioning relationships, the co-production process seems to put TSOs in a relatively strong position vis-a-vis the partnership, primarily because they do not simply fulfil contractual obligations drawn up by the partnership but involve programme management staff in the practical steps which lead to the provision of a service. Co-production therefore seems to require programme management and TSO workers to engage on equal terms and in ways which do not follow a particular template of interventions but which instead reflect very specific organizational contexts and capabilities. Such an approach is very different from the hierarchical commissioning of services where contractual obligations force TSOs to adhere to procedures, targets and service specifications set by the funder, regardless of their own preferences (Schlappa, 2012).

Another question that arises from the study reported here is why earlier research on the impact of funding tended to report primarily negative findings. One reason might be that many studies tend to investigate particular aspects of organisations in isolation from other organisational elements. This may lead to a detection of mainly negative impacts in relation to a particular part or process and exclude perspectives which point to positive developments resulting in other parts of the organisation. Hence it would be important to apply conceptual frameworks which perceive the organisation as a set of interdependent elements, as was the case in the study reported here.

 Another possible explanation for the emphasis in the literature on negative organisational consequences for TSOs is related to the perspectives that researchers themselves hold. The quotation below is intended to be illustrative of much of third sector research undertaken over the past 20 years:
"Tighter individual management can mean looser individual commitment and the eventual development of a 'jobsworth' culture of bureaucracy and buck-passing. Such a loss of commitment and flexibility is not just a practical problem within voluntary organisations; it is a blow to their fundamental ethos – and once lost may not be easy to reclaim." (Scott et al. 2000, p.59)

While it is of course important to adopt a critical perspective in the debate about how public sector funding affects the nature and purpose of TSOs in contemporary society, from an organisation studies perspective it would be equally important to avoid a position where resistance to change is valued more highly that responsiveness to change. Such a perspective would be of limited help to TSOs which are trying to make sense of, respond to and survive in a rapidly changing organisational environment. The body of literature concerned with organisational change and strategy quite clearly emphasises flexibility and responsiveness to changes in environmental circumstances.

Texts which explicitly draw on organisation theory in relation to TSOs emphasise the need for adaptation and change to secure resources for organisational survival are few and far between and often highly contested (Anheier 2005). There is also a tendency to assume that such perspectives on organisational change are primarily relevant to third sector organisations whose purpose is to provide services someone is prepared to pay for (Frére and Reinecke 2011; Lyon and Fernandez 2012; Nyssens 2006; Spear et al. 2009). It is argued here that smaller TSOs which do work with very little financial input can and do manage organisational change effectively and that the influx of public sector funding can be the source of substantial benefits which enable smaller TSOs to survive and thrive. Particularly at these difficult times of financial austerity it would seem important to develop models designed to assist small and large TSOS to realise benefits associated with managing change and collaboration, rather than continue to focus on the development of the already substantial body of knowledge concerned with problems they encounter from the use of public sector funding.

The arguments advanced here are not intended to negate the key message of much third sector research, namely that funders should not imposed organisational change on TSOs through the resources they make available (Harris 2001a) and that resisting such pressures is critically important for the future development of TSOs (Harris 1998a). However, it would appear that scholars might need to remind themselves that identifying and exploring positive consequences from the use of public sector funding might be just as important for the advancement of the interests of TSOs as sounding warning bells about co-optation, incorporation and organisational demise.

5. Conclusions

The study reported here suggests that organisational change resulting from public sector funding can have a range of positive effects on organisational development within TSOs. This is in contrast to much of the literature concerned with the study of TSOs, which seems

to focus on the problems and challenges resulting from the use of public sector funding. In the context of unprecedented budgetary austerity in the UK and other European countries it would seem important to explore how public and third sector agencies can both benefit from the collaborative provision of government funded services. Focusing on theories around leadership and co-production, rather than institutional structures and policy process, would seem to offer a promising route of inquiry and one that reflects contemporary conceptual developments (Macmillan and McLaren 2012).

The tendency in earlier research to report on negative rather than positive organisational impacts seems to have hindered the development of theoretical frameworks through which potential advantages associated with public sector and EU funding could be conceptualised and studied. It would be important, therefore, to develop third sector specific models of organisational change which show how short term challenges resulting from the influx of new funding can result in longer tern organisational benefits for TSOs. This should involve research which explores how and why collaborative approaches towards service provision result in the organisational development of TSOs. In this regard third sector organisational theory on strategic management, governance and leadership appears to be woefully under-developed. Further research, particularly in the area of leadership in the co-production, co-management and co-governance of publicly funded services, promises important insights into processes that allow TSOs to create positive organisational developments for themselves while delivering services with public sector funding.

An insightful comment made by a project manager during the study who worked voluntarily on a North Belfast housing estate points to a deep and yet quite uncomplicated view of the principles underpinning the co-production process:

"And if you push them in a positive, collaborative way, it'll happen. If you push in a way where you're being aggressive and say, 'You should do this', they'll not do it. They say they don't have the staff and it's like the old thing. …I think that a lot of people in these agencies say they can't do it because they don't have the contacts, they don't have inroads, they don't have the credibility. They don't have all of those things and what they need is for people to actually in many ways, clear the way for them to do it. So, it needs to be done in partnership. I prefer to call it, it needs to be done collaboratively." (Project Manager)

If a volunteer project manager can understand and apply the principles of co-productive action without ever having read about the theories underpinning such concepts, surely we scholars should be able to come up with constructive organisational theory that is rooted in and of direct benefit to the organisations that populate the third sector.

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