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ORGANISATIONAL PERFORMANCE MEASUREMENT  
IN THE THIRD SECTOR

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Degree of Doctor of Philosophy  
(Management)

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## ***Abstract***

Effective organisational performance measurement supports the long-term viability of third sector organisations. It provides its many stakeholders, including funders, with critical information about the value for money received and beneficiaries, about the quality of service provision. However, there is limited empirical and theoretical research on how third sector organisations measure their organisational performance. An exploration of how Scottish third sector organisations in social care measured their performance was undertaken in order to further understanding of the field. Extant literature focused on the key drivers for addressing approaches to organisational performance measurement by third sector organisations as being: accountability, legitimacy and improvement. Building on this literature, this thesis employed expert interviews with key third sector stakeholders, group interviews with members of inter-organisational stakeholder networks and observations of the same groups. The findings suggest that the paradigm of organisational performance measurement in the third sector is, at times, shifting away from a dominant mechanistic accountability, where the performance requirements of funders typically take precedence, towards a more holistic approach in which organisational performance forms part of an organisation's ecosystem. This research makes a theoretical contribution to the field of organisational performance in the third sector by responding to calls to apply stakeholder theory to this area of research, particularly in the context of a multi-stakeholder service delivery environment. The evidence showed that the salience status of key stakeholders may be shifting from high power to that of increasing their legitimacy, and third sector organisations are working normatively to prioritise the performance requirements of their beneficiaries. This is taking place in an environment in which there are institutional failings of regulation and commissioning. The key drivers of organisational performance were the organisational mission, an evaluative organisational culture and peer led, inter-organisational stakeholder networks. In order to ensure a fit with culture and mission and to manage the inherent complexity of performance, third sector organisations are driving organisational performance measurement towards a crossroads in its own history as it diverges towards an embedded, evolved, sustained approach, away from a focus on compliance and towards a more collaborative outlook.

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To mum and dad, this one is for you.



***Author's declaration***

I declare that, except where explicit reference is made to the contribution of others, that this dissertation is the result of my own work and has not been submitted for any other degree at the University of Glasgow or any other institution.

Printed Name: Laura Lebec

Signature:

## **Abbreviations**

BSC	Balanced Scorecard
CVS	Council for Voluntary Services
EFQM	European Foundation for Quality Management
HASCI	Health and Social Care Integration
KPI	Key Performance Indicator
NPM	New Public Management
OPM	Organisational Performance Measurement
OSCR	Office of the Scottish Charity Regulator
PQASSO	Practical Quality Assurance Systems for Small Organisations
RADAR	Results; approaches; deploy; assess and refine (from EFQM)
SCVO	Scottish Council for Voluntary Organisations
SROI	Social Return on Investment
TQM	Total Quality Management
TSI	Third Sector Interface
TSO	Third Sector Organisation
VSN	Voluntary Sector Network

# Chapter 1 Introduction

## 1.1 Introduction

This research offers an insight into the theory and practice of organisational performance measurement in the third sector in Scotland. The third sector is currently playing an increasingly prominent role in our welfare society (Milbourne, 2013). It is often portrayed as offering unique added value in the delivery of public services (Macmillan, 2012) which, combined with its ability to innovate and involve people in the delivery of services, makes it a strong alternative to service provision in both public and private markets (Lindsay et al., 2014; Osborne and McLaughlin, 2004; Arvidson, 2009). The concept of organisational performance measurement (OPM) is well established in the for-profit and public sector management academic literature (Otley, 1999; Osborne et al., 1995; Radnor and McGuire, 2004; Franco-Santos et al., 2012; Bititci et al., 2012; Bourne et al., 2014; Singh et al., 2016) and is an area of growing interest for academics in the third sector (Moxham, 2009; Moxham and Boaden, 2007; Boateng et al., 2016; Manville and Broad, 2013; MacIndoe and Barman, 2012; Cairns et al., 2004a; Kendall and Knapp, 2000; Greatbanks et al., 2010; Speckbacher, 2003; Greiling, 2010; Carman, 2010; Bach-Mortensen and Montgomery, 2018). However, there is a lack of consensus on how organisational performance measurement in the third sector should be approached (Moxham, 2014; Boateng et al., 2016; Moxham and Boaden, 2007; Taylor and Taylor, 2014; Micheli and Kennerley, 2005; Cairns et al., 2005a; Manville and Broad, 2013). Ensuring effective performance measurement is in place in the third sector is considered vital from the point of view of all stakeholders (Moxham, 2014; Taylor and Taylor, 2014; Beer and Micheli, 2017). Third sector organisations are expected to responsibly manage funds from donors, governments and foundations in order to carry out their mission (Boateng et al., 2016; LeRoux and Wright, 2010; Moxham, 2009; Manville and Broad, 2013), which is essential for their long-term viability (Taylor and Taylor, 2014). However, the complexity of measuring organisational performance in the third sector is challenging, in part due to the distinctive nature of the sector itself (Macmillan, 2012), compared to its for-profit and public sector counterparts, as well as the need to manage the demands of its multiple stakeholder groups (Stone and Ostrower, 2007).

The purpose of this introduction is to provide an overview of the third sector by setting the context for this research. The chapter starts by providing a brief history of the third sector and showing how measurement practice emerged alongside it; defining the third sector and

setting the scene of the third sector in the UK and Scotland and the regulation of charities. It presents an introduction to the theoretical perspective supporting this research, namely stakeholder theory. The research gap is identified, and the research aim and questions are presented alongside the methodology. The final section details the structure of the thesis, providing an overview of the contents of all the chapters.

## **1.2 The third sector**

The UK third sector at this point in time, it is argued, has helped to shape the political and economic conditions in which it operates (Body and Kendall, 2020). To better understand how it has arrived at this position, with policy makers consistently supporting a role for the third sector in the delivery of public services (Lindsay et al., 2014) it is therefore important to clarify what is meant by the third sector, and the key perspectives that frame political, academic, and practitioner approaches to performance measurement within the sector. As such, a logical starting point is the recent history and evolution of the sector.

### ***1.2.1 The history of third sector in the UK and the emergence of measurement***

The notion of charitable institutions was consolidated during the 19<sup>th</sup> century, a time of philanthropic generosity. Many well-known charities founded at that time are still in existence today (Hilton et al., 2012). Before the post-WWII welfare settlement, charities played a key role in providing welfare in the UK (Martin, 2011). Measurement, or quantification, appeared in the early part of the 20<sup>th</sup> century to justify methods of social change (Barman, 2007) and charities at this time were concerned with efficiency and effectiveness (ibid). However, a defining moment was the founding of the welfare state; Beveridge (1948) chose to maintain the charitable sector alongside new state welfare services, viewing the sector as one which undertook voluntary action, in other words, a sector that is not under the direction of the state (Beveridge, 1948). As the welfare state expanded the charitable sector became a “*space of experimentation, flexibility and meaning*” (Barman, 2007: 108) and the use of measurement actually declined. In the period post 1948, up until the 1970s, in the UK, government agencies not only planned, and funded most of the social security, social welfare and other ‘public’ services, but they also provided them (Cairns et al., 2005b). The role of the sector, at that time, was considered fairly subordinate to state agencies in terms of service provision. Typically they were supplementary to state services, tending to innovate new ways of meeting needs for users of services, or advocating for marginalized groups (Cairns et al., 2005b; Kendall and

Knapp, 1996). Furthermore, the lack of metrification was in contrast to the early 20<sup>th</sup> century as, despite its innovativeness, the sector was developing a reputation for inefficiency (Barman, 2007).

During the late 1970s and early 1980s there was a shift in the relationship between the government and voluntary sector organisations with the latter starting to become providers of essential public services, in particular in social welfare (Cairns et al., 2005b). Known as a 'mixed economy of welfare', the funding relationship between government and voluntary agencies shifted with funding grants being replaced by contracts, which paved the way to transactional relationships. Organisations delivering public services funded by government were also now facing a range of external regulation and monitoring demands (Cairns et al., 2005b; Lewis, 1993; Macmillan, 2010). This aligns with Barman's (2007) argument that measurement occurs at times in history when the sector holds significant responsibility for the provision of social services.

As the role of the voluntary sector as a service provider increased, so did the interest of policy makers and academics in the management and organisation of the sector (Cairns et al., 2005b; Billis, 2010; Milbourne, 2013). Both the UK government and the voluntary sector leaders needed an understanding of the environment they were working within in order to negotiate contracts and monitor their implementation (Cairns et al., 2005b). In recent years, and of particular relevance to this research, is that interest in the organisation and management of voluntary organisations has been driven by the concerns of not only government, but other key stakeholders, in the organisation, efficiency and effectiveness of the services which they are funding (Cairns et al., 2005b; Kendall and Knapp, 2000; Barman, 2007).

The rise of new public management (NPM) in the 1990s meant that public service provision had to align more closely to business methods, to include management and reporting practice (Martin, 2011). Subsequently an increased amount of public funding was directed towards not-for-profit sectors in order for them to deliver services. This increase in funding led to the 1996 Deakin Inquiry, recommending that a 'Compact' be drawn up between the government and the voluntary sector (Martin, 2011; Deakin, 1996). The Compact, introduced in 1998, set out more clearly the parameters of how the third sector would work together in partnership with the state while retaining an emphasis on independence (Martin, 2011; Alcock, 2012).

With the return to power of Labour in 1997 came reforms known as public service

‘modernisation’, which aimed to replace the NPM of previous conservative governments (Kendall 2009, Martin 2011). The Labour Party vision was for “*an independent and creative voluntary sector, committed to voluntary activity as an expression of citizenship*” (Morison, 2000: 108) with a new focus on effectiveness and efficiency. The key issues now faced by the voluntary sector in this new contracting environment were the possibility of both erosion of the independence and distinctive characteristics of the sector, and the marginalisation of the third sector’s ability to shape policy (Macmillan, 2010).

Whilst it is well known that any economic recession presents a serious challenge to the third sector (Yang et al., 2014), this was certainly the case for the economic recession of 2008-9 which had a significant impact on the sector (Alcock, 2012). On the one hand the recession led to an increased demand in services, meanwhile income from both government and other funders was reduced (Macmillan, 2010). The recession led to extensive policy engagement with the sector while broader impacts on third sector funding and development took longer to be realized (Macmillan, 2010).

The association of the term ‘third sector’ was very closely linked to New Labour, so it was perhaps inevitable that a new government would seek a new label, and the Conservative-Liberal Democrat coalition turned to an older descriptor for the sector, namely that of ‘civil society’ (Hilton et al., 2012). The Office of Civil Society therefore replaced the Office of the Third Sector in 2010 and currently holds responsibility for charities, social enterprises and voluntary organisations in the UK (Alcock, 2012; Hyndman and Jones, 2011; Bruce and Chew, 2011). It could be argued that this has diluted the third sector’s profile somewhat, as civil society could be described as ‘everything but the state’, or, that the state has become the guarantor, or even custodian, of civil society (Hilton et al., 2012). This leads us into the tangled maze of finding a definition for what is meant by ‘third sector’.

### **1.2.2 Defining the third sector – a contested field**

There is one definition of the sector which has been widely cited and adopted in much third sector literature for the last two decades. According to this ‘structural-operational’ definition, third sector organisations are: organised formally; constitutionally separate from the state; do not distribute profits; are self-governing; and benefit from some degree of volunteering (Salamon and Anheier, 1997). To qualify as a non-profit organisation under the ‘structural-operational’ definition, organisations must meet all of the criteria. However, MacMillan (2012) posits that it is not enough to ask the question ‘is the third sector distinctive?’ with the associated implications that distinctive implies that the sector is not

just valuable but also better than other entities. Claims of third sector distinctiveness are a problematic feature of third sector debate, but are, at the same time, something that those in the sector care about, which makes it valuable to consider in research (Macmillan, 2012; Carmel and Harlock, 2008).

This is linked to a recurring challenge for the third sector: with relationships between the third sector and the state frequently contentious (Body and Kendall, 2020), how can it work co-operatively to provide services and yet also retain an ability to challenge the state when necessary (Milbourne, 2013)? The nature of the relationship between the third sector and the state has been described as; “*supplementary, complementary and adversarial*” (Young, 2006: 39). A supplementary relationship being one where the third sector provides a service additional to that provided by the state, a complementary relationship is where the organisation works in partnership with the state, and an adversarial relationship means the organisation can challenge the state to change policy direction (Moxham, 2010a; Young, 2006; Feiock and Andrew, 2006). Considering the sector therefore as a wholly governable entity (Carmel and Harlock, 2008) and implying that it is in a passive relationship with the government, and therefore not taking an adversarial stance, would seriously erode its ability to challenge the state’s approach to the delivery of welfare services. This raises the question of how TSOs can address increasing social need and yet still be aware of the necessity to be accountable to their stakeholders for their organisational performance requirements.

In order to distinguish them from the public sector, third sector organisations are often referred to as ‘non-governmental’ (NGOs) or ‘non-statutory’ organisations (Hilton et al., 2012). This particular terminology is frequently used by international agencies engaged in overseas development work and serves to place additional emphasis on the fact that they are working outside of the government remit. The term ‘non-profit’ or ‘not-for-profit’ is also widely used, particularly in US literature, where it is important to make a distinction from commercial market activity. This approach means it is being defined for what it is *not*, rather than what it *is*, and this is therefore considered counterproductive by some researchers (Alcock, 2010; Milbourne, 2013). This has led to the derivation of some of the familiar negative, but inherently exogenous definitions, that are commonly in use today (Alcock, 2010; Milbourne, 2013).

In the UK the concept of a third sector has been a “*product of a particular constellation of political and cultural forces*” (Alcock 2010: 4). UK policy shifted terminology from

*voluntary sector* to *voluntary and community sector* and then to *third sector*, in parallel with New Labour's Third Way (Milbourne, 2013). The term 'third sector' included a much wider range of organisations than were previously considered within the voluntary and community sector, but also included social enterprises, cooperatives and hybrid organisations (Milbourne, 2013). One of the criticisms of this approach is that the term 'third sector' can conceal small community groups, also that the notion of 'third' itself can seem disparaging, i.e., as in 'third class' (Milbourne, 2013). Efforts have been made to distinguish the third sector from other sectors, i.e., the state and the market (Evers and Laville 2004 in Alcock 2010). Increasingly, however, boundaries can start to blur with the concept of hybridisation (Billis 2010), where organisations can possess significant characteristics of more than one sector. The sector has been famously described as a "*loose and baggy monster*" (Kendall and Knapp, 1995) but has undoubtedly pulled itself together and is now an indelible and essential part of the current landscape of the provision of welfare. The term 'third sector' has been adopted for the purpose of this thesis as it is well accepted in current and international research, as well as in the policy environment (Taylor and Taylor, 2014; Martin, 2011; Manville and Broad, 2013; Moxham, 2014).

### **1.2.3 The third sector in the UK and Scotland**

The size of the sector and the income attached is significant when assessing its place in the economy. In 2010 there were approximately 171,000 registered charities in the UK, the total income for which was £35.5 billion (Milbourne, 2013: 167). The largest 3% of those charities received over 75% of the total income (Milbourne, 2013). Growth in the sector over the past two decades has been significant (Macmillan, 2015) and this has largely been driven by state funded contracts (Milbourne, 2013). TSOs have also increased their influence (Cordery and Sinclair, 2013) and the largest of the voluntary organisations are largely dependent on this income (Milbourne, 2013). This increase in the growth of third sector delivery of services is matched with growing debates about the changing roles and relationships with between the third sector and the state (Milbourne and Cushman, 2012). Barman (2007: 112) posits that "*we can view the extent of nonprofits' need to quantify as the inverse of the size and scope of the central government.*" The growth of services is aligned therefore with an increased responsibility of measurement. An understanding of the economic size of the sector therefore brings a better understanding of the significance of the need for effective measurement.



Devolution has had a significant impact on third sector policy in the UK and since 1997 changes in third sector policy led to increased government engagement with the sector (Alcock, 2012). This has in turn led to an increase in growth in the size and scale of the sector concurrently while third sector policy has been devolved to the new administrations in Scotland, Wales and Northern Ireland (Alcock, 2012). While policy devolution has allowed room for policy development for the third sector across the UK, the “*direction of travel in all four regimes has remained remarkably similar*” (Alcock, 2012: 1). There is a tendency for policymakers and commentators to write about third sector politics and policies which have been developed in England by the UK government as extending across the UK, or at least “*as establishing a norm from which the other countries may, or may not, depart*” (Alcock, 2012: 2).

The development of third sector policy in the UK since 1997 has been described as one of the most interesting for both analysts and practitioners (Alcock, 2012), including the formation of a new administration in Scotland (as well as in Wales, and Northern Ireland) in 1999 (Alcock, 2012). With third sector policy being devolved, new institutional structures have been established in order to represent third sector interests. In Scotland the national umbrella body is the SCVO (Scottish Council for Voluntary Organisations), which supports and promotes the activities of voluntary and community organisations, with collaborative links through which they share practice and information, it forms part of a long list of infrastructure bodies supporting the third sector (Alcock, 2012; Danson and Whittam, 2011), including Councils for Voluntary Services (CVSs) (Morris and Ogden, 2013) and Third Sector Interfaces (TSIs) operating locally across all thirty two local authority areas to support third sector organisations (Dutton et al., 2013).

The Scottish third sector makes a significant contribution to the economy and welfare of the country, with 19,965 charities registered in Scotland,<sup>1</sup> and a turnover of £5.8 billion in 2017.<sup>2</sup> Large charities with incomes of over £1million make up only 3.7% of the sector, but these 760 charities account for 81% of the sector’s total income and social services and housing account for half of that income (£3.2bn).<sup>3</sup> Furthermore, the sector employs

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<sup>1</sup> Downloaded from (<http://www.oscr.org.uk/charities/search-scottish-charity-register/charity-register-download> 23 March 2016)

<sup>2</sup> Downloaded from <https://data.ncvo.org.uk/profile/activities/> on 25/05/2020. The social care, or social services sector is the largest subsector in terms of number of organisations and income.

<sup>3</sup> Downloaded from <https://data.ncvo.org.uk/profile/activities/#by-size>

‘Medium’ charities have an income of £100 000 to £1million

‘Large’ charities have an income of £1m to £10m.

‘Major’ charities have an income of £10m to £100m

‘Super-major’ charities have an income of more than £100m.

106,761 staff, with 3.4% of Scottish workers employed in the third sector.<sup>4</sup> The number of volunteers in Scotland is also high, with 28% of adults in Scotland volunteering, and therefore contributing to many essential services.<sup>5</sup> The sample organisations in this research were taken from the largest charities in the sector, with the rationale that the smaller organisations, with a correspondingly higher numbers of volunteers, have less capacity and resources to dedicate to measurement.

In order to meet the challenges faced by public services, including managing employment, health and learning challenges, the Scottish Government launched the Christie Commission on Public Service Reform (Christie Commission, 2011). This formed the backbone of a ‘Scottish Approach’ to public sector reform, with major implications for Scotland’s third sector (Pearson and Watson, 2018). One of the most significant outcomes of this report has led to the development of the Public Bodies (Joint Working) Scotland Act 2014, of which the main aim is to bring together the health care systems with other human service systems provided by the local authority and the third sector (HASCI) (Pearson and Watson, 2018). A key driver for this is economic and demographic pressure (Williams, 2012). Scotland’s attempt at full structural integration of health and social care is considered rare, from a worldwide perspective, and as this process is still ongoing at the time of this research, the full impact of this has not yet been explored (Pearson and Watson, 2018). Implications for those third sector organisations working in the social care sector are significant, with new standards to be achieved, leading to significant implications for OPM. The Health and Social Care Standards were published in April 2018 for NHS services, as well as those services registered with the Care Inspectorate, which includes third sector organisations (Scottish Government, 2017). The implications of HASCI in Scotland includes a move to greater participative working between many organisations (Pearson and Watson, 2018). However, whilst it is recognised that the attempt to carve out a new role for third sector organisations within this programme is innovative, the lack of a clear focus in the new structure may lose the opportunity for voices to be heard, with the likely outcome being that the dominant partner in the programme will be healthcare services (Pearson and Watson, 2018).

Greater responsibility for public service delivery was transferred to local government via the 2007 Concordat between the Scottish Government and local authorities,

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<sup>4</sup> Downloaded from <https://www.gov.uk/government/organisations/charity-commission/about> 11/02/19

<sup>5</sup> Downloaded from <https://www.gov.scot/policies/third-sector/> 11/02/19

Community Planning Partnerships (CPPs) were the primary way in which stakeholders could be brought together to plan and co-ordinate public services (Lindsay et al., 2014). Whilst this has brought opportunities for an increased public service delivery role for third sector organisations it has also presented the sector with challenges, such as having their independence undermined when delivering public services, losing strategic focus while chasing public service contracts, and a reduction in collaborative opportunities when taking part in competitive tendering (Macmillan, 2010; Lindsay et al., 2014). The Scottish National Party government, which was elected in 2007, strongly endorsed this theme of ‘localization’ of policy agendas and funding streams, in which local government is seen as best placed to manage relationships with the third sector (Lindsay et al., 2014).

### **1.2.4 Regulation of charities**

Charity regulation is the responsibility of the Charity Commission, in England and Wales,<sup>6</sup> of OSCR in Scotland<sup>7</sup> and, in Northern Ireland, of the Charity Commission for Northern Ireland, although the remits vary slightly, they hold responsibility for overseeing the establishment and management of all registered charities.<sup>8</sup> The Charities and Trustee Investment (Scotland) Act 2005 sets out the framework within which charities and the Office of the Scottish Charity Regulator (OSCR) must operate.<sup>9</sup> Charities providing social care contracts will be subject to inspection to ensure they meet the required national standards and separate regulatory bodies exist to oversee this process, e.g., the Care Inspectorate in Scotland and the Care Quality Commission in England. The existence of these regulators and their accompanying standards has a critical relevance for the delivery of organisational performance in third sector organisations. In Scotland third sector organisations in social care must meet The Health and Social Care Standards (2018) (which replaced the 2002 National Care Standards) under Section 5 of the Regulation of Care (Scotland) Act 2001 and from April 2018 these standards were taken into account in relation to inspection and registration of health and care services (Pearson and Watson, 2018).

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<sup>6</sup> Downloaded from <https://www.charitycommission.org.uk> 11/02/19

<sup>7</sup> OSCR is a non-ministerial department, overseen by a strategic board of up to eight non-executives, appointed by Scottish Ministers. OSCR is accountable directly to the Scottish Parliament rather than to Scottish Ministers. <https://www.gov.scot/policies/third-sector/charities/> 11/02/19

<sup>8</sup> Downloaded from <https://charitycommissionni.org.uk> on 13/10/20

<sup>9</sup> Downloaded from <https://www.legislation.gov.uk/asp/2005/10/contents> on 13/10/20

### **1.3 A stakeholder theory perspective on third sector organisational performance measurement**

As demonstrated in the chapter thus far, the third sector, is characterised by its distinctiveness in how it operates (Macmillan, 2012) within a highly regulated environment (Milbourne, 2013), and has faced particular challenges of policy change in Scotland (Pearson and Watson, 2018). It carries a significant responsibility within the welfare society (Milbourne, 2013) and is accountable to a large group of stakeholders, including funders and the regulator, using various approaches to organisational performance measurement (Barman, 2007). Over the past two decades this body of research around the development of organisational performance measurement has grown substantially (Beer and Micheli, 2017). However, the research field of third sector organisational performance is still considered to be a body of work in its infancy resulting in a dearth of not just empirical evidence, (Moxham and Boaden, 2007) but also lacking an agreed theoretical foundation (Moxham, 2014; Tucker, 2010). As the academic literature on third sector organisational performance measurement (OPM) is considered to be unsynthesised, there is currently no one theory which dominates the field (Moxham, 2014; Tucker, 2010).

Scholars argue that due to the wide range of stakeholders it is particularly difficult to apply suitable performance frameworks (Beer and Micheli, 2017). Furthermore, it is the complexity of stakeholder relationships and conflicting concepts of performance goals which hinder the development of effective OPM practices (Ebrahim et al., 2014; Beer and Micheli, 2017). Using stakeholder theory as a theoretical lens to explore third sector performance has received significant interest from researchers in the field (Taylor and Taylor, 2014; LeRoux, 2009a), due to the broad stakeholder base of beneficiaries, funders, regulators, commissioners, volunteers and local authorities (Kendall and Knapp, 2000; Taylor and Taylor, 2014; LeRoux, 2009a; Bovaird et al., 2012), holding conflicting demands of measurement requirements (Taylor and Taylor, 2014). Stakeholder theory is, therefore, a highly appropriate approach to study this field as the multiplicity of stakeholders means that simplistic models of performance are unlikely to be effective (Moxham and Boaden, 2007; Taylor and Taylor, 2014) and answers calls for more empirical evidence on the subject (Taylor and Taylor, 2014).

A dominant approach towards classifying stakeholder theory is a model of stakeholder salience in which stakeholders are classified according to the attributes of power,

legitimacy and urgency (Mitchell et al., 1997; Miles, 2015). This has particular relevance to the third sector, in which organisations have to manage the requirements of stakeholders holding power, such as funders and regulators, versus those of the beneficiaries, who have urgency and legitimacy but lack power. This ties in with the literature in which the majority of the definitions in relation to stakeholder theory have been found to be managerial, reflecting opposing points of view, such as organisational accountability versus strategic management (Miles, 2015). This makes for an unbalanced perspective in stakeholder theory, as the stakeholder voice is under-represented (Friedman and Miles, 2006). Again, this is particularly pertinent to the third sector in which the voice of the beneficiary, with a legitimate claim on the organisation, is often considered absent from research on organisational performance (Martin, 2011). The evidence from the data showed that stakeholder salience was an area that was not static and that stakeholders holding high power, such as funders, were attempting to moderate their salience status, to incorporate a better perspective on organisational performance requirements. The third sector organisations also ensured that the beneficiaries, holding less power than, for example, funders, were prioritised at every opportunity.

Furthermore, using stakeholder theory provided an opportunity to explore the extent to which a normative (i.e. ethical) vs instrumental classification applied to the relationships between third sector organisations and the stakeholders they were accountable to for OPM (Jones and Wicks, 1999; Thomson, 2011; LeRoux, 2009a). The concept of stakeholder management in relation to organisational performance measurement was also explored in this context as a logical next step following stakeholder salience. The multi-stakeholder networks, which formed part of the interviews, proved themselves to be key determinants of organisational performance. These were supported by internal stakeholders, the quality and performance specialists, who managed tensions among competing stakeholder groups, applied and embedded learning in their organisations and prioritised the organisational mission as central to performance measurement requirements.

## **1.4 The research gap and contribution**

Gaps in all aspects of the literature on third sector performance are evident across this field of research (Taylor and Taylor, 2014; Moxham, 2009; Dacombe, 2011; Manville and Broad, 2013). In the first instance, the third sector itself, despite being in receipt of funding from UK government to provide many statutory services, has received less research attention than the other sectors of the economy. This is arguably due to a perceived

marginality from mainstream economic activity (Liao et al., 2014). The importance of the third sector to society is considerable in the provision of key services, without them, it is argued, much social provision would cease to exist (Chew and Osborne, 2009). Aside from its economic contribution, it is argued that an active third sector “*amounts to a strong and inclusive civil society, a thriving democracy, with a state that is held accountable and is better informed about the needs and preferences of its citizens*” (Arvidson, 2009: 3). Furthermore, much empirical research in this field has been carried out on small or micro-organisations (Moxham and Boaden, 2007; White et al., 2009; Greatbanks et al., 2010) which are less familiar with the concept of organisational performance than those organisations operating in an established regulatory and funding environment (Taylor and Taylor, 2014; Boateng et al., 2016). This, coupled with an overall lack of research on the take up of quality change programmes in the third sector (Liao et al., 2014), makes for an unbalanced picture. Moreover, within a uniquely Scottish context, studies of third sector organisational performance measurement, or any related field, are scarce (Morris and Ogden, 2013).

The literature review has revealed several significant gaps in conceptual, theoretical and empirical research on third sector organisational performance during an era of increased accountability requirements (Moxham, 2014; Taylor and Taylor, 2014). This occurs at a time when the third sector faces multiple stakeholder obligations which it must find a way to meet (Manville and Broad, 2013).

The contribution to the existing research is therefore to undertake empirical research on third sector organisational performance within large, major and super-major regulated third sector organisations in Scotland. It addresses both the lack of research about third sector organisational performance as well as gathering empirical evidence within a geographical area which has received little attention in this field. This research also makes a contribution to theory by applying stakeholder theory to the field of third sector organisational performance measurement, responding to calls for application of stakeholder theory to this area of research, within the context of a multi-stakeholder service delivery environment (Taylor and Taylor, 2014).

## 1.5 Research aim, questions and methodology

In order to contribute to the research gaps identified from the literature the following research aim was developed:

*Drawing on stakeholder theory, this research aims to improve our understanding of the way in which third sector organisations measure organisational performance.*

The research questions are:

**RQ 1.** What is the purpose and relevance of organisational performance measurement to the third sector?

**RQ 2.** How do third sector organisations define, understand and measure organisational performance?

**RQ3.** How does stakeholder theory improve our understanding of organisational performance measurement for third sector organisations?

**RQ 4.** What are the key drivers of organisational performance measurement for third sector organisations?

In order to address these research questions, a qualitative, interpretive approach was considered the most appropriate. Capturing views from a number of third sector organisations would ensure a variety of perspectives according to the size and remit of each individual organisation and also allow for an exploration of commonalities among members of inter-organisational networks. As there is a benchmarking side to performance (Lecy et al., 2012; Tyler, 2005; Moxham, 2014) it seemed reasonable to study third sector organisations and their relationships with each other through the use of relevant networks. As there are few established and agreed benchmarks in this field of research, I had to develop and impose my own means of comparing approaches to performance. The Scottish third sector environment proved very advantageous to research as the participating organisations were working within the same social care regulatory and funding environment and were each well known to each other, having developed a number of partnerships and collaborative working practices over the years (Dutton et al., 2013).

Both group and individual interviews were undertaken, alongside group observations. Individual expert interviews, as well as group interviews formed the core elements of the research design and the participants being interviewed were all identified as experts in the field of third sector performance. In addition to the group and individual interviews three

field observations were carried out of the inter-organisational stakeholder networks which allowed me to view group proceedings uninterrupted and compare the statements made in interviews with the practice on the ground.

In order to make the coding and retrieval of qualitative data more effective, as well as to help with developing explanations and to encourage reflection on the process of analysis, I used NVivo, a Computer Assisted Qualitative Data Analysis Software package (CAQDAS) (Bryman, 2004). Data analysis involved coding the transcripts and moved to interpreting and analysing the data using a thematic analysis, which supported the development of an aggregated theoretical dimension (Boyatzis, 1998).

## **1.6 Overview of thesis structure**

This thesis is comprised of 9 chapters. This introductory chapter has provided an overview to the context of the research, i.e., the third sector, introduced the theoretical perspective of stakeholder theory, identified the research gap and contribution, the research aim and questions and outlines the subsequent chapters.

Chapter 2 introduces the topic of organisational performance measurement, presenting it within the context of the private and public sectors, before showing how it has been applied to the third sector. The concepts of accountability, legitimacy and improvement are introduced and the literature pertinent to these areas is explored. Then specific approaches to organisational performance measurement and quality are analysed, including, for example, the balanced scorecard (BSC) and the European Foundation for Quality Management Model (EFQM).

In Chapter 3 the theoretical perspective of stakeholder theory is examined, including aspects of stakeholder management, in particular the inter-organisational stakeholder network. Specific aspects of the role of the stakeholder are explored with an examination of the salience of stakeholder groups as holding power, legitimacy or urgency. This is followed by processes which influence organisational performance measurement, namely, governance, commissioning and mission, vision and values.

Chapter 4 addresses the research methodology, in which the qualitative, interpretative research methodology adopted to meet the research aim and questions is justified. The



chapter also covers ethics, data gathering and analysis, reflexivity and addressing the limitations of the research.

Chapter 5 is the first of three chapters in which the empirical findings are explored and is an examination of how the third sector environment shapes organisational performance measurement. It looks at the role of the internal stakeholders as well as how TSOs measure performance, followed by the function of the regulator, funders, governance and commissioning.

Chapter 6 analyses the role of stakeholder networks and explores how stakeholders are managed in the context of OPM, including exploring the conditions supporting stakeholder management. The prioritisation of stakeholders and the salience status of stakeholders is addressed through the perspectives of power, legitimacy and urgency.

Chapter 7 presents an analysis of the extent to which accountability, legitimacy and improvement influence TSOs in adopting approaches to OPM. It draws on the concept of OPM as an ecosystem in which the data is categorised to show TSOs' adaptability, sustainability and collaborativeness.

Chapter 8 forms the discussion in which the key aspects of the literature are brought together alongside the empirical data to explore in more depth; the purpose and relevance of OPM to the third sector, how TSOs measure their performance, how stakeholder theory improves our understanding of OPM and the key drivers of performance measurement.

Chapter 9 is the concluding chapter which reflects on how the research aim and questions have been addressed. It highlights the contribution to theory, makes recommendations for policy and practice, reflects on the process of the research and identifies areas for future research.

# Chapter 2 Organisational performance measurement: a third sector perspective

## 2.1 Introduction

This chapter outlines the relevance and importance of organisational performance measurement to the third sector. It sets the context by outlining how organisational performance measurement has moved from the for-profit sector to the public sector before arriving at the third sector. The unique third sector perspective means that performance measurement cannot be applied in the same way as it is within other sectors and this is explored. The key concepts of accountability, legitimacy and improvement in relation to third sector organisational performance are described. Quality management approaches are considered here as they are recognised as a key supporting concept for organisational performance measurement in the third sector.

The concept of organisational performance measurement is well established in the for-profit and public sector management academic literature (Otley, 1999; Osborne et al., 1995; Radnor and McGuire, 2004; Franco-Santos et al., 2012; Bititci et al., 2012; Bourne et al., 2014; Bourne et al., 2018). Alongside this research there is a distinct body of work that explores organisational performance measurement specifically in the third sector (Boateng et al., 2016; Moxham and Boaden, 2007; Moxham, 2009; Carmel and Harlock, 2008; Paton et al., 2000; Manville and Broad, 2013; Taylor and Taylor, 2014; Cairns et al., 2005a; MacIndoe and Barman, 2012; Callen et al., 2010). This area of research has grown considerably in the last two decades, although it is recognised as being largely under-theorised and lacking empirical evidence (Moxham, 2014; Huaccho Huatuco et al., 2014; Boateng et al., 2016; Greiling, 2010; Greatbanks and Manville, 2013; Greatbanks et al., 2010; Woerrlein and Scheck, 2016; Carman, 2010; LeRoux and Wright, 2010; Tucker, 2010).

Performance measurement approaches and tools are usually developed in the private sector, quickly transfer to the public sector and then, latterly, the third sector; this is reflected in the mainstream of the literature (Bititci et al., 2012). It is clear from the literature that both the private and public sectors are wrestling with adopting, adapting and implementing appropriate tools and systems; the challenges are likely to prove even greater, however, for the third sector, which is attempting to implement tools largely

designed to fit another context (Boateng et al., 2016; Moxham, 2009; Callen et al., 2010; Taylor and Taylor, 2014). Much of the third sector organisational performance literature draws on for-profit and public sector research so, in the first instance, this review of the literature will briefly explore the for-profit and public sector literature before analysing the specific context of third sector performance.

## **2.2 Organisational performance measurement in the for-profit sector**

The field of performance measurement has been converging with other fields of management since the 20<sup>th</sup> century. Initially, and critically between the 1960s and 1980s much of the emphasis was on financial indicators (Bititci et al., 2012) but this shifted towards new dimensions, leading to more integrated and balanced approaches to performance (Bititci et al., 2012; Kaplan, 1984). By the latter part of the 1980s this performance measurement literature starts to merge with the literature on strategic control (Bititci et al., 2012; Simons, 1991), where it was suggested that short-term performance indicators were developed as strategic controls, linked to long-term strategic goals (Simons, 1991; Bititci et al., 2012). During what is known as the ‘integrated performance-measurement period’ (Bititci et al., 2012) emphasis was placed on ‘what’ to measure as well as ‘how’ these measures achieved alignment which led to the development of various performance measurement models and tools that aligned measures and strategy (Bititci et al., 2012; Kaplan and Norton, 1996; EFQM, 1999).

This shifted thinking to generate the question of ‘how should performance measures be used to manage the performance of an organization?’ (Neely et al., 2000; Bititci et al., 2012). In turn, this led to the development of the concept of performance management, in which performance measures facilitate the management of organisations’ performance (Kennerley and Neely, 2003; Neely et al., 2000). The terms performance measurement and performance management have often been used interchangeably (Radnor and McGuire, 2004) and the literature recognises there is confusion in both academic research and practitioner publications (Bourne et al., 2018; Carnochan et al., 2014). Speckbacher (2003: 268) describes performance measurement as “*a specific definition of the [organization’s] primary objectives and how to measure achievement of those objectives*” and performance management as “*a specification of the processes that generate performance, and hence a specification of how management decisions can control performance.*” This research focuses primarily on performance measurement but contains overlaps with performance

management practice, therefore, for reasons of simplicity, and in line with other authors in the field (Carnochan et al., 2014; Lynch-Cerullo and Cooney, 2011) the term performance measurement is used throughout, but may incorporate aspects of both performance measurement and performance management.

Developments in the field of performance improvement include quality management approaches, such as Lean and Six-Sigma, which were used to improve the performance of processes and organisations (Bititci et al., 2012; Greiling, 2006). One of the most influential works in the field of performance measurement has been the work done by Kaplan and Norton (1996) with the development of the balanced scorecard (BSC), the key premise of which is that performance measures need to be made relevant in order to improve organisational performance (Bititci et al., 2012). It has become dominant in the literature (Manville and Broad, 2013; Marr and Schiuma, 2003) however, there is a lack of clarity as to whether or not it contributes to improving performance (de Waal et al., 2011; Neely et al., 2004).

It is acknowledged that an increased focus on control can be counter-productive (Bititci et al., 2012) and some scholars argue that the ultimate goal of performance measurement should be organisational learning, rather than organisational control (Davenport et al., 2010; Bititci et al., 2012). There is evidence to suggest that the use of performance measures can lead to dysfunctional behaviours and poor performance when used within a culture of command and control (Bititci et al., 2006; Bititci et al., 2012). Dysfunctional behaviours may include gaming, misinterpretation and complacency (Manville and Broad, 2013; Lowe and Wilson, 2017). Many organisations have invested time, effort and resources into the design of the performance measurement systems, but despite this, it is argued that there is little evidence to indicate they are managing their systems to reflect the organisational context (Kennerley and Neely, 2003). Further factors are considered by scholars to determine organisational success and failure, such as organisational structure, size and culture, management style, information and communications and system maturity (Neely et al., 2000; Bititci et al., 2012).

Despite the challenges identified, much of the literature argues that organisational performance measurement is important because it supports managers in planning activities and plays an important part in ensuring organisations' strategies are enacted (Otley, 1999; Manville and Broad, 2013; Neely et al., 2000) and a significant amount of research supports this assertion (Bititci et al., 2012; Franco-Santos et al., 2012; Micheli and Mari, 2014). There are a number of definitions of performance measurement in the literature,

some taking a retrospective view, for example, that performance measurement is “*the process of quantifying the efficiency and effectiveness of past action*” (Neely et al., 2002: 81). Others are more forward looking, considering that measures should be “*designed to give an early indication of future business performance as well as a record of what has been achieved in the past*” (Bourne et al., 2000: 755). However, there is a counter argument in the literature as to the usefulness of performance measurement, such as a recognition that it is possible to run a well-performing organisation without measuring performance (Micheli and Mari, 2014; Melnyk et al., 2014; Greatbanks and Manville, 2013), a lack of evidence to reassure us that performance can lead to organisational effectiveness (Bititci et al., 2012) and the view that contemporary performance systems do not automatically improve firm performance (Micheli and Mari, 2014), concerns which are replicated for the third sector.

## **2.3 Organisational performance measurement in the public sector**

Measuring performance in the public sector has received significant attention in academic research (Micheli and Kennerley, 2005; Osborne et al., 1995; Radnor and McGuire, 2004; Osborne et al., 2015). In addition, unlike the private sector, public sector measurement is overseen by an external body which undertakes inspections (Moxham, 2009; Rashman and Radnor, 2005) and performance targets are typically set by government (Propper and Wilson, 2003). Also unlike the private sector, there is no focus on making profit or generating income and therefore, no bottom line against which to measure performance, rather multiple stakeholders to whom they are accountable (Micheli and Kennerley, 2005). Therefore, it comes as no surprise that evaluation of public sector organisations is seen as problematic and the large number of stakeholders often results in the adoption of parallel measurement systems (Radnor and McGuire, 2004). On that basis, there are calls in the literature for the need to better understand whether monitoring performance has a positive impact on the outcome of public services (Wilson, 2004; Moxham, 2009) and while the literature explores the theory of public sector management, it is unclear whether performance measurement supports the achievement of programme aims (Propper and Wilson, 2003) or the development of the public sector itself (Radnor and McGuire, 2004; Moxham, 2009).

Performance measurement is described as “*a way to ensure accountability for the use of public money by both public and voluntary organisations*” (Osborne et al., 1995: 22). Performance measurement in the public sector and the third sector is, therefore, closely

intertwined; as the third sector is increasingly in demand to deliver services on behalf of the UK government, in turn, they are required to comply with public sector accountability requirements (Moxham and Boaden, 2007; Carmel and Harlock, 2008).

Since New Labour came to power in the UK in 1997 the drive to improve the effectiveness of public services has been in evidence (Radnor and McGuire, 2004). The government's modernizing of public services adopted public service agreements to drive continuous improvement, supported by the Audit Commission (1999) which emphasised two key reasons for this:

- 1) to improve public services, through increased economy, efficiency and effectiveness in service delivery (Radnor and McGuire, 2004); and,
- 2) to reinforce accountability, so that organisations are clearly held to account for the resources they use and the outcomes achieved (Radnor and McGuire, 2004; Osborne et al., 1995).

In response to this 'modernizing government' drive, the Public Services Productivity Panel was formed in 2000 to improve the productivity and efficiency of the public services (Public Services Productivity Panel, 2000; Radnor and McGuire, 2004). Based on the 3 E's model of economy, efficiency and effectiveness, a framework was designed to support this (Radnor and McGuire, 2004). It has been argued, however, that performance measurement was being used simply as a diagnostic tool, and not an interactive one, with the system becoming a 'box ticking' exercise, and therefore public sector performance management risked being closer to fiction than fact (Moxham and Boaden, 2007; Radnor and McGuire, 2004).

Attempts to make the management of public services more accountable for the efficient and effective of public resources has contributed to the term 'New Public Management' (NPM) (Radnor and McGuire, 2004; Bovaird et al., 2012; Osborne et al., 1995). While the case for NPM was to shift the public sector away from bureaucracy and inefficiency, it is typically characterized as an approach which "*emphasizes the establishment of objectives and targets and measurement of performance against these*" (Bovaird et al., 2012: 9). Many of the major reforms in health and social care since this time have their origins in NPM, including the move to tender services to a significant growing number of providers, including the third sector (Bovaird et al., 2012). It is also argued that NPM, and more contemporary definitions of public management theory, are fundamentally flawed and have failed to deliver a sustainable approach to public service delivery (Osborne et al.,

2014).

Regarding the applicability of models of performance measurement for the public sector, the debate among academics continues as to their relevance and usefulness. Although most have been devised with for-profit companies in mind, it is often assumed that they can be implemented by the public sector without further adaptation (Eskildsen et al., 2004; Moxham and Boaden, 2007). There is of course an argument suggesting that, since public sector service organisations operate without market competition, therefore performance measurement acts as a much needed substitute for market pressure (Moriarty and Kennedy, 2002; Radnor and McGuire, 2004). Whilst a for-profit or third sector organisation which is performing poorly can cease operations (or be de-commissioned) a public sector organisation does not have that option (Moxham and Boaden, 2007) so, arguably, performance management in this context is a means to no justifiable end.

## **2.4 Organisational performance measurement and the third sector**

Measuring organisational performance in the third sector is an area of growing interest for both academics and practitioners (Moxham, 2009; Moxham and Boaden, 2007; Boateng et al., 2016; Manville and Broad, 2013; MacIndoe and Barman, 2012; Cairns et al., 2004a; Kendall and Knapp, 2000; Greatbanks et al., 2010; Speckbacher, 2003; Greiling, 2010; Carman, 2010; Beer and Micheli, 2017). However, while the concept of organisational performance measurement in the for-profit and public sector is well established there is a significant lack of similar work in place for the third sector, and little consensus on how best it should be approached (Moxham, 2014; Boateng et al., 2016; Moxham and Boaden, 2007; Taylor and Taylor, 2014; Micheli and Kennerley, 2005; Cairns et al., 2005a; Manville and Broad, 2013; McConville and Cordery, 2018).

Ensuring effective performance measurement is in place in the third sector is considered important from the point of view of all stakeholders. Third sector organisations are expected to responsibly manage funds from donors, governments and foundations in order to carry out their mission (Boateng et al., 2016; LeRoux and Wright, 2010; Moxham, 2009; Manville and Broad, 2013), which is essential for their long-term viability (Taylor and Taylor, 2014). However the complexity of measuring organisational performance in the third sector is challenging, in part due to the uniqueness and distinctive nature of the sector itself (Macmillan, 2012), compared to its for-profit and public sector counterparts (Stone and Ostrower, 2007). Furthermore, the design of third sector performance

measurement systems has arguably not had the attention it requires in the research, with little supporting empirical evidence resulting in a lack of third sector specific guidance (Dart, 2004; Moxham, 2009; Moxham, 2014). There is a further argument that without effective performance measurement in place it is difficult for the sector to defend itself against criticism of poor management (Boateng et al., 2016) and a recognition that third sector organisations have a role to play in sustaining public trust and confidence (Yates, 2004). The complexities of delivering third sector organisational performance can be grouped under a number of themes including: the difficulties of measuring intangible concepts (Poister, 2003), confusing terminology (Moxham and Boaden, 2007) and whether or not long term impact can be adequately assessed when it falls beyond the end of funding (McLaughlin, 2004; Moxham, 2009). However, it is argued that the lack of consensus over which criteria should be used to measure performance may actually be appropriate for the diverse nature of third sector organisations (Carman, 2010: 270).

Third sector organisations face a number of challenges when reporting on their performance (McConville and Cordery, 2018), including the difficulty of measuring performance and ensuring attribution (Cordery and Sinclair, 2013), as well as overall complexity (Carnochan et al., 2014). Measuring efficiency and effectiveness is particularly challenging as meaningful tools to evaluate effectiveness are largely absent, with financial indicators dominating (Liket and Maas, 2015) and with further evidence that reporting on efficiency lacks transparency (Hyndman and McConville, 2016). There are also difficulties around measuring intangible social aspects of third sector organisations (Baxter and Chau, 2003) and mismatches between the funding body's reporting requirements and reporting mechanisms are frequently observed (Moxham and Boaden, 2007; Greatbanks et al., 2010). Third sector organisations rarely receive funding to resource developing information systems to capture performance measurement information (MacIndoe and Barman, 2012; Carnochan et al., 2014) and technological constraints are a barrier to the use of performance data by organisations in this sector (Thomson, 2011). Significant barriers to performance measurement also include a lack of resources (including staff time and capacity to analyse data) (Kim et al., 2018) and a lack of adequate analytical capacity (Kim et al., 2018; Thomson, 2011).

Some scholars question whether or not performance measurement improves performance (Micheli and Mari, 2014). One line of this argument suggests that many forms of reporting frameworks used by funders provide little or no value to the third sector and that, in seeking an alternative to traditional performance measurement approaches, anecdotal



performance reporting is more aligned with third sector values (Greatbanks et al., 2010). Anecdotal reporting is described as:

*not quantitative in the sense of providing hard numbers; it is qualitative in that it describes in greater detail the changes and effect on one's individual circumstances, much the same as a case study is deep and rich, and a survey is broad and shallow... As such, we consider anecdotal performance to be generally more sympathetic to, and reflecting of, a voluntary organisation's values, goals and achievements (Greatbanks et al., 2010: 581).*

There are few empirical studies which explore the link between performance measurement and organisational effectiveness in the third sector, and those that do exist have conflicting results (Taylor et al., 2009; Lecy et al., 2012; LeRoux and Wright, 2010; Wadongo and Abdel-Kader, 2014). Elsewhere, evidence points to OPM as being a significant drain on resources (Carman and Fredericks, 2008) and the intensive amount of resources required to operationalise performance measurement having negative effects on mission achievement (Moxham, 2010b) which may not support performance improvement (Moxham and Boaden, 2007; Moxham, 2009). The conflicting findings undoubtedly call for more empirical evidence (Wadongo and Abdel-Kader, 2014). Furthermore, as there is a lack of clarity around the design of third sector performance measurement systems (Dart, 2004; Moxham, 2009) there are questions raised about whether third sector performance should be measured at all (Moxham, 2014).

Scholars debate whether or not the body of knowledge drawn from public and private sector organisations on organisational performance is applicable to third sector organisations, given their unique nature and characteristics (Nutt and Backoff, 1992; Moxham, 2009; Beer and Micheli, 2017). Whilst one side of the debate argues that existing systems could, and should, be used (Moxham, 2009; Taylor and Taylor, 2014), or alternatively could be adapted (Radnor and McGuire, 2004; Greatbanks et al., 2010) others argue against such transferring and adaptation practices (Dacombe, 2011; Callen et al., 2010), positing that the third sector needs a different type of performance measurement framework (Taylor and Taylor, 2014) and that the strategies developed outside the third sector are less appropriate or feasible for them (Carnochan et al., 2014). Speckbacher (2003) argues that frameworks, including the balanced scorecard (BSC), can be applied to

the third sector whilst recognising that they are generally not well understood by those in the sector (Greatbanks et al., 2010). The lack of consensus at this stage may be because the research itself is still unsynthesised and fragmented (Moxham, 2014).

There is evidence to suggest that organisational culture, being that which is associated with the shared beliefs, values, assumptions and meanings held by an organisation (Schein, 1985), has a direct effect on the use of performance measurement systems (Henri, 2006). Aspects of culture, such as training, management style, and employee involvement, support an organisation to move from performance measurement to performance management (Manville and Broad, 2013; Bourne et al., 2005; Lebas, 1995; Radnor and McGuire, 2004). In a systematic review of the third sector literature which aimed to identify factors supporting or preventing effective measurement and evaluation, having an organisational culture which supported and enabled evaluation was identified as one of the main facilitators (Bach-Mortensen and Montgomery, 2018). A case study of three third sector organisations concluded that it should be mandatory for such organisations to ensure that any quality oriented change initiatives were embedded in organisational culture if the sector wants to maintain its contribution to the economy (Liao et al., 2014). A further, single case study of a third sector housing association also revealed that culture was inextricably linked to organisational performance (Manville and Broad, 2013). The limited empirical evidence from these studies confirms the view that “*the relationship between organisational culture and the attributes of performance measurement systems has been overlooked*” (Henri, 2006: 97). This also aligns with concerns that the pursuit of a business culture while disregarding the organisation’s values could make a third sector organisation indistinguishable from a private company to its stakeholders (Greiling, 2007). Overall, the literature seems to indicate a positive link between organisational culture and performance in the third sector (Chenhall, 2007) but with little available empirical evidence there is clearly more that is needed to support this perspective (Wadongo and Abdel-Kader, 2014).

The stakeholder base has been broadened significantly in recent years, with implications for third sector performance: for example, there has been a change in the way government funds have been distributed across the sector (Alcock, 2012) and a shift towards inter-organisational collaboration and multi-agency working (Martin, 2011; Taylor and Taylor, 2014). Not only do funding agencies represent a stakeholder group (LeRoux, 2009a), but so do the partner institutions (Taylor and Taylor, 2014). This broad stakeholder base means that many parties bring a different perspective to performance measurement. The stakeholders with an interest in social care services can include:

*central government, local government, government agencies, audit agencies and monitoring bodies, clients or service users, intermediaries such as the social services, health professionals or other service providers who act as proxies for the users, carers, relatives, social workers, medical practitioners, funders, commissioners, primary care trusts, the National Health Service, employees and volunteers* (Taylor and Taylor, 2014: 6).

The multiplicity of stakeholders is a recurring theme in the literature, reminding us that the third sector has unique challenges for demonstrating its effectiveness to all these groups (Moxham and Boaden, 2007; Cairns et al., 2005a).

Performance measurement plays an important role in aligning the strategic plan with the third sector organisation's results (Manville and Broad, 2013; Taylor and Taylor, 2014). It is under the banner of strategic planning that organisations typically apply the dimensions of efficiency (resources used relative to output achieved) and effectiveness (extent to which goals are achieved) (Taylor and Taylor, 2014; Kendall and Knapp, 2000; Carman, 2010; Liket and Maas, 2015). While funding bodies are, in most cases, concerned with efficiency measures, beneficiaries, however, are typically concerned with the quality of the service being provided, and the outcomes and impact associated with that (Dawson, 2010; Greatbanks et al., 2010; McEwen et al., 2010; Taylor and Taylor, 2014). This becomes very challenging for organisations that have to measure outcomes of a service as well as the process of service delivery. There is an argument posited by Moxham (2009) that using terms such as 'efficiency' and 'effectiveness' is less important for charities than their for-profit counterparts, as the involvement of volunteers brings benefit to a charity by means which are not evident on any performance metric, including focus, passion and legitimation. The multiplicity of stakeholders have also been identified as a limiting factor in reaching a consensus on strategy (Greiling, 2010).

Studies have shown that performance measurement in third sector organisations is typically resource intensive, complicated and has limited ability to deliver strategic information (Moxham, 2009; Beer and Micheli, 2017). The process of strategic planning is typically one in which measures and targets are drawn up in order to meet stakeholder requirements (Speckbacher, 2003). However, across the fields of private, public and third sector strategic planning, the lack of alignment between an organisation's strategic plan

and its performance indicators have been described as a significant obstacle to achieving results (Bititci et al., 2012; Garengo et al., 2005; Taylor and Taylor, 2014). There is also evidence to suggest that strategic planning and the generation of targets and measures is especially challenging for the third sector (LeRoux and Wright, 2010). The reasons for this are cited as; a lack of time, resources and expertise (Carman, 2010); strategy models being derived from the private sector and not therefore based on the achievement of social purpose but rather on generating income (Moore, 2000); and a focus on measurement for reporting purposes, i.e., accountability, rather than the strategic process (Greiling, 2010; Taylor and Taylor, 2014). Furthermore, a performance measurement system being used primarily for accountability purposes is not necessarily contributing to review and improvement in third sector organisations (Carman and Fredericks, 2008). However, although LeRoux and Wright (2010) reported a positive relationship between performance measurement and strategy, not all third sector managers are convinced of the benefits of performance measurement (Wadongo and Abdel-Kader, 2014).

While funding arrangements and commissioning processes mean that the main drivers of performance measurement criteria are government, funders, and regulators (LeRoux, 2009a; Moxham, 2009; Taylor and Taylor, 2014) the users of services are under-represented in this respect (Kong, 2010), which is at odds with the principles of social inclusion and user-led service delivery which dominate the sector (Martin, 2011; Arvidson, 2009). There is an argument in the literature that indicates that the performance measurement criteria of funding bodies is, in fact dysfunctional, as it fails to tie in with the values of the third sector organisation (Greatbanks et al., 2010). To counterbalance this, as was described earlier, it is suggested that anecdotal evidence could be used to support performance measurement approaches, with accounts of users' experiences of a service, outcomes and impact, being more relevant to support the delivery of the third sector's mission (Taylor and Taylor, 2014; Greatbanks et al., 2010). Third sector organisations are increasingly required to demonstrate their accountability to their stakeholders (Carman, 2010; LeRoux, 2009a) and their efficiency, as well their ability to deliver outcomes and impacts to funders and a broad range of stakeholders (Cairns et al., 2005a). All this is undertaken within the challenging climate of short-term funding cycles (Taylor and Taylor, 2014). Scholars agree that many third sector organisations struggle to evaluate their performance (Bach-Mortensen and Montgomery, 2018; Moxham, 2014) due in no insignificant part to the complexity of their stakeholder relationships (Beer and Micheli, 2017).

### **2.4.1 Developing performance measures**

Third sector organisations which can demonstrate a range of performance measures, along with good governance mechanisms “*should be able to strategically manage and make decisions in the best interests of their organisation and its stakeholders*” (LeRoux and Wright, 2010: 584). While the overall aim must be to ensure a balanced set of measures which demonstrate efficiency and effectiveness; to ensure that both long and short-term measures, as well as financial and non-financial measures are in place, is considered to be challenging (Greiling, 2010; Taylor and Taylor, 2014). Efficiency, defined as how effectiveness is achieved in relation to the resources used (Wadongo and Abdel-Kader, 2014), is considered to be a particular challenge for service providing third sector organisations, in which it is difficult to identify whether or not resources are being well used (Speckbacher, 2003). Efficiency can also be considered a synonym for ‘cost-cutting’ measures, often in response to funding streams, where budgets are reduced and those cuts are passed down to the contracted organisations (Mullins, 2006).

Developing organisational effectiveness measures in third sector organisations brings further challenges, despite the scholarly attention it has received (Wadongo and Abdel-Kader, 2014; Lecy et al., 2012; Liket and Maas, 2015). Arguably, given the unavailability of meaningful tools to evaluate organisational effectiveness, financial ratios are still the dominant indicators which are, in effect, used as proxy measures (Liket and Maas, 2015). The literature has not reached consensus about what measures of effectiveness could look like in practice. For example, Herman and Renz (1999) discuss the feasibility of settling on a small number of measurable indicators, relating to size (revenue) or growth, and indicate how these would prove unsatisfactory as measures of effectiveness, but also posit that a measure of responsiveness to meeting stakeholder needs could be a suitable option (Herman and Renz, 1999). More recently, Liket and Maas (2015) developed a multi-dimensional approach from their empirical research that, although as yet untested, considers organisational effectiveness through three pillars of transparency, organisation and program, with a developed set of criteria and themes (Liket and Maas, 2015). Lecy et al., (2012) also developed a model which summarises four multidimensional domains of effectiveness including organisational management, programme design and implementation, responsiveness to environment and partnerships and networks (Wadongo and Abdel-Kader, 2014). However, despite the benefits that multi-dimensional models may bring, research shows that they may be difficult to implement in practice for a number of

reasons: they are overly complex, are likely to generate too much data, and the lack of experience in using such systems and resources to implement them may prove too challenging to be a pragmatic option for a third sector organisation (LeRoux and Wright, 2010; Moxham, 2009; Carman, 2007). Wadongo and Abdel-Kader (2014) meanwhile, posit that organisational effectiveness is better considered as a set of ‘interdependent relationships’ between domains, rather than a summation of all the components.

One of the challenges in implementing third sector performance has been described as managing the terminology and language (Moxham and Boaden, 2007); some of the key terminology in use in the field of third sector performance is addressed here, in particular outcomes, outputs and impact. Outcomes represent benefits or changes to the beneficiaries of a service or programme (McEwen et al., 2010; Cordery and Sinclair, 2013) and are distinct from outputs which are the direct products of an activity (Moxham, 2014). Outputs are, according to Morley et al., (2001) more likely to be measured than outcomes as they are relatively easy to measure, for example, number of clients served, number of activities provided, or number of volunteer hours contributed. Outcomes are most typically linked with service or organisational effectiveness, as they are defined as “*a specific desirable result or quality of an organization’s services*” (Morley et al., 2001: 5). Third sector performance measurement typically focuses on outputs, outcomes and impact, for the purposes of internal learning, or external accountability (Cordery and Sinclair, 2013). Macindoe and Barman (2012: 2) note that “*the use of outcomes as the optimal sign of organizational performance replaced prior efforts to measure inputs ... and outputs ... as other indicators of organizational success*” and a number of scholars concur that TSOs should focus on outputs and outcomes as a basis for performance measurement (Barman, 2007; Cairns et al., 2005a; Connolly and Hyndman, 2004; Morris and Ogden, 2011; Cordery and Sinclair, 2013). This is also aligned with a shift towards outcomes based commissioning in the public sector, where third sector providers are expected to show how their services achieve benefits for their client groups (Bovaird et al., 2012; Nicholls, 2009; Harlock, 2014).

However, there is also concern that measuring outcomes may not be effective. Connolly and Hyndman (2004), for example, noted that there may be a temptation to present outcomes to make them more acceptable to the reader, by exaggerating good performance; distorting results like this is known as ‘gaming’ (Lowe and Wilson, 2017; Bevan and Hood, 2006). Moxham (2014) notes that studies tend to focus on the design of an outcome measurement system, with limited detail on how to manage the data collection

(McEwen et al., 2010), which makes reporting on outcomes fundamentally problematic. Herman and Renz (2008) argue that outcome reporting has limited value for third sector organisations due to the complexities of attributing success to specific programme interventions. Evidence from a third sector organisation in the US showed that outcome measurement was rarely used to inform decision making and funders were still more focused on the outputs, as opposed to the outcomes (Thomson, 2011). Liket (2015) found in a large survey of third sector health care organisations that only 5% of those which were measuring outcomes could provide a satisfactory example of such a measure. According to McConville and Cordery (2018) attempts to move towards outcome measuring in the UK have not been deemed successful in improving performance accountability. There is also scepticism about whether outcome measurement is a useful way to measure organisational effectiveness (Herman and Renz, 2008), in part this is due to the multitude of stakeholders with different perceptions of the outcomes being measured, and over time, many stakeholders change their criteria for assessing effectiveness. Managing stakeholder relations is, arguably, key to developing successful outcome measures (Herman and Renz, 2008).

Using outcomes in performance measurement approaches has become the default discourse for those in public policy in the UK (Lowe, 2013), and the problems associated with measuring outcomes such as; defining meaningful indicators and allocating responsibility for shared outcomes, are treated as practical, technical obstacles, which can be overcome, whereas, in fact, posits Lowe, they are intrinsically unsolvable. Furthermore, Lowe (2013) argues that outcomes do not measure impacts in people's lives, which are too complex for the kind of measures which are typically in existence. Fundamentally, outcome measurement has significant theoretical flaws which distorts the behaviour of organisations and which cannot be 'fixed' by better measurement approaches (Lowe and Wilson, 2017; Lowe, 2013). However, given the prominence of outcomes as fundamental to UK, and in particular Scottish policy (Bach-Mortensen and Montgomery, 2019; Pearson and Watson, 2018; Pearson et al., 2018) the challenges raised about the effectiveness of outcomes must be a matter of serious concern for public policy makers and commissioners.

There has been growing interest and support for impact measurement in the third sector over recent years (Harlock and Metcalf, 2016; Harlock, 2013; Arvidson, 2009; Dawson, 2010; Osborne et al., 1995; Greatbanks et al., 2010). This is due to third sector organisations having taken on contracts to deliver public services and being under increasing pressure to demonstrate the impact of those services (Harlock, 2014; Harlock

and Metcalf, 2016; Bach-Mortensen and Montgomery, 2018). There is considerable evidence that funders' requirements are the dominant force in driving impact measurement practices (Harlock and Metcalf, 2016). Impact is defined as "*all changes resulting from an activity, project or organisation. It includes intended as well unintended effects, negative as well as positive, and long-term as well as short-term*" (Arvidson, 2009: 7; Wainwright, 2002). While outputs, outcomes and impact all claim to make a contribution to a better understanding of what organisations achieve, the particular problem of assessing the wider impact is a significant one (Arvidson, 2009) and there has been little systematic effort to investigate why the third sector is struggling to evidence impact (Bach-Mortensen and Montgomery, 2018). Gathering data in relation to the measurement of a program is unlikely to demonstrate results in the wider community (Arvidson, 2009). A report from the Charity Finance Group found that only 8% of their sample of 75 TSOs could provide external evidence of their impact (Breckell et al., 2010; Bach-Mortensen and Montgomery, 2018). The challenge, it is argued, is how can a third sector organisation presume to have influenced the intervention and made a positive impact, when so many other factors need to be considered, such as the surrounding social or political changes, or even the perspective of the person who is making the assessment (Arvidson, 2009)?

Despite the development of impact assessment tools, such as the government backed Social Return on Investment (SROI) initiative (Arvidson, 2009; Maier et al., 2014) and social auditing (Millar and Hall, 2013), there is evidence of significant weakness in both assessing and reporting impact across the sector with possibly unsubstantiated claims being made, selective use of evidence, and little reflection of work approach (Arvidson, 2009). If, as seems to be agreed, there is a need for more effective impact assessment tools, it seems negligible that there is limited reliable data on their use and a lack of consensus on how they should be applied (Millar and Hall, 2013; Bach-Mortensen and Montgomery, 2018). In the light of these claims, it may be considered somewhat simplistic to suggest that the key to successful impact reporting is to tailor messages about key achievements to different audiences (Dawson, 2010), when considering the quality of the impact measurement process in the first instance it may be more important to avoid the risks of unsubstantiated claims and subsequent reputational damage (Arvidson, 2009). From a practitioner's perspective in the UK '*Inspiring Impact*' is an online coalition of TSOs with a vision to ensure that good impact practice is integral to the third sector (Inspiring Impact, 2013; Cordery and Sinclair, 2013). However, Moxham's (2014) review of the third sector performance literature concludes that academic research on impact measurement is at an early stage with no clear approach defined. The dearth of evidence in support of this is a



significant challenge for the third sector organisations which are increasingly being called upon to provide social and health care services (Bach-Mortensen and Montgomery, 2018). (Morison, 2000)

### **2.4.2 Accountability**

Accountability is recognised as a clear driver for measuring the performance of third sector organisations (Moxham, 2014; Carman, 2010; Yang and Northcott, 2018). In reporting performance measures to external users a TSO is most likely to be responding to a demand for accountability (Cordery and Sinclair, 2013). In the face of increased accountability pressures TSOs are looking for ways to demonstrate their effectiveness (Liket and Maas, 2015) and the topic of accountability has become a pressing concern for scholars and practitioners alike (Carman, 2010; Ebrahim, 2010; Liket and Maas, 2015). With concerns being raised about the inefficiency and ineffectiveness of TSOs this has, accordingly, resulted in increased accountability demands for TSOs (Carman, 2010; Ebrahim, 2010; Liket and Maas, 2015). Third sector accountability has therefore become a topic of concern for many negative reasons, namely; reports of mismanagement of funds, doubts about third sector effectiveness, as well as concerns about efficiency (Carman, 2010). Accountability has been described as a one way relationship whereby organisations report to authorities with rules and even punishment forming part of the accountability process (Christensen and Ebrahim, 2006; Arvidson, 2009). This is perceived to be a limiting interpretation, and one which might be improved through less emphasis on external scrutiny and more on mission and purpose (Christensen and Ebrahim, 2006; Arvidson, 2009). The many and diverse stakeholders with an interest in third sector outcomes means it is challenging to find a common framework for evaluation (Kendall and Knapp, 2000) and stakeholders, struggling to find a common ground, should be seeking to find evaluation processes that support learning and enquiry, instead of determining accountability for results (Behrens and Kelly, 2008; Arvidson, 2009). There is a question mark over to what extent formal accountability works as part of good stakeholder management practice (Arvidson, 2009; O'Neill, 2002).

Accountability can be classified in three ways; i.e., to funders and regulators (Bellante et al., 2018); horizontal accountability, to other TSOs; and downward accountability to beneficiaries (Ebrahim, 2010; Liket and Maas, 2015). Measurement carried out for upward accountability purposes tends to lead to compliance based activities and reduces the chances of organisational improvement (Yang and Northcott, 2018). Furthermore the

accountability literature very seldom focuses on downward accountability and the needs of the beneficiaries (Liket and Maas, 2015). Accountability may also be internal with a shift on focus towards an organisation's performance against its mission (McConville and Cordery, 2018; Cordery and Sinclair, 2013; Bellante et al., 2018). However, having evaluations which are determined by funders' needs are seen by third sector organisations as *“meaningless and uninteresting at best, or inappropriate and damaging (misrepresentation of achievements, forcing organizational change) at worst”* (Arvidson, 2009: 13). Christensen and Ebrahim (2006) highlight the 'absurd' focus by funders on the measurable as a way of enhancing accountability. Framed in this context, accountability can be perceived as making unreasonable demands on the third sector organisations, which can lead to resistance to the concept of performance and thus presenting organisations with additional managerial challenges (Arvidson, 2009).

Third sector organisations might be justified, therefore, in making reasonable demands for accountability to funders and to their stakeholders (Arvidson, 2009). Scholars have proposed that a new way of expressing accountability, and operationalising it, needs to be found (Moxham, 2014; Arvidson, 2009). This has been suggested as being through; structured informality; encouraging communication within organisations, and between organisations and their partners (Christensen and Ebrahim, 2006); through dialogue (Taylor and Warburton, 2003), and through active inquiry, requiring engagement from everyone involved in third sector work, including the doers, givers and receivers (O'Neill, 2002; Arvidson, 2009). More recent research presents the concept of 'identity accountability' which is where organisations and individuals take internal responsibility for shaping mission and values, offering a level of transparency and assessing performance, which suggests a useful perspective for how TSOs can be accountable to their mission while still complying with upward accountability (Yang and Northcott, 2018; Unerman and O'Dwyer, 2012). This could be of great relevance to the highly mission-driven third sector by designing measurement practices that support both upward and identity accountability (Yang and Northcott, 2018).

### **2.4.3 Legitimacy**

Legitimacy has been identified as another key driver of third sector performance measurement, alongside accountability, and improvement of efficiency and effectiveness (Moxham, 2014; MacIndoe and Barman, 2012; Dhanani and Connelly, 2012). Greiling (2010) found that in her study of the implementation of the balanced scorecard (BSC) it

was adopted by most organisations because it is a “*modern management tool, helping to create legitimacy*” (Greiling, 2010: 547). This aligns with research which shows that organisations are giving into institutional pressures and adopting management techniques of the market sector to improve their reputation and to regain legitimacy (Theuvsen, 2004). Under this institutional theory perspective organisations are said to adopt business practices because they furnish legitimacy in the eyes of their stakeholders in order to maintain their confidence, thus leading towards institutional isomorphism (DiMaggio and Powell, 1983; DiMaggio and Powell, 1991; Beer and Micheli, 2017).

In an exploration of TSOs adopting quality change programmes, legitimacy was identified as one of the key external motives, and an interesting paradox was addressed; namely a tension between the technical merit of the practice in question (in this case quality) and the institutional reality of its use (Liao et al., 2014). Thomson (2010) argues that many third sector organisations do not go beyond the symbolic identification of performance goals and indicators. In another study, adopting quality systems was identified as a proactive step in anticipation of future pressure, taken to maintain credibility and legitimacy with their funding bodies (Cairns et al., 2005a). Pressure from funders was just one of the drivers identified here, and securing legitimacy with a variety of stakeholders, external and internal, including staff and board members, or national infrastructure bodies was also considered desirable (Cairns et al., 2005a). Liao et al’s., (2014) findings found empirical evidence confirming that adopting quality management practices and their resulting performance outcomes in order to earn TSOs legitimacy in the eyes of government and other funders led to concerns of organisational ‘inertia’ and a lack of enthusiasm about the need for organisational change. This desire for legitimacy may reflect part of a more complex reaction with an organisation’s interaction with its environment, with Cairns et al., (2005a) finding that organisations were struggling to secure external legitimacy and credibility with their stakeholders and considering which organisational adaptations would support this pressure. Whilst for some organisations, legitimacy is undoubtedly a key motivator in initially adopting performance and quality initiatives, there is little to be gleaned from the research about the longer-term impact on OPM of that institutionally influenced decision making.

#### **2.4.4 Improvement**

Organisational improvement and learning is the third key rationale for implementing performance measurement, as identified in the literature (Moxham, 2014; Cairns et al.,

2005a). While there is evidence from the for-profit literature that performance is moving towards less emphasis on control and an increased emphasis on learning (Bititci et al., 2012; Davenport et al., 2010), the third sector literature recognises that performance improvement systems need to be context sensitive and have clarity of purpose (Paton, 2003).

However, despite the potential use of performance data for improvement, there are few reports of this happening in practice (Carman, 2010; Carman and Fredericks, 2008; Ebrahim, 2005). Carman (2010) states that the strategy of performance measurement has in fact “*failed to promote organizational learning within non-profit organizations*” (Carman, 2010: 270). Moxham (2010) identifies a weak link between performance measurement and performance improvement in UK non-profit organisations, with the five key barriers being: resource intensive measurement practices; irrelevant, funder focused measurement criteria; confusing terminology; insecure funding leading to an inability to plan beyond the short-term; and internal resistance. Taylor and Taylor (2014) note that neither funders, nor the organisations they are funding, are maximising the benefits of gathering data for the purpose of learning and improvement. Funders are obliged to ensure that resources are used wisely, while service providers have limited resources to report on their use of funding (LeRoux and Wright, 2010; Carman and Fredericks, 2008; Taylor and Taylor, 2014). Taylor and Taylor (2014) argue that the gap between performance measurement and organisational improvement should be addressed and approaches that facilitate internal learning should be balanced against the dominant accountability agenda.

There are only a few studies which address how third sector organisations are using performance data to improve performance (Lynch-Cerullo and Cooney, 2011) and, consequently, little is known about how performance information leads to improvement for organisations in the sector (Kim et al., 2018). Beer et al., (2017) posit that for employees to be engaged in performance improvement initiatives they need to be involved in the design of measures and that performance measurement processes and practices are inextricably related to behaviours. Furthermore, few empirical studies have looked at factors that influence the use of performance data to improve third sector practice (Kim et al., 2018) and there is little is known about how the processes involved in their adoption and implementation lead to improvement (Cairns et al., 2005a). Yet the pressures for performance improvement come from a range of sources: either from third sector organisations which are attempting to improve the service to their beneficiaries, or from funders working to ensure that organisations have the capacity to deliver services

effectively (Cairns et al., 2005a). It is argued that it is likely that the pressures to demonstrate performance improvement will continue to rise, as there has certainly been demand from stakeholders to measure performance for the purpose of organisational learning (Wadongo and Abdel-Kader, 2014). If one of the key purposes of performance is to improve practice (Kim et al., 2018; Cordery and Sinclair, 2013) then the empirical evidence in this respect is severely lacking in its support.

## **2.5 Organisational performance and quality management**

This section explores the relationship between approaches to quality assurance and management and organisational performance and the third sector. Firstly, in setting out why third sector organisations adopt quality management approaches there is a brief explanation of how the history of quality management converged with management practice in the third sector. Drawing upon the evidence in the existing literature this section shows how quality systems are positioned in current practice and examines which theories are relevant to their application to the sector. Finally, this section looks at the more commonly used or recognised approaches, frameworks and models, namely: balanced scorecard (BSC), PQASSO, The EFQM Model, ISO 9000, Investors in People, benchmarking and SROI (Social Return on Investment), and identifies their strengths and weaknesses for third sector organisations. Although this is not intended to be an exhaustive list of available tools and frameworks it is appropriate to include many of the tools which have contributed to third sector strategic planning implementation, and which may be incorporated in whole or in part within many organisational structures and systems. The selection of inappropriate tools and methodologies can have a significant negative impact for organisations on resources and cost, and can lead to, among other things, mission drift and dysfunctional behaviour among employees (Bourne et al., 2014). This revisits some of the arguments raised earlier about whether tools and approaches developed outside of the third sector are appropriate for use and adaptation.

Since the 1950s there has been much interest in quality management and its importance for company survival (Liao et al., 2014). The core ideas of Total Quality Management (TQM) principles were set out by W. Edwards Deming, Juran and Ishikawa and have been an accepted part of management practice from the latter half of the 20<sup>th</sup> century (Hackman and Wageman, 1995). Key characteristics of a company implementing TQM principles are; considering quality as the responsibility of all areas in the company; prevention rather than inspection; customer orientation; continuous improvement and quality leadership

(Gómez Gómez et al., 2011). Along with many other managerial approaches, quality moved out of manufacturing into service, health care and public sectors and merged with mainstream organisations approaches to management (Gómez Gómez et al., 2011; Cairns et al., 2005a; White et al., 2009). Increasing demands for accountability, efficiency and effectiveness became more important in the running of public services, many of which were being outsourced to the third sector (Cairns et al., 2005a; Hackman and Wageman, 1995; Radnor and McGuire, 2004; Harris, 2002).

Quality management is considered to be an underpinning theme for performance measurement (Moxham, 2006) and scholars argue that there is a positive relationship between the implementation of quality management practices and organisational performance improvement (Sampaio et al., 2012: 891; Hackman and Wageman, 1995). However, ensuring the right approach and achieving the desired organisational outcomes for the third sector is far less clear. Whilst quality has gained some attention in third sector literature (Sampaio et al., 2012), there is criticism that attention is focussed on larger and well established organisations (Speckbacher, 2003; Cairns et al., 2005a; Moxham, 2009; Carmel and Harlock, 2008; Liao et al., 2014; Morris and Ogden, 2013; White et al., 2009; Paton et al., 2000). One of the most significant challenges for assessing the effectiveness of any change management approach in the third sector is that the sector is not one unified entity working towards the same mission, or the same purpose, but a collective of organisations, with different purposes, different funding structures, of different sizes and with different community, national and international interests (Morris and Ogden, 2013). The term ‘quality systems’ is generally used by both practitioners and academics in third sector studies in a broad sense to refer to performance improvement approaches that are focused on quality of management and services (Alcock, 2012).

Over the past two decades, however, quality management has become interwoven in the fabric of third sector design, in particular for those third sector organisations which are regulated (Cairns et al., 2005a; Liao et al., 2014). It forms a key part of the public sector’s commissioning cycle, in which third sector organisations must evidence their approach to quality management to maintain existing contracts or to win new business (Moxham and Boaden, 2007; Bovaird et al., 2012). It is fundamental to the regulation of charities which are registered to provide care, in which the relevant inspection regime scrutinises the organisation against national standards (Bovaird et al., 2012; Carmel and Harlock, 2008).

Funders of third sector organisations frequently require evidence of the quality systems which are in place, in order to ensure that they are financing an organisation which can demonstrate good management practice (Phillips, 2013). However, evaluations determined by funders are often considered by third sector organisations to be meaningless, or even inappropriate and damaging (Gómez Gómez et al., 2011). A significant number of third sector organisations have therefore taken pro-active measures to introduce their own internal quality standards, partly in order to challenge evaluation controlled by external agencies, as well as to demonstrate their own good practice (Arvidson, 2009).

Stakeholders and beneficiaries using third sector services are encouraged to check the status of any quality management approaches, usually via any external accreditations achieved, or by scrutinising inspection reports (Arvidson, 2009). Meanwhile, for those responsible for the governance of third sector organisations a quality system supports effective intra-organisational management practice (Leipnitz, 2014). Many third sector organisations are influenced by approaches used by similar organisations that they perceive to be successful, that is by mimetic isomorphism (Coule, 2015; Cornforth et al., 2014; DiMaggio and Powell, 1991). Third sector organisations therefore are likely to consider, at some point in their organisational life cycle, whether or not they should be using some form of quality management approach, in part due to the consensus that taking up a change initiative improves viability and strengthens competitive positioning (Liao et al., 2014). However, there appears to be an even greater dearth of literature on the implementation of quality in the third sector than there is for organisational performance (Cairns et al., 2005a). This despite the argument that quality initiatives clearly impact on performance in third sector organisations (Liao et al., 2014). The lack of longitudinal studies has meant it is difficult to assess the impact of a third sector organisation's quality initiative; thus, although there is some evidence on why quality management systems are adopted and which tools are in use, there is currently little empirical evidence in existence about their overall impact on organisational effectiveness.

### ***2.5.1 Approaches to quality in the third sector***

Research investigating the impact of the most commonly used quality systems used in the third sector shows that the pressure to adopt quality systems is a mix of multiple and interrelated factors; mandatory and voluntary and includes internal and external factors, including pressure from funders (Cairns et al., 2005a; Cairns et al., 2004b; QSTG, 2003; Moxham, 2006; Moxham and Boaden, 2007; Brodie et al., 2012). Adopting quality

systems maintains credibility and legitimacy; demonstrates accountability and develops a more structured approach at a time of organisational growth (Cairns et al., 2005a; Cairns et al., 2004b). Whilst quality systems are adopted in third sector organisations due to pressure from funders and government purchasers, findings also suggest that, in line with new institutional theories, the adoption of quality systems by third sector organisations forms part of a more complex interaction with their environments, both striving to demonstrate efficiency and responsiveness as well as securing external legitimacy and credibility with a range of stakeholders (Cairns et al., 2005a; DiMaggio and Powell, 1991; Cairns et al., 2004b; Moxham, 2006; Brodie et al., 2012). Furthermore, the establishment of quality assurance systems can act as signals to funders, commissioners and users of services by operating as marks of distinction, providing strategic positional advantage against those without (Macmillan, 2012).

The research reinforces that for third sector organisations it has now become ‘mandatory’ to look for quality initiatives to make their operations effective and fulfil strategic priorities (Arvidson, 2009; Wellens and Jegers, 2011; Twersky et al., 2013). This is also reflected in increasing pressures from government funders on third sector organisations to improve their management and organisational systems (Liao et al., 2014; Morris and Ogden, 2013; Greatbanks and Manville, 2013; Moxham, 2013) and it is also argued that external stakeholder pressures have much higher strategic importance in public and non-profit services than in the private sector (Carmel and Harlock, 2008). It is suggested that putting in place quality systems that are recognised externally is likely to lead to more consistent use of policies and procedures and instil a continuous improvement culture (Morris and Ogden, 2013).

Institutional theory (DiMaggio and Powell, 1991) is evident in the literature on the subject (Paton, 2003; Morris and Ogden, 2013). There are examples of overt coercive isomorphism (from funders), examples of normative isomorphism (where infrastructure bodies provided exemplary standards and systems) and mimetic isomorphism (among organisations influenced by strategies of other actors in their fields) (Liao et al., 2014; Cairns et al., 2005a; Paton et al., 2000; Coule and Patmore, 2013; DiMaggio and Powell, 1991). The research showed that third sector organisations found ways to use quality systems as instruments of organisational learning and improvement, with initial adoption often for ceremonial purposes rather than a reflection of rational decision making (Cairns et al., 2005a; DiMaggio and Powell, 1991).



## **2.5.2 Quality and performance models and frameworks**

It has become evident from an analysis of the literature that it is demonstrably difficult to decide which approach is the most suitable for any given organisation (Cairns et al., 2005a). Kaye and Anderson (1999) highlight a common dilemma for practitioners in the for-profit sector and which crosses over into the third sector:

*There still appears to be no one panacea which will guarantee immediate and long-lasting success to improving quality and it is no wonder that many busy managers just do not have the time nor patience to try to grapple with the array of initiatives which have been actively promoted over the past decade (Kaye and Anderson, 1999: 485).*

An overview of the most commonly used or cited tools within third sector research follows, namely: BSC, PQASSO, The EFQM Model, ISO 9000, Investors in People, benchmarking and SROI, with conclusions drawn from the literature about their relevance to third sector organisations (Brodie et al., 2012; QSTG, 2003).

### **2.5.2.1 The balanced scorecard**

The balanced scorecard (BSC) was first created by Kaplan and Norton in 1992 for the private sector as an answer to the deficiencies of traditional accounting models and addressing what was considered too narrow a focus on financial measures in management tools (Speckbacher, 2003; Wongrassamee et al., 2003; Kaplan and Norton, 1996). The concept has been developed since that time, resulting in numerous iterations with, it is argued, no agreed taxonomy for these iterations, making comparison of research findings difficult (Wongrassamee et al., 2003). The purpose of the BSC is to help communicate and implement an organisation's strategy and it is a framework with a set of financial and non-financial measures defined in the company's vision (Wongrassamee et al., 2003; Kaplan, 2001; Kaplan and Norton, 1996). The BSC has been credited by the Harvard Business Review as one of the most important management tools of the last 75 years and is considered the most widely cited performance management framework (Manville and Broad, 2013; Bourne et al., 2005). However, evidence as to its usefulness varies with the failure rate of BSC implementation (from a for-profit and public sector perspective) being reportedly high, running at 70% due, it is argued, to poor design, poor implementation and

a lack of communication (Manville and Broad, 2013).

The BSC has been modified for use by third sector organisations (Kaplan, 2001; Taylor and Taylor, 2014), however, it is argued that it is not suitable for the diverse range of third sector organisations (Kong, 2008; Kong, 2010; Taylor and Taylor, 2014). The concerns are threefold; third sector organisations have service users, rather than customers; they have multiple stakeholders to satisfy; and its implementation with a lack of consideration of the third sector context could be more damaging than beneficial (Kong, 2008; Manville and Broad, 2013). There has been very little empirical research examining the implementation of the BSC in a TSO, with a small number of exceptions, for example, from Greiling (2010) and LeRoux and Wright (2010). It has been found that implementing the BSC is not so useful for a third sector organisation, as there is still too much focus on financial indicators, rather than the non-financial, and more emphasis on measurement over strategy (Greiling, 2010; Taylor and Taylor, 2014). The BSC approach has also been considered too detailed to implement by smaller organisations (Moxham and Boaden, 2007; Dawson, 2010) although others argue that the approach can be useful for the third sector, with time and care needed to adapt the BSC appropriately to be effective (Cairns et al., 2005a; Dawson, 2010). However, arguments in support of its use in the third sector tend to be theoretical, lacking empirical evidence to support claims (Speckbacher, 2003).

#### **2.5.2.2. PQASSO (Practical Quality Assurance Systems for Small Organisations)**

PQASSO was developed in 1996 by the Charities Evaluation Services for the UK charity (Myers and Sacks, 2003).<sup>10</sup> PQASSO's origins lie therefore in a highly contextualised, although, at times, slightly mechanistic, quality assurance approach (Paton et al., 2000; Cairns et al., 2005a; Myers and Sacks, 2003; Harris, 2002). In a scoping study of 200 voluntary organisations in England and Wales, PQASSO was ranked as the most widely used of all the 130 quality standards which were identified, with over a third of the 300 organisations stating that they had either achieved it, or were working towards it (Brodie et al., 2012), however the study found that implementing a quality standard, such as PQASSO, was considered a marginal activity compared with other methods of improvement (Brodie et al., 2012). Those organisations which had implemented PQASSO

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<sup>10</sup> In December 2018 PQASSO changed its name to 'Trusted Charity'. Source <https://www.ncvo.org.uk/trustedcharityinfo> downloaded on 21/05/2020

perceived it positively for encompassing organisational processes and outcomes and it was also viewed as being particularly beneficial for small organisations (Brodie et al., 2012). Amongst those organisations it was viewed as being more likely to deliver internal benefits such as improving services, in comparison to the EFQM Excellence Model, for example, and was considered the most relevant standard for the sector (Brodie et al., 2012). However, despite the internal benefits, 52% of respondents still felt that demonstrating quality to funders or commissioners was one of the top three reasons for choosing PQASSO (Brodie et al., 2012).

PQASSO was designed to be used as a self-assessment tool, and participating organisations could undertake accreditation with the NCVO, which is the umbrella organisation responsible for its implementation (Brodie et al., 2012). Self-assessment is a approach which is widely found among private sector performance systems (Kennerley and Neely, 2003; Moxham, 2009) and has certainly seen increased use, up against the more traditional auditing, as a method of assessment (Ellis and Gregory, 2008; Moxham, 2009). However, self-assessment has been critiqued as being a “*loose, uncertain, and variable process*” (Paton et al., 2000: 29). Broadly, though, despite its popularity among third sector organisations and its heritage of being the only sector specific quality standard, with the limited empirical and academic literature available on this approach it is not yet possible to draw firm conclusions as to the advantages and disadvantages of the implementation of PQASSO.

### **2.5.2.3 The EFQM Model (European Foundation for Quality Management)**

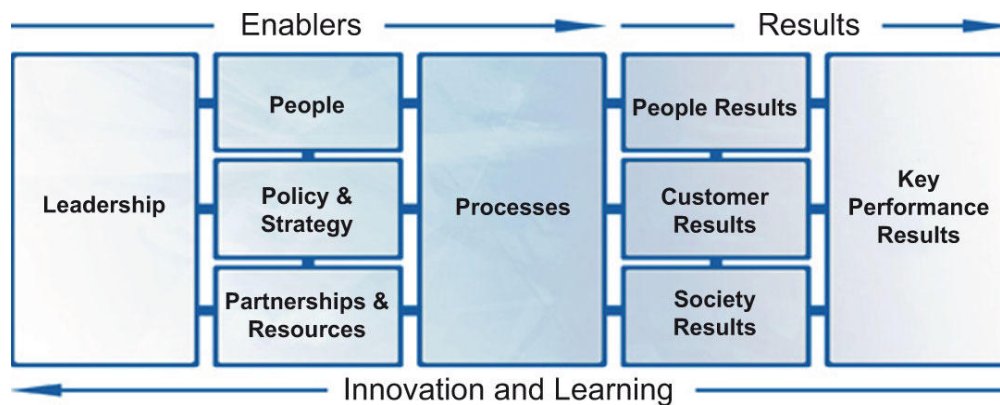
An increasing concern about the lack of quality in the world market led to the development of the Malcolm Baldrige National Quality Award in 1987 in the USA (Wongrassamee et al., 2003). Taking its inspiration from this approach in 1988 the European Foundation for Quality Management (EFQM) was founded by 14 major European companies, followed in 1992 by the first EFQM European Quality Award (Wongrassamee et al., 2003). Currently partner organisations exist in each European country to support companies to undertake these awards.<sup>11</sup> EFQM is supported by a strong infrastructure in the UK, with Quality Scotland and the British Quality Foundation overseeing its marketing, training, implementation and award ceremonies. Quality Scotland is the Scottish National Partner Organisation of the European Foundation for Quality Management.<sup>12</sup> The purpose of the

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<sup>11</sup> Downloaded from [www.efqm.org](http://www.efqm.org) on 21/05/2020

<sup>12</sup> Downloaded from [www.qualityscotland.org.uk](http://www.qualityscotland.org.uk) on 21/05/20

EFQM Excellence Model is to provide a systems perspective for understanding performance management (Wongrassamee et al., 2003). The EFQM Excellence Model was designed from Total Quality Management (TQM) principles and is considered synonymous with TQM by many researchers and practitioners (Paton et al., 2000; Myers and Sacks, 2003; Cairns et al., 2005a; Harris, 2002). It is said to offer a clear framework, a terminology and a methodology that is, at times, not so clear in TQM (Gómez Gómez et al., 2011). It is often considered the next ‘logical stage’ in the quality journey, in the framework of a continual improvement philosophy (Gómez Gómez et al., 2011; Paton et al., 2000). EFQM is a non-prescriptive framework based on 9 criteria – 5 enablers and 4 results (See Figure 1). ‘Enablers’ criteria cover what an organisation does and ‘results’ criteria cover what an organisation achieves. The accepted view is that results are caused by enablers (Gómez Gómez et al., 2011).



**Figure 1 The EFQM Excellence Model (2003 version). Source: (Eskildsen et al., 2001; Gómez Gómez et al., 2011)**

There has been some criticism of the way that the EFQM (Excellence) Model has effectively deleted the term ‘quality’ and replaced it with ‘excellence’; this suggests, it is argued, that TQM is a fad and not an important issue for European business (Paton et al., 2000). Furthermore, some authors posit that the ‘business excellence practices’ advocated today are not in fact the equivalent of TQM but a more diluted form of the original TQM concept (Dale et al., 2000; Gómez Gómez et al., 2011).

A study carried out by Gomez Gomez et al., (2011) looked in detail at the relationship between enablers and results using primary data from 68 organisations, including a significant number of non-profit organisations. Results showed however, that the model, as it has been defined, does not work as a whole (Ritchie and Dale, 2000; Gómez Gómez et al., 2011). The authors concluded that this does not mean that the elements of the model

cannot be useful to organisations, but the relationships proposed in the model didn't work as the model proposed. This has implications for confidence in its efficacy to all organisations.

The EFQM Model is however, commonly listed as an example of an approach to quality assurance that commissioners are looking for from third sector organisations (Brodie et al., 2012). Third sector organisations which have used it believed it delivers external benefits, such as demonstrating value to funders (Brodie et al., 2012). In Brodie's (2012) scoping study reviewing the use of quality standards in the third sector, amongst funders, commissioners and third sector organisations, the EFQM Model was viewed positively for the following reasons; it looks at both processes and outcomes, much of the work can be done internally, and its flexibility allowed organisations to adapt and tailor it for their requirements (Brodie et al., 2012).

In respect of its applicability to the third sector, Gomez Gomez et al., (2011) however, concluded that EFQM was a better 'fit' for private companies, than for public and third sector organisations, and although there is little further evidence to corroborate this to date, the implications are, again, significant for many third sector organisations which are using this approach (Gómez Gómez et al., 2011). In the view of Moxham (2009) however, "*the body of knowledge on performance measurement system design is applicable to the non-profit sector and should be utilised*" (Moxham, 2009: 755). The lack of empirical evidence on the adoption and implementation of the EFQM Model in the third sector means it is a field yet to be explored.

#### **2.5.2.4 ISO standards**

ISO 9000/ISO 9001 is a family of standards which is used across all sectors internationally, is applicable to all areas of work in an organization, and is considered to be the most widely used management tool in the world (Brodie et al., 2012). ISO 9000 originated as quality assurance approach but has more recently come to be considered as a quality management system (Gómez Gómez et al., 2011). Organisations which achieved ISO 9000 initially had a competitive advantage over other organisations, but it is increasingly being seen as a necessary requirement to do business (Gómez Gómez et al., 2011). The ISO 9000 suite of standards is viewed as being able to deliver improvements to organisations through structuring and optimising the internal processes resulting in improvements to quality, and it is generally considered a global phenomenon (Gómez

Gómez et al., 2011; Sampaio et al., 2012).

The implications for the third sector are that ISO 9000 is typically accepted as the preferred quality management or quality assurance approach of third sector commissioners (Brodie et al., 2012). In support of this, there is evidence which shows that ISO 9000 is primarily chosen by organisations because it delivers external benefits such as demonstrating value to funders (Brodie et al., 2012). More generally, across all sectors, the rationale for an organisation to undertake ISO 9000 may be due to a customer request to conform with their internal quality control and/or to improve internal processes and service quality (White et al., 2009; Sampaio et al., 2012). There are significant barriers to implementation which are typically seen as; costs of training, consultation, registration and the practical difficulties of performing internal system audits (White et al., 2009). However, the relationship between an organisation achieving certification and resulting in better organisational performance is scarce and results are contradictory (White et al., 2009).

Research into the implementation of ISO 9000 in the third sector is scant. White et al., (2009) argue that the unique operational conditions under which third sector organisations operate may not be suited to the arbitrary application of a management tool, such as ISO 9000, which was developed in and for another sector. A case study from a third sector organisation concluded that although implementing ISO 9000 worked well as a vehicle for structuring and optimizing internal processes, it was considered costly (Sampaio et al., 2012; Gómez Gómez et al., 2011; White et al., 2009). Revisiting the argument that the unique operational conditions of the third sector are likely to be unsuitable for the application of management tools developed in other sectors (Myers and Sacks, 2003), there is also a perception that the third sector is more risk-averse than other sectors, making it a less applicable option for them (White et al., 2009).

The many drivers for adopting a formal quality system are complicated, including pressure from funders, and national governing bodies, alongside the desire to standardise and improve, means that ISO 9000, viewed in this light, is too intricate and expensive to seem like a viable option (Cairns et al., 2004a; White et al., 2009). The prohibitive scale and cost of ISO 9000 has been identified as a significant barrier to implementation (White et al., 2009). Furthermore a scoping study of its implementation in the third sector concluded that for those organisations which were aware of it, ISO 9000 was viewed as being too process

driven, resource intensive, too onerous, externally driven by commissioners and, overall, not appropriate for the third sector (Brodie et al., 2012).

### **2.5.2.5 Social Return on Investment (SROI)**

The development of the Social Return on Investment (SROI) approach has received a high profile in the UK where it has been promoted by UK governments (Harlock, 2013).

Initially it was promoted under the Labour government in England due to concerns that commissioning and procurement processes focused too heavily on price, efficiencies and economies of scale. In this respect it aimed to better assess the cost effectiveness of third sector organisations by capturing the social, economic and environmental benefits of third sector organisations and translating them into a monetary value (Harlock, 2013; Arvidson et al., 2010) and is therefore an example of a ‘blended value’ accounting tool (Nicholls, 2009).

Although there is academic interest worldwide in SROI, the research has not concluded definitively whether it is beneficial to either third sector organisations or funders, furthermore, the use of SROI is still extremely rare, in particular in the UK despite government promotion (Moody et al., 2015; Arvidson et al., 2010). It has come under criticism in recent years for its perceived complexity (Arvidson et al., 2010; Moody et al., 2015), the expensive organisational challenges which are associated with its implementation (Moody et al., 2015) and a fundamental difficulty in assigning financial value to what are considered to be intangible outcomes (Harlock, 2013). Despite being a recognised measurement tool it is perceived to be underused and undervalued due to practical and ideological barriers (Millar and Hall, 2013). Nonetheless, there are positive reports of it being used successfully to support stakeholder engagement and it remains a high profile tool in the sector (Harlock, 2013).

### **2.5.2.6 Investors in People**

The Investors in People standard was launched in 1991 and focuses on just one element of quality management; that of human resources and people management; it is used by organisations to help them develop ‘performance through their people’ (Brodie et al., 2012). Usage of this standard amongst third sector organisations is also common, and as well as being well-known, it is viewed as a useful standard, and not overly bureaucratic, with a good assessment process (Brodie et al., 2012). Third sector organisations which use this indicated that it was chosen for equally as many external reasons as internal reasons,

internal reasons typically including ‘supporting staff training and development’ (Brodie et al., 2012).

### **2.5.2.7 Benchmarking**

Benchmarking is the process of comparing the organisation’s operations and performances to those of similar organisations (Boateng et al., 2016). Benchmarking is identified by Moxham (2014) as a ‘reputational’ approach to third sector performance (Lecy et al., 2012), but it is barely explored in the academic literature in this context. A reputational approach is one in which perceptions are used to assess performance (Lecy et al., 2012). The potential for the use of benchmarking is noted, but it is not a widely used approach due to an lack of external pressure and a lack of guidance in relation to the technique (Tyler, 2005). Boateng et al., (2016) conducted a third sector study in which they identified benchmarking as one of five broad measures (alongside; financial measures; client satisfaction; management effectiveness and stakeholder involvement), which should be used as part of a rounded approach to developing performance measures, despite the fact that prior studies have paid little attention to it. Manville and Broad (2013) concluded in their paper on third sector performance management that benchmarking supports an approach to performance, but without any further elaboration. Despite its assumed potential though, there are few, if any, indications of how this could be, or is being, used by third sector organisations.

## **2.6 Summary**

This chapter explored how OPM has been applied in the for-profit, public and third sector. It concluded that there is a distinct body of work in the field of OPM in the third sector which lacks an underpinning theoretical foundation and empirical evidence to support appropriate approaches. The development of OPM through three key drivers of accountability, legitimacy and improvement was addressed. It was shown that there was little empirical evidence to show performance improvement in practice. Legitimacy was recognised as a key motivating factor, in which OPM was used to maintain credibility with funders, for example. Performance was also being reported for the purposes of accountability where TSOs were responding to demands from funders or the regulator.

The literature supports the viewpoint that the take-up of quality change programmes in third sector organisations is an appropriate strategy to demonstrate organisational viability



(White et al., 2009; Liao et al., 2014). However, there also seems to be a collective disappointment in the literature about the fact that the same for-profit and public sector change strategies and tools are typically in use, despite the third sector working under different economic constraints (Liao et al., 2014; Kaye and Anderson, 1999; Paton et al., 2000; Cairns et al., 2005a; Myers and Sacks, 2003; Taylor and Taylor, 2014). This aligns with the long running dominant debate in third sector research which concerns the efficacy of adopting private sector models of performance for third sector organisations (Liao et al., 2014; Moxham, 2009; Myers and Sacks, 2003; Taylor and Taylor, 2014).

It is also clear that much more research into specific tools and approaches is needed, in particular for PQASSO and the EFQM Model, in order to assess their viability for the sector in the long term. There is almost certainly less take up of ISO 9000 in practice, however, its suitability needs to be either proven or disproven more conclusively as funders and commissioners are typically in favour of this tool. Meanwhile the role of third sector infrastructure bodies in influencing organisations' approaches towards quality is almost non-existent in the research and this may be leaving some of the smaller voluntary and community sector organisations more vulnerable to making poor or inappropriate choices of systems.

The next chapter moves on to explore the literature in the context of its stakeholders through stakeholder theory. It explores the stakeholder groups which impact on organisational performance, alongside key processes, and positions the third sector organisation at the centre of a network of stakeholders which may both influence and drive accountability towards OPM.

# Chapter 3 Theory in context: performance, stakeholders and processes in the third sector

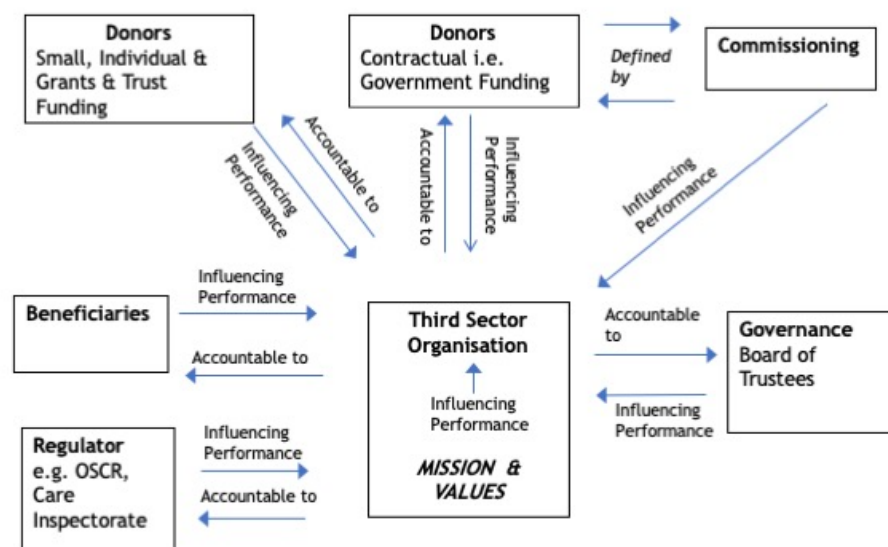
## 3.1 Introduction

In this chapter, the third sector organisation is situated in the context of its stakeholders. In order to address the challenge of multiple stakeholder demands for the sector, stakeholder theory has been applied and is described here, alongside an exploration of inter-organisational stakeholder networks as potential determinants of performance. Having considered organisational performance measurement through the lens of stakeholder theory the relevance of this is then explored. Three key stakeholder groups which impact on organisational performance measurement are examined through the lenses of power, urgency and legitimacy, namely: funders, beneficiaries and the regulator. The chapter then explores the processes which dominate the literature on organisational performance measurement which are: governance; mission, vision and values; and, from an external perspective, commissioning. Viewing a third sector organisation as being at the centre of a network of relationships with stakeholders with a set of interests and expectations in respect of the organisation, permits a clearer focus on accountability and its implications.

Third sector organisations are characterised by having a multiplicity of stakeholders, making the challenge of managing organisations' performance even more complex than for their counterparts in private and public sector organisations (Cairns et al., 2005a; Moxham and Boaden, 2007; Taylor and Taylor, 2014). The implications are that third sector organisations must balance the constant tension of values created by their diverse stakeholders and of their competing demands (Taylor and Taylor, 2014; Cairns et al., 2005a; Grabowski et al., 2014). The broad stakeholder base means many parties will have their own perspectives on service delivery and their own interests for monitoring and performance (Taylor and Taylor, 2014).

In the diagram below (Figure 2) key internal and external stakeholder groups and processes which influence third sector organisational performance have been identified. In the centre, the third sector organisation is shown with its internally generated mission and values being a driver for influencing OPM. The diagram then moves around starting with one of the key stakeholder groups, the regulator, to which the TSO is accountable to and which

therefore has an influence on the TSO's performance. This is also the case for the beneficiaries (i.e., those in receipt of services from the TSO), the funders (here divided into small funders and larger contractual funders). Linked to the funders is the process of commissioning, which organisations are accountable to through funders, and which, in turn influences performance. Finally, the internal accountability structure is also covered through governance. Whilst it is recognized that these processes and stakeholders have an influence on the process of OPM and that the TSO has accountability towards them, the extent and proportionality of these drivers of OPM is far less understood.



**Figure 2 Identification of stakeholders and processes influencing organisational performance**

### 3.2 Theoretical underpinnings: stakeholder theory

In the course of the research, theories such as principal-agent theory, competing values frameworks, institutional theory, institutional logics, stakeholder theory and contingency theory were all considered and explored as potential explanatory perspectives for the adoption and promulgation of particular approaches to performance measurement and management. The approach adopted here, and justified below, has been to use the perspective of stakeholder theory in order to better understand the phenomenon that is the focus of this study. This section offers a key contextual grounding for subsequently understanding and examining some of the theoretical literature on performance and identifying the research gaps.

The importance of identifying a suitable theory with which to study third sector performance has been recognised by many researchers in this field; a theoretical foundation will help to advance knowledge, guide research towards suitable questions and, overall, enlighten the profession of management (Van de Ven, 1989; Whetten, 1989). However, the research field of OPM in the third sector is still considered to be a body of work in its infancy resulting in a dearth not just of empirical evidence (Moxham and Boaden, 2007) but with a lack of a sound theoretical framework underpinning the empirical studies (Moxham, 2014; Tucker, 2010; Wadongo and Abdel-Kader, 2014). As the academic literature on third sector performance is considered to be unsynthesised, there is currently no one theory which dominates the field (Moxham, 2014; Tucker, 2010).

Using stakeholder theory as a theoretical lens to explore third sector performance has received significant interest from researchers in the field (Taylor and Taylor, 2014; LeRoux, 2009a). The third sector stakeholder base is very broad including beneficiaries, funders, regulators, commissioners, volunteers and local authorities (Kendall and Knapp, 2000; Taylor and Taylor, 2014; LeRoux, 2009a; Bovaird et al., 2012). These stakeholders hold conflicting demands of measurement requirements, which involve both measuring the outcomes of a service and the process of service delivery, matching ‘hard measures’ such as productivity and efficiency, with ‘soft measures’ such as stakeholder satisfaction (Taylor and Taylor, 2014). Stakeholder theory is likely to be a highly appropriate approach to study this field as the multiplicity of stakeholders means that simplistic models of performance are unlikely to be effective (Moxham and Boaden, 2007; Taylor and Taylor, 2014).

Stakeholder theory is a well recognised and long-standing theory, which was established by Freeman (1984). There exists some conceptual confusion due to challenges around defining the term ‘stakeholder’ still in existence today, perhaps partly due to an understanding by scholars that it is not a single theory, but a collection of narratives (Miles, 2015; Freeman, 1984). The debate about the contestability of the central concept of stakeholder theory is beyond the scope of this research, but for the purpose of this thesis, the definition of a stakeholder is considered to be “*any group or individual who can affect or is affected by the achievement of the organization's objectives*” (Freeman, 1984: 46) and the essence of a stakeholder is the organisation-stakeholder relationship (Jones and Wicks, 1999). Within this framing, stakeholder theory recognises that organisations engage in relationships with many groups, and that stakeholder theory focuses on these relationships

in terms of results for the organisation and the stakeholder (Jones and Wicks, 1999; Miles, 2017).

A dominant approach towards classifying stakeholder theory is a model of stakeholder salience in which stakeholders are classified according to the attributes of power, legitimacy and urgency (Mitchell et al., 1997; Miles, 2017). Stakeholder theory suggests that TSOs are influenced by the preferences of the most salient stakeholders, when salience is a function of power, legitimacy and urgency (Freeman, 1984; Shea and Hamilton, 2015; Mitchell et al., 1997). Mitchell et al., (1997: 854) argue that the question of stakeholder salience goes beyond the question of stakeholder identification, but a theory of stakeholder salience can explain “*to whom and to what managers actually pay attention*”. Stakeholder theory therefore suggests organisations should prioritise stakeholders and their needs according to their status of power, legitimacy and urgency (Mitchell et al., 1997; Shea and Hamilton, 2015). Derivations of Mitchell et al.’s (1997) model of stakeholder salience exist but Mitchell’s is well supported with empirical evidence and considered the most prominent schema (Heaton et al., 2012). See Table 1 (below) for a description of the definitions of the constructs of stakeholder salience.

**Table 1 Key constructs in the theory of stakeholder identification and salience. Adapted from Mitchell et al., (1997: 869)**

<b>Construct</b>	<b>Definition</b>
<b>Power</b>	A relationship among social actors in which one social actor, A, can get another social actor to do something that B would not have otherwise done.
<i>Bases</i>	<i>Coercive</i> – force/threat <i>Utilitarian</i> – material/incentives <i>Normative</i> – symbolic influences
<b>Legitimacy</b>	A generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs definitions.
<i>Bases</i>	<i>Individual</i> <i>Organizational</i> <i>Societal</i>
<b>Urgency</b>	The degree to which stakeholder claims call for immediate attention
<i>Bases</i>	<i>Time sensitivity</i> – the degree to which managerial delay to attending to the claim or relationship is unacceptable to the stakeholder <i>Criticality</i> – the importance of the claim or the relationship to the stakeholder

A further line of argument in support of the application of stakeholder theory is presented as follows: that managerial perceptions of the attributes of power and legitimacy and urgency (Mitchell et al., 1997) are sufficient to categorise all stakeholders and, as the number of stakeholder attributes increases, so does stakeholder salience (Taylor and Taylor, 2014; Greiling and Stötzer, 2016). Once the salience of all stakeholder groups has been established the organisation can decide on its strategic goals (Taylor and Taylor, 2014). However, stakeholder salience in the third sector is sensitive to perspective: predictions formulated from stakeholder theory need to account for the salience of stakeholders to the organisation (Shea and Hamilton, 2015). Traditionally, accounting for the influence of stakeholders is done from a managerial perspective (Miles, 2017), with managers responsible for identifying the most salient stakeholder group, however, this may not account for how salient the organisation is to the stakeholder (Jones and Wicks, 1999). TSOs are more salient to stakeholders who cannot diversify their interests, and such stakeholders encourage TSOs to make decisions that prioritise organisational stability as a means of protecting their needs and interests (Shea and Hamilton, 2015). There is a view that many third sector organisations prioritise small sections of powerful stakeholders over sustained periods of time (Coule, 2015). However, other research suggests that this is, in fact, only the case for a small proportion of organisations, with most able to successfully balance responsiveness to both clients (typically considered to be high in legitimacy and urgency but lacking power) and funder interest, not just those that hold the most financial power (LeRoux, 2009a; Leipnitz, 2014).

The existence of a normative-instrumental classification is well established in stakeholder theory literature (Jones and Wicks, 1999; Miles, 2017). One of the central tenets of the normative approach is that the interests of all stakeholders have intrinsic value and organisations should attend to the interest of all their stakeholders, not just those who dominate (typically those with a financial interest) (Jones and Wicks, 1999; Miles, 2017). Under this ethical, normative approach, relationships established with stakeholders, which are characterised by mutual trust and co-operation, are morally desirable (Jones and Wicks, 1999). According to LeRoux (2009a) “*organisations adopt an instrumental stance towards stakeholders to maximise financial gains, and only serve other stakeholder interests as a means of achieving that end.*” LeRoux (2009a) further posits that larger nonprofits are more likely to adopt an instrumental approach than smaller organisations. Given the values laden third sector, the moral and ethical approach inherent in a normative stakeholder theory appears conceptually appropriate.

Stakeholder theory provides a useful lens to expose implicit assumptions about the nature of work and organisations with significant implications for accountability and performance (Coule, 2015; Watson, 2006). Coule (2015) further posits that stakeholder theory has a central pluralist logic, in this perspective diverse groups' pursuit of different interests can produce conflict, which in itself is considered a possible driver of social transformation. Although stakeholder theory may support the development of the conceptual foundations of performance measurement in the third sector (Taylor and Taylor, 2014), it has not yet been fully applied to third sector performance measurement and there is a dearth of empirical data to support this proposition (Greiling and Stötzer, 2016; LeRoux, 2009a; Taylor and Taylor, 2014). Furthermore, it is argued that we do not know what the missing link is between stakeholder salience and organisational performance, in other words, we do not know how organisations respond strategically once they have prioritised stakeholder claims (Roloff, 2008; Taylor and Taylor, 2014).

A distinction should also be made at this point between the use of stakeholder analysis and stakeholder theory. Stakeholder analysis, also known as stakeholder mapping, is a useful tool for managing stakeholders, allowing for the systematic identification of those stakeholders as well as the investigation of the relationships between them (Friedman and Miles, 2006; Varvasovszky and Brugha, 2000). A stakeholder analysis typically involves communicating directly with each stakeholder group and assessing their interest and claims, and any opportunities and threats which they present (Varvasovszky and Brugha, 2000; Friedman and Miles, 2006). A stakeholder analysis of all the stakeholder groups referenced in this research was therefore considered inappropriate to fit the research design as the research was focused wholly on the perceptions of the multi-faceted third sector organisations central to this research. Stakeholder theory, however, offered a suitable lens to better understand the way in which the expert participants prioritised the allocation of their attention to performance measurement.

A counter argument toward stakeholder theory and its applicability to third sector performance is proposed by Tucker (2013). He posits that, while stakeholder theory is an appealing lens through which to view performance, its fundamental deficiency, applied within a third sector context, is the ability to accurately identify all stakeholders, with some stakeholders more credible than or more influential than others. This seems to be an argument, however, which simply dismisses stakeholder salience without empirical evidence. There is an observation that important stakeholders are frequently unclear about their bases for assessing third sector effectiveness (Herman and Renz, 2008). While the

needs of stakeholders are important, argues Tucker (2010), the question of what constitutes organisational performance is broader than the operationalisation of the construct, with stakeholder theory only providing part of the answer to the complex question of how these different viewpoints might be integrated (Tucker, 2010). However, this rather broad dismissal of stakeholder theory, without an opportunity to demonstrate its efficacy or otherwise perhaps for lack of supporting empirical evidence seems like too swift an execution. Furthermore, since there is no single criterion of performance upon which third sector organisations can rely on (Moxham, 2009), due mainly to the multiple-stakeholder context in which they operate, stakeholder theory is considered an appropriate method of approach.

### **3.2.1 Inter-organisational stakeholder networks**

The purpose of stakeholder management is to “*facilitate our understanding of, and thereby our ability to manage within, increasingly unpredictable external environments*” (Wolfe and Putler, 2002: 64). Stakeholder management is defined by Roloff (2008: 246) as “*a systematic approach to organise the relationship between business and society.*” In order to manage these unpredictable external environments there is an increasing trend towards inter-agency collaboration in third sector service delivery (Bititci et al., 2012; Taylor and Taylor, 2014). Furthermore, it fits within this context that one of the functions of such stakeholder groups is to act as supporting mechanisms to help organisations meet increasing performance demands, emphasising participation, inquiry and collaboration from its stakeholders (Snyder et al., 2004). The mechanisms by which such inter-organisational networks work and impact on organisational performance, however, is little understood.

One of these stakeholder groups is defined by scholars as a multi-stakeholder network, or public policy network, comprising of actors from civil society, business and governmental institutions who come together to find a common approach to an issue which affects them all, addressing complex problems and challenges (Roloff, 2008; Goldstein and Butler, 2010). “*The mode of engagement in these networks is deliberation which facilitates learning and collaboration and the participation is voluntary*” (Roloff, 2008: 244). Multi-stakeholder networks support collective action, participation is voluntary and objectives and actions are negotiated among participants (Roloff, 2008). Whilst this perspective may present us with a benign view of the role of such stakeholder networks, scholars also argue that research has not examined sufficiently the likelihood that stakeholder groups will take



action to sufficiently influence the key issues (Rowley and Moldoveanu, 2003; Jones and Wicks, 1999) inferring therefore that we have insufficient evidence to how they may impact organisational performance.

Lesser and Storck (2001) posit that stakeholder groups – specifically communities of practice - can improve organisational performance, but also argue that there has been relatively little systematic study of how communities of practice create organisational value. They argue that the social capital inherent in communities of practice leads to behavioural changes, which, in turn, positively influences business performance (Lesser and Storck, 2001). Communities of practice, also known as: knowledge communities, competency networks, thematic groups and learning networks, are defined as “*groups of people informally bound together by expertise and passion for a joint enterprise*” (Wenger and Snyder, 2000: 139). People in communities of practice share their experience and knowledge in order to foster new approaches to problems and can drive strategies, solve problems, promote the spread of best practices and develop people’s professional skills (Wenger and Snyder, 2000). Whilst it is argued that they will typically have a core of participants with a passion for the topic, which can address many of today’s challenges and social problems (Wenger and Snyder, 2000; Snyder et al., 2004) such networks bring the dual challenge of encouraging cooperation as well as competition (Brandsen and van Hout, 2006) and put pressure on the integrity of the performance measurement process as well as undermining the distinctive nature of each organisation (Taylor and Taylor, 2014). Scholars argue that our understanding of organisation and stakeholder groups are incomplete, with a lack of rigour in how we align organisational and stakeholder priorities (Wolfe and Putler, 2002). The implications from the literature suggest that inter-organisational stakeholder networks have the capacity to positively influence organisational performance, but there is little empirical evidence from the literature which directly shows that this is the case.

### **3.3 Stakeholders influencing organisational performance: power, legitimacy or urgency?**

Categorising stakeholders is important in order to understand their requirements and influences over the organisation (Taylor and Taylor, 2014). Drawing on stakeholder theory (Freeman, 1984), the attributes of power, legitimacy and urgency (Mitchell et al., 1997) can determine which of the stakeholders receives managerial attention (Miles, 2015). (See also Table 1, Key Constructs in the Theory of Stakeholder Identification and Salience).

Some of the challenges with this approach can mean that a stakeholder, such as a service user, may have legitimacy and urgency, but lack the power to influence (Taylor and Taylor, 2014). Attempting to answer the question of who the primary stakeholders are could be highly divisive, and, for example, indicating that the primary stakeholder is a donor or funder implies that financial performance is taking precedence (Hyndman and Jones, 2011).

As has been described previously, the stakeholders for the TSOs are numerous, including government, beneficiaries, funders, commissioners (Taylor and Taylor, 2014; Moxham and Boaden, 2007; Cairns et al., 2005a) which has significant implications for performance as the multiplicity of stakeholders means that simplistic models of performance are unlikely to be effective (Moxham and Boaden, 2007). There is much work ongoing to try to move forward from the known conflicts, tensions and power struggles inherent in balancing stakeholder requirements (Yang et al., 2014; Dart and Davies, 2003).

### **3.3.1 Beneficiaries**

Performance measures are demanded by a number of stakeholders, including its service users, or beneficiaries (Kendall and Knapp, 2000). However, the performance measurement literature is heavily weighted towards funders as key resource providers, and is much less likely to consider the needs of its beneficiaries (Cordery and Sinclair, 2013) which means that the beneficiaries, i.e., those directly receiving services, are possibly the most neglected voice in the third sector literature on performance (Martin, 2011). While the stakeholder field in general is notable for its descriptions of stakeholder tension, conflict, and power struggles (LeRoux, 2009a; LeRoux and Wright, 2010) for the stakeholders who are receiving services the discourse reflects that of power struggles with groups of people who are marginalised, vulnerable and lacking a voice (Wellens and Jegers, 2011; Twersky et al., 2013; Martin, 2011). Beneficiaries are, on the one hand, the “*stakeholders who enjoy the services that non-profit organisations provide*” (Wellens and Jegers, 2011: 175) but at the same time may be “*vulnerable citizens who lack the information, ability or luxury or the ‘voice’ option or ‘voting with their feet’ in the same way customers in the for profit service market might*” (LeRoux, 2009a: 160).

Debate is ongoing as to how this significant power balance could be addressed, for example, how to better involve beneficiaries in the governance and policy making of the organisation, and by association, its performance (Wellens and Jegers, 2011). The right of individuals to be involved in decisions that affect their daily lives may be supported by

many, but there is also evidence of stakeholder reluctance to allow beneficiaries to be involved due, at times, to a perceived lack of capacity of the beneficiary to influence policy (Wellens and Jegers, 2011). Methods used by beneficiaries to communicate their expectations and experiences at different levels of organisation aggregation are defined as ‘participatory governance mechanisms’ (Wellens and Jegers, 2011; LeRoux, 2009b). The benefits of high levels of participation in governance by the beneficiaries are said to lead to improved governance practice and improved organisational performance, due to the production of better informed decisions (Wellens and Jegers, 2011). However, research has shown that in some cases organisations allocate more time to current and prospective funders than to their beneficiaries (LeRoux, 2009a). A further debate ensues as to whether or not the source of third sector funding, and therefore the performance reporting requirements, i.e., from government or other sources, makes a difference to whether or not participatory approaches are prioritised (Wellens and Jegers, 2011).

Beneficiaries therefore provide the justification for the organisation’s existence (LeRoux, 2009a; Twersky et al., 2013; Martin, 2011) to which the organisation will be expected to allocate time, direct services, and many resources for them, such as advocacy, client education and linkages to community institutions (LeRoux, 2009a). However, it is argued that strategically, other stakeholder interests will be prioritised over beneficiaries, because the organisation’s financial performance will depend on it (LeRoux, 2009a). The many negative, even passive descriptors of beneficiaries are often challenged:

*far from simply receiving services, clients are active agents, whose desires, attitudes, needs and situational constraints play key roles in the change process. Frontline staff build partnerships – define desired outcomes and strategies, support client capacity to take novel action. This is called co-determination (Benjamin and Campbell, 2014: 989).*

The extent of service user involvement is a source of ongoing academic debate and many believe that effective involvement can make a positive contribution to the evaluation and improvement of services (Mazzei et al., 2019; Bovaird, 2007). Indeed, Mazzei et al., (2019) presented a typology of relations between third sector organisations and their users; in the first scenario service users are enabled by the third sector organisation; the second scenario shows excessive control by the organisation resulting in tokenistic participation; the third scenario shows service users being represented by the third sector organisation

and the final scenario is the limited voice of the service user, where service users are not meaningfully included. The implications of this are particularly resonant for commissioners of third sector organisations who should consider the extent of service user engagement when commissioning services, as formal inclusion of service users should support improvement of service user outcomes (Mazzei et al., 2019). However, there is currently little research that shows how best to develop such stakeholder-inclusive processes to define a clear evaluation strategy for service users and further engagement with users is needed (Bach-Mortensen and Montgomery, 2018). As recent research on third sector performance has identified the highest ranking performance measure as being quality of care, followed by user satisfaction (Colbran et al., 2018), then methods of ensuring service user involvement in the development of these must be a priority.

There is undoubtedly ongoing tension in the effective involvement of beneficiaries in the development of performance measures. In addition, there are significant barriers, such as the demands of public sector contracting, which interfere with third sector organisation's capacity to be accountable to their service users (Harlock, 2014). However, alongside this there seems little doubt that there is a shift in the culture of welfare provision moving towards more direct participation of service users (Martin, 2011: 912) due to efforts to develop performance monitoring structures that are meaningful and reflect the quality of life of recipients (Harlock, 2014). The beneficiary, therefore, under Mitchell et al.'s (1997) typology can be defined as having legitimacy and, at times, urgency, but lacking power.

### **3.3.2 The charity regulator**

All charities in the UK are regulated to varying degrees, which is usually concerned with the aim of providing 'good' governance and aims to ensure positive relationships between key stakeholders, as well as ensuring good performance (Hyndman and McDonnell, 2009). As charities receive their income from a range of sources, which can include donors, national and local government, fees from service users and grants from foundations and trusts and as they provide a range of services for all groups of the population it is important they are operating effectively (Hogg, 2018). Regulation can, therefore, help to build confidence in individual charities and trust in the charity sector as a whole, ensuring long-term support from its stakeholders (Hogg, 2018; McConville and Cordery, 2018). An effective regulator is seen as key to increasing the public's trust and confidence, demonstrating effectiveness, efficiency and transparency (Bekkers and Bowman, 2009; Cordery and Sinclair, 2013). Reporting to the regulator by charities needs to be carried out

on a regular, usually annual basis, often drawing on accounting standards that regulate such reporting. The development of reporting requirements and recommendations and charity accountability requires not just financial accountability, but also accountability for their performance towards mission (McConville and Cordery, 2018; Cordery and Sinclair, 2013). However, there are limitations to the extent of reporting, with a concern that there may be a possible mismatch between the performance which is being reported on and charities' challenges, which may not reach the public (MacIndoe and Barman, 2012; McConville and Cordery, 2018).

The public reporting of performance can help charities evaluate progress towards their mission (Inspiring Impact, 2013), identify both good practice or areas for improvement, as well as allocate resources more effectively (McConville and Cordery, 2018). In comparison with other countries, the UK is rare in having mandatory performance reporting requirements; research which compares the UK with other countries shows that it appears better able to quantify performance measures with a level of transparency that, arguably, provides the reader with a more comprehensive sense of organisational performance (McConville and Cordery, 2018). The charity regulator, therefore, is a significant and powerful stakeholder group for a third sector organisation (Dawson and Dunn, 2006) holding also both claims of legitimacy and, at times, urgency (Mitchell et al., 1997).

For the donor intending to give money to charity, the purpose of regulation is to increase their confidence in how well the charity is being supervised, and potentially donate more, therefore government regulation benefits both charities and donors (Hyndman and McDonnell, 2009). However, charity regulation can have the effect of outweighing its accountability to the donor; i.e., if there are too many regulatory burdens in existence, charities may spend more time complying with these than meeting their charitable objectives (Hyndman and McDonnell, 2009). This has important implications for governance as this may have a detrimental impact on performance; the extent to which charities are accountable to the regulator may have an influence on the performance of charities to donors and their beneficiaries (Hyndman and McDonnell, 2009).

Good regulation can increase public confidence, improve the management of charities and reduce the likelihood of scandal; on the other hand, excessive regulation, can undermine a charity's ability to perform well (Hyndman and McDonnell, 2009; Moxham, 2009). It is also argued that over regulation can reduce the motivation of volunteers and result in less

volunteering by individuals (Moxham, 2009). Aiming to provide a regulatory approach that is proportionate and suitable should be paramount, with the aim of ensuring the charity can perform as well as it can (Hyndman and McDonnell, 2009). There is a further argument that while transparency of information via regulation has been widely viewed as positive, the open data movement means that neither regulators nor charities can control the access to and use of their information (Phillips, 2013). Current research indicates that it cannot be taken for granted that charities would provide performance information in the absence of regulation and therefore further research on the impact of the influence of the regulator on performance reporting is called for (McConville and Cordery, 2018).

### **3.3.3 Funders**

As has been described in the earlier section on the third sector, one of the main distinctions between a third sector organisation and its private/public counterparts is how income is generated, and the resulting accountability requirements in relation to this (Taylor and Taylor, 2014; Carman, 2009). For individual donors it is understood that a charity must be able to demonstrate its trustworthiness through its performance mechanisms (Taylor and Taylor, 2014). Where services are commissioned by local authorities, however, the commissioning cycle itself incorporates the measurement of performance as part of its process (Taylor and Taylor, 2014; Bovaird et al., 2012). There are significant implications for performance measurement in third sector organisations in relation to their income streams, the first is that funding, both grants and contracts are typically short-term, 12 month funding is not untypical (Dickinson et al., 2012), which means that securing funding every year or two years leads to performance objectives which are typically short-term, rather than a focus on longer-term impacts (Taylor and Taylor, 2014; Moxham and Boaden, 2007).

The wide range of funding sources presents third sector organisations with further challenges; a high level of data collection is correspondingly needed to address many different performance indicators being required by the funders (Bozzo, 2000; Taylor and Taylor, 2014). This tends to further complicate the performance environment with service providers typically having an increased workload of data gathering and monitoring to meet multiple demands (Cairns et al., 2005a; Dawson, 2010; Taylor and Taylor, 2014). The dominance of funders over other stakeholder groups, such as beneficiaries, typically puts pressure on a third sector organisation to prioritise the needs of those funders (Cairns et al., 2005a; Taylor and Taylor, 2014). This therefore means that those who fund organisations

are constraining the development of “*effective, forward looking and customer focused measurement systems*” (Taylor and Taylor, 2014: 5).

Whilst there may have been an understanding in the past that organisations would be funded based on their good intentions, (Benjamin, 2010; Drucker, 1990; Barman, 2007) in recent years there is a shift in understanding that the sector is accountable for the use of the funds it receives: donors want the causes they support to benefit and thrive and one of the factors they consider before donating is the performance of the organisation they are supporting (Hogg, 2018; Breeze, 2010). Those funding a third sector organisation provide resources in order that the third sector organisation can benefit those in receipt of services (Hyndman and McDonnell, 2009). Donors can be broadly classified into groups from small donors (down to individual level), large donors, to trusts and foundations and also government funders, including contractual and non-contractual relationships (Hyndman and McDonnell, 2009; Hyndman and Jones, 2011). Funds from government, foundations and corporations shape an organisation’s behaviour because they represent institutional forms of support and may embed their own values in an organisation’s practice (LeRoux, 2009a). However, direct contributions from individuals have declined for the sector over recent years and individual donors are now considered to be a less predictable source of income for third sector organisations (LeRoux, 2009a).

Many of the larger grant making trusts are organisations themselves, their purpose being to distribute funds to charities, either for a specific activity or a whole service. Therefore, they have a clearer accountability relationship with their donors than that from a private individual donor, with charities being required to produce performance information to comply with external requirements (Hyndman and McDonnell, 2009). Foundations exist to make grants to third sector organisations and are therefore considered part of the ‘public serving’ third sector, helping to provide these organisations with independence and autonomy (Salamon, 2002; LeRoux, 2009a).

Corporate funders provide funds either directly or through a foundation, and they may have the effect of transmitting business sector practices to the third sector (Thomson, 2011; LeRoux, 2009a). This, it is argued, drives third sector organisations towards a more instrumental approach, in other words, organisations adopt an instrumental stance towards stakeholders (i.e., displaying an imbalance in time commitments between funders and service users, with funders receiving precedence) in an attempt to maximise financial gains (LeRoux, 2009a). Organisations which receive funding from government (contractual or

noncontractual) can expect to see a professionalisation of that charity to provide assurance of performance with greater clarity of governance and internal systems, in addition to financial scrutiny (Hyndman and McDonnell, 2009). It is argued that third sector organisations which receive government funding may be less likely to adopt an instrumental orientation because public funding “*mediates instrumental tendencies in favor of a broader, more inclusive stakeholder management approach*” (LeRoux, 2009a: 166).

This presents a challenging environment for the third sector, in particular with the difficulties of short-term funding, and increasing demands on the sector to become more business focused (Manville and Broad, 2013; Dart, 2004; Moxham, 2009). With limited data available on the impact of performance measurement systems (Moxham and Boaden, 2007) it is essential for public sector accountability not only that performance is measured, but is judged to be effective, otherwise funding could cease altogether (Moxham and Boaden, 2007; Manville and Broad, 2013). However, challenges have been identified in particular with a mismatch between funders’ requirements and reporting mechanisms (Moxham and Boaden, 2007; Manville and Broad, 2013; Arvidson, 2009; Ellis and Gregory, 2008). Whilst there is increasing pressure from funders to demand performance information from the organisations they fund, it is also unclear how much of that is being used as a basis for decision making (Arvidson, 2009). Such performance demands from funders are often seen as a “*resource drain and distraction*” (Carman and Fredericks, 2008: 58). Furthermore, funders rarely provide resources for organisations to provide reports on their activities and achievements (Ellis and Gregory, 2008; Arvidson, 2009) and there is evidence that staff are measuring performance without any dedicated resources (MacIndoe and Barman, 2012; Cordery and Sinclair, 2013). The need to report on different measures to a diverse groups of funding bodies further increases the complexity of the process (Kim et al., 2018). Evidence has also shown that funders may not be attentive to the size of the organisation, nor the scale of its work when demanding performance information, meaning that reporting can, at times be counter-productive to the organisational mission (Arvidson, 2009) and also that collecting performance data may not necessarily lead to performance improvement (Kim et al., 2018). From the perspective of third sector managers, funders typically hold power and legitimacy and may also, at times, hold urgency (Mitchell et al., 1997).



## 3.4 Processes influencing organisational performance

### 3.4.1 Governance

In order to improve our understanding of how the third sector is conceptualised, identified and understood, this section explores how governance, which is concerned with ensuring the overall direction, effectiveness and accountability of an organisation impacts on performance. Scholars argue that effective boards improve organisational performance (Brown, 2005; Herman and Renz, 2000), although the mechanisms are arguably, less well understood (Brown, 2005).

Governance (usually prefixed as ‘good’) within the third sector is recognised as being of central concern to meeting the requirements of stakeholders and as a foundation for underpinning effective and efficient performance (Hyndman and Jones, 2011; Coule, 2015). Whilst the concept of governance relates to how charities are directed, or managed, there is a broader understanding which encompasses the way stakeholders within the organisation interact with each other (Hyndman and McDonnell, 2009) and, in particular, debate about whether there could be increased opportunities for client participation forming a more participatory approach to governance (LeRoux, 2009b). Therefore, governance in the third sector needs to be viewed as a different field from corporate governance, in which suppliers of finance are seeking a return on their investment; this approach would not align with charitable objectives as charities do not return funds to donors (Hyndman and McDonnell, 2009). A distinction also needs to be made between third sector governance and public sector governance in which the latter focuses on accountability for performance, supports many relationships inside and outside the public sphere and stresses the importance of policy networks (Hyndman and McDonnell, 2009).

An accepted definition of third sector governance is therefore:

*the distribution of rights and responsibilities among and within the various stakeholder groups involved, including the way they are accountable to one another; and also relating to the performance of the organisation, in terms of setting objectives or goals and the means of attaining them (Hyndman and McDonnell, 2009: 9).*

This clarifies third sector governance as being the set of relationships between stakeholders, ensuring the organisation is effectively run in terms of attaining its objectives, and the importance of groups, beyond the board of trustees (Hyndman and McDonnell, 2009). Furthermore, there is evidence which shows that governance which has moved beyond what might be considered a ‘paternalistic’ approach to its users (LeRoux, 2009b) and towards a more direct involvement of its users in the design and delivery of services is likely to have a significant impact on the commissioning of services and, therefore, the organisation’s performance (Martin, 2011).

Theories of third sector governance are considered underdeveloped in comparison with corporate governance (Coule, 2015; Sundaramurthy and Lewis, 2003). A consideration of key theories is important when examining the nature of governance as they have markedly different implications for the meaning of accountability and performance. There are broadly two theoretical perspectives concerning governance. The first is based on the ‘principal-agent’ theory, which takes a ‘systems control’ approach (Hyndman and Jones, 2011; Coule, 2015; Sundaramurthy and Lewis, 2003; Hyndman and McDonnell, 2009). Under this theory are two variations: the first is agency theory in which the board’s role (as principals) is to constrain or control agents (managers) to conform to their interests (Hyndman and Jones, 2011; Coule, 2015; Bellante et al., 2018), although there is a recognition that agency theory does not adequately capture the implications for how third sector governance benefits organisations (Brown, 2005). Stewardship theory assumes board members and managers share interests or that agents are motivated to act in the interests of principals (Coule, 2015). However, there is almost certainly an explicit lack of consideration of the role of beneficiaries under both of these approaches, in which power and control are retained at the highest level. Under the systems control perspective, conflicting objectives are seen as dysfunctional, and agents’ accountability to principals is of primary concern (Coule, 2015). It is the perspective of organisational elites that become legitimised in organisations and external stakeholders, such as beneficiaries, may become marginalised in decision making with accountability taking on a narrow, hierarchical form (Coule, 2015).

To take an alternative perspective of theories underpinning governance, both stakeholder and democratic theories are driven by a ‘process-relational’ view of work and individuals (Coule, 2015). Within this ‘process-relational’ view there is an acceptance of multiple individuals and groups with many diverse interests and priorities (Coule, 2015).

Governance, as seen through the lens of stakeholder theory, means that the board’s

membership must also be made up of stakeholder representatives, ensuring more opportunities for collaboration; under democratic theory, there is more focus on the legitimisation of decision-making (Coule, 2015; Dickinson and Sullivan, 2014). Accountability, under this perspective therefore becomes broader and more expressive allowing critique, reflection and debate (Coule, 2015). According to Coule (2015) third sector governance and accountability should be considered a “*social and dynamic process*” and she challenges the notion that accountability is a “*benign and straightforward governance function*” (Coule, 2015: 75). The more typical view of accountability in third sector organisations is that it is about being answerable for conduct and responsibilities (Hyndman and Jones, 2011). The counter argument is that to fully understand accountability requires a better consideration of power, the nature of organising and social relations (Coule, 2015). These all have importance in the consideration of performance.

The third sector is characterised by diversity of governance arrangements and therefore, different levels of engagement with their users at this level (Mazzei et al., 2019). The ‘ideal’ scenario, as presented by the literature, is when third sector organisations are meaningfully engaged in governance and co-production, i.e., an arrangement where citizens are involved to some extent in the production of their own services (Brandsen and Pestoff, 2006; Mazzei et al., 2019). However, the extent of this meaningful engagement is debated and not always a guarantee of successful inclusion (Mazzei et al., 2019). The nature of optimum governance mechanisms is certainly not clear cut (Bellante et al., 2018) however, that governance is and should be a driver of organisation’s performance is clear, what is unclear from the extant research is the extent of its influence in practice.

### **3.4.2 Commissioning**

Commissioning is broadly understood as the process of assessing public needs, planning, purchasing and evaluating public services accordingly (Harlock, 2014). The third sector is under increasing pressure to report on its activities by commissioning bodies (Barman, 2007; Carman, 2007; Bovaird et al., 2012; Macmillan, 2010; Bach-Mortensen and Montgomery, 2018), yet despite the increased emphasis on performance measurement practices from commissioners, there is evidence that many TSOs are struggling to provide good quality evidence of its effects (Bach-Mortensen and Montgomery, 2018). Third sector organisations are frequently chosen to provide welfare services (Milbourne, 2013) because they offer strategic benefits with a high level of innovation, distinctive service provision (Macmillan, 2012), expert knowledge of local communities and groups and the

role they play in advocacy and a commitment to service users (Bovaird et al., 2012). Commissioners working for the government are tasked with ensuring cost-effective outcomes for service users through the commissioning cycle (Bovaird et al., 2012; Harlock, 2014) and government funding of third sector services is therefore awarded through the process of commissioning. However, there is also evidence to indicate that many third sector organisations are measuring performance not to improve service delivery, but to meet the needs of their key stakeholders (Ellis and Gregory, 2008; Carman and Fredericks, 2008) and a failure to prioritise improvement may mean that the commissioning process could incentivise poor quality evaluations (Bach-Mortensen and Montgomery, 2018).

Carmel and Harlock (2008) question the relationship between the third sector organisations and those commissioning their services and ask “*whether ambivalence ever translates into resistance [and] what form such resistance takes*” (Carmel and Harlock, 2008: 167). Carmel and Harlock (2008: 155) further go on to categorise the third sector organisations through the mechanisms of procurement and performance as becoming “*market-responsive, generic service providers, disembedded from their social and political contexts and denuded of ethical or moral content and purpose.*” Whilst it is unclear that there is empirical evidence to support this status there is certainly concern that public sector performance mechanisms emphasise financial accountability over the wider concept of social value (Ellis and Gregory, 2008; Dacombe, 2011; Harlock, 2014) instead of the focus on outcomes-based commissioning, which is intended to achieve the greatest benefits for service users and their communities (Harlock, 2014; Bovaird et al., 2012).

Terminology in the area of commissioning, procurement and purchasing, is contested (Bovaird et al., 2012), but it is best defined as:

*the means through which public services might deliver innovative, effective, efficient and quality outcomes for service users and populations* (Bovaird et al., 2012: 8).

The New Public Management reforms were aimed at fostering a ‘performance oriented culture’ and this is evident in the many commissioning frameworks where the performance management framework is outlined in detail (Bovaird et al., 2012). Commissioners have the power to either provide support to a service to help it improve, or in the event that the service is inefficient, ineffective or unsustainable, it may be decommissioned and other

provision may be found to meet those needs (Bovaird et al., 2012). Good quality performance information is therefore needed to help commissioners analyse how efficient and effective an organisation is; this, in turn, will influence how the providers of those services behave (Bovaird et al., 2012). Commissioning is primarily focused on funds being used to achieve outcomes, rather than ensuring that the outputs of activities and processes take place, and this has significant implications for organisational performance (Taylor and Taylor, 2014). Concerns have been raised about the nature of evidence requested from third sector organisations by commissioners to assess the effectiveness of services, which may be detrimental to third sector organisations' accountability to their service users (Harlock, 2014). Third sector organisations, in turn, report feeling under pressure to provide data which proves evidence of effectiveness as well as their unwillingness to report negative results (Harlock, 2014; Arvidson and Lyon, 2014).

The growth in state funding, which for many third sector organisations is the dominant source of funding, means the demands of the state can be prioritised over other stakeholders (Dacombe, 2011). Of its annual income (£45.5 billion in 2014/2015), it was estimated that the UK government gave £15.3 (33.6%) billion to the third sector, largely through contract-based commissioning (Bach-Mortensen and Montgomery, 2018). Whilst the importance of social value (the wider added and collective benefits a service may generate) is recognised in commissioning, the ongoing challenges of its measurement may mean that the responsibility of demonstrating social value may fall to the third sector (Harlock, 2014). A fundamental concern is that this level of accountability may not align with an organisation's strategy, and furthermore, could lead to the distortion of an organisation's mission (Dacombe, 2011).

### ***3.4.3 Mission, vision and values: do they matter for third sector performance?***

The mission statement is recognised as an important strategic management tool, but its impact on third sector performance is unclear (Pandey et al., 2017). Although the mission statement can be a key driver of organisational strategy (Kirk and Nolan, 2010) attitudes towards the value of the mission statement may vary (Pandey et al., 2017) and the difficulty of measuring mission success has long been recognised in the third sector management literature (Sawhill and Williamson, 2001). Whilst third sector organisations are considered to be driven by a set of values, norms and motivations (Lindenberg, 2001), which are closely linked to mission accomplishment (Macedo et al., 2016) their mission

statements are widely considered to be an important strategic tool for third sector organisations to improve their effectiveness and sustainability (Macedo et al., 2016; Weerawardena et al., 2010; Willems et al., 2014). Identifying appropriate measures of organisational performance has been identified as a challenge for researchers, recognising that both financial and non-financial measures need to be adopted, in line with those used in the third sector (Macedo et al., 2016; Patel et al., 2015).

Some scholars argue that there is limited evidence to support a relationship between mission statement focus and organisational performance (Kirk and Nolan, 2010). Elsewhere, it is argued that the power of a mission statement relies on its strategic value as a management tool or as a performance driver (Macedo et al., 2016). The mission statement in the third sector setting is, however, considered more important than in for-profit firms as it helps to attract and secure financial resources, and is therefore considered critical to the organisation's performance (Macedo et al., 2016).

Research, therefore, in the past two decades has been concerned with identifying whether there is a link between the mission statement and improved organisational performance, with until recently, mixed results (Kirk and Nolan, 2010; Weerawardena et al., 2010). Scholars have been working to establish clear evidence between the mission statement and improved organisation performance in the third sector by exploring the role of organisational commitment in moderating the relationship between the mission statement and organisational performance (Patel et al., 2015; Macedo et al., 2016).

Whilst some approaches have therefore focused on organisational commitment as the key mediator between mission and performance (Patel et al., 2015; Macedo et al., 2016), other identified variables, as yet unexplored, may also impact on organisational performance, for example; organisational structure, human process, strategic positioning and knowledge (Kirk and Nolan, 2010; Patel et al., 2015). Organisational commitment is defined as how an individual feels towards their organisation "*in terms of emotional attachment, acceptance of goals and values, identification with organisation, behavioural investment and wanting to stay in the organisation*" (Patel et al., 2015: 761). This can be an affective commitment; in which the individual's values are aligned with the organisation's values and mission; a normative commitment; remaining with an organisation because of social pressure or moral imperatives, or a continuance commitment; where the individual remains in an organisation because they think they need to (Patel et al., 2015; Allen and Meyer, 1990). Whilst research recognises that the relationship between mission and organisational

performance is complex, there is evidence that third sector organisations can improve performance by communicating their mission and building emotional commitment to their cause (Patel et al., 2015) and further research identifies that performance measures are the best way for the sector to make progress towards mission-oriented goals (Kim et al., 2018; Benjamin, 2013).

### **3.5 Summary**

In this chapter stakeholder theory was identified as an appropriate theoretical lens through which to explore OPM in the third sector. The key constructs of stakeholder salience through the perspective of power, legitimacy and urgency were identified as appropriate lenses through which to explore this further. The relevance of the inter-organisational stakeholder network was also explored in this section; as a key aspect of stakeholder management, they may play a role in helping TSOs meet performance demands.

The role of key stakeholder groups was explored in more depth, looking at funders, beneficiaries and the regulator and the relevance of their stakeholder salience status of power, legitimacy and urgency. Next, the chapter explored key processes which impact on organisational performance measurement, namely; commissioning, governance and mission, vision and values. According to the literature the funders and the regulator are the most salient stakeholder group, with both holding high levels of power and legitimacy, leaving the beneficiary, with arguably the most claim on a third sector organisation, with low levels of power and influence. Within the key processes, commissioning was perceived as being highly influential on the process of performance. Internally both governance and mission were considered to potentially impact organisational approaches to performance, although empirical evidence is lacking in support of this. In the next chapter the research methodology is outlined and justified against the research aim and questions.

# Chapter 4 Research methodology

## 4.1 Introduction

The previous chapters have delineated the topic under investigation, organisational performance measurement in the third sector, and have drawn upon the key literature in this field. This chapter now restates the research aim and questions and discusses the qualitative research methodology that was adopted in support of them in the context of the research field. It then outlines the processes which support the research methodology; namely using individual interviews, group interviews and observations. This chapter also presents the method of data analysis and reflects on the role of the researcher as well as the limitations of the research.

## 4.2 Research aim and questions

In order to address the research gaps identified in the extant third sector organisational performance literature, this study started from the following research aim:

*Drawing on stakeholder theory, this research aims to improve our understanding of the way in which third sector organisations measure organisational performance.*

The research questions are:

**RQ 1.** What is the purpose and relevance of organisational performance measurement to the third sector?

**RQ 2.** How do third sector organisations define, understand and measure organisational performance?

**RQ3.** How does stakeholder theory improve our understanding of organisational performance measurement for third sector organisations?

**RQ 4.** What are the key drivers of organisational performance measurement for third sector organisations?



### 4.3 Research methodology – a qualitative approach

Aligning a research methodology with the method of enquiry to the research aim is of critical importance to ensure a valid study (Ritchie et al., 2013). The research aim and questions stated above are exploratory in nature. Exploratory methods work well in a shifting environment because there are underlying complexities, changes and nuances that would be missed were other research approaches adopted (Saunders et al., 2012; Ritchie et al., 2013). Exploratory research in the turbulent and uncertain environment of the third sector (Milbourne, 2013) is an appropriate approach to support an examination of perspectives and accounts of research participants (Ritchie et al., 2013).

Qualitative research is an approach which has been described as “*a set of interpretive, material practices that make the world visible*” (Denzin and Lincoln, 2011: 3).

‘Material practices’ here can be taken to mean how the world is turned into a series of representations, such as field notes, interviews and recordings which are studied and interpreted in their natural settings (Denzin and Lincoln, 2011). While qualitative research is a broad field and includes many approaches and methods, it allows for a highly interpretative perspective and allows consideration of questions such as ‘what, why and how’ rather than ‘how many’ (Flick, 2014; Bryman, 2004). Qualitative research allows for an in-depth and interpreted understanding of the sense that participants make of their perspectives of their social world, is open to emergent theories when subject to analysis and interpretation (Ritchie et al., 2013) and is therefore an appropriate approach in an under-theorised field (Moxham, 2014). A qualitative approach to the research therefore allows for an interpreted understanding of the field of performance measurement in the third sector by learning about the sense participants make of these concepts within their environment (Flick, 2014). It allows for a description of the phenomena being researched and also supports a reflexive approach where the role and perspective of the researcher is acknowledged (Flick, 2014; Ritchie et al., 2013).

### 4.4 Fieldwork

In line with the rationale presented above, a qualitative, interpretive approach was therefore considered the most appropriate to meet the research aim and questions. The next step was to decide upon a suitable method and the options considered included case study, interviews, focus groups and observations (Flick, 2014; Ritchie et al., 2013). I considered that working with a single organisation in a case study, for example, might restrict the

opportunity to reveal contextual factors coming to play in organisational decisions to adopt performance measurement systems. I concluded that capturing views from a number of third sector organisations would ensure a variety of perspectives, according to the size and remit of each individual organisation, and also allow for an exploration of commonalities among members of inter-organisational networks. Working in-depth with a single organisation, as a participant observer, or through an ethnographic study, might have further limited the opportunities for comparison with other organisations.

As there is a benchmarking side to performance (Lecy et al., 2012; Tyler, 2005; Moxham, 2014) it seemed reasonable to study third sector organisations and their relationships with each other through the use of relevant networks. As there are few objective and agreed benchmarks in this field of research I had to develop and impose my own means of comparing approaches to performance. The Scottish third sector environment proved very advantageous to research as the social care organisations were working within the same regulatory and funding environment and were each well known to each other, having developed a number of partnerships and collaborative working practices over the years (Dutton et al., 2013).

I therefore decided to undertake both group and individual interviews, alongside observations. Having also decided that several third sector organisations would be involved, I decided to interview individual representatives of relevant organisations who had the lead responsibility for performance and quality. This aligns with other research methodologies where those with responsibility for management decisions in relation to performance and quality are accepted as most appropriate to interview (Liao et al., 2014). Both individual expert interviews, as well as group interviews, would form the core elements of the research design.

I planned to undertake the initial group interview prior to individual interviews. I had anticipated that a group interview would help towards developing a sense of a normative understanding of the subject (Flick, 2014). In the process of a group interview, debates were more likely to occur, thus producing a more realistic account of the phenomenon being researched; this also allowed me to study the way participants collectively made sense of meaning (Bryman, 2004; Ritchie et al., 2013). The follow up by individual interview also ensured that more reflective participants would have an opportunity to contribute more effectively (Bryman, 2004). Individual interviews would then support an in-depth exploration and a more confidential setting than the group interview. They would

provide an opportunity to explore and compare the individual practices of organisations amongst the leading practitioners in the field of third sector performance (Ritchie et al., 2013).

An alternative option would have been to have considered a survey post group interview, instead of individual interviews (Saunders et al., 2012). This however was rejected on the basis that a survey would not have ensured the possibility of following up on insights relevant to individual participants, as well as being an approach more suited to a deductive study. Another alternative, which was considered but rejected, was the possibility of returning for a follow up group interview. This was not a viable option, due to restrictions to the time allocated for group meetings in each year, and the likelihood that a group interview with the same participants would be unlikely to significantly add to the data which had already been produced. Group participants were highly agreeable to follow up as individual participants in the process, this therefore, was a logical approach, as participants had good insight into the research topic, and were prepared to go deeper with their individual insights. This is supported by other research which argues that obtaining qualitative data from interviews with third sector managers can improve understanding of how performance influences organisational decisions (LeRoux and Wright, 2010).

## **4.5 Ethics**

A guiding principle of this research was that it should be conducted to standard ethical principles of research, and the research was therefore designed, reviewed and undertaken to ensure integrity, quality and transparency at all stages of the process (Ritchie et al., 2013: 81). In line with University of Glasgow procedures, approval from the Ethics Committee was sought prior to undertaking interviews. In support of this approval, the Ethics Committee received a copy of the summary of the methodology, including the research aim and questions, an overview of the key interview themes (see Appendix 1) and copies of the participant information sheet (Appendices 2 & 3), an observation pro-forma (Appendix 4), group and individual interview consent forms (Appendices 5 and 6, respectively).

In assessing the ethical risks involved, I decided that participants who were invited to take part in the qualitative interviews and group interviews were recruited in their capacity as professional members of staff from their respective organisations, so I interviewed them in their place of work, during office hours. Participants were to be asked to discuss issues

relating to their work, professional networks, and the organisation they worked with (see Appendix 1). Participants were assured of their anonymity within any aspect of the work which may be published. All participants were freely and willingly recruited on the basis of their own knowledge set and access to a working environment relevant to the research and had therefore informed consent (Ritchie et al., 2013). Ethics approval for the research was received in September 2016 prior to the commencement of fieldwork.

## 4.6 Sampling

The Scottish third sector, at the time of the research being undertaken, comprised of 19,357 charities.<sup>13</sup> The organisations which participated in the research were, with the one exception of an advisory organisation, either from the social care sector or from charitable organisations which provided support to them.<sup>14</sup> All organisations were registered as charities with OSCR (Office of the Scottish Charity Regulator) and were classified as either medium, large, major or super-major service providers on the basis of annual income. The organisations, the specific nature of the service they provided and the interviewee(s) who participated are outlined further in Appendix 7, 'Participating Organisations'.

Of the 19,357 charities in Scotland, the majority were classified as 'micro', with only 2,657 medium charities, 522 large charities, 66 major charities and 1 super-major charity.<sup>15</sup> At the time of this research 760 charities in Scotland accounted for 81% of the sector's income of £4.7bn, furthermore, 36% of all Scottish charities provided social services, and were subject to the regulation regime described above.<sup>16</sup> To put into context the nature of social service provision in Scotland the total workforce comprised of 202,090 individuals across public, private and voluntary (third sector) provision (Scottish Social Services Council, 2018). Of this workforce, 28% were employed by the voluntary sector, 31% by the public sector and 41% by the private sector (Scottish Social Services Council, 2018). This demonstrates how the voluntary (third) sector is a significant player in the delivery of nationwide statutory social services.

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<sup>13</sup> downloaded from NCVO Almanac 3/12/18 <https://data.ncvo.org.uk/a/almanac18/scope-data-2015-16/>

<sup>14</sup> downloaded from NCVO Almanac 3/12/18 <https://data.ncvo.org.uk/a/almanac18/scope-data-2015-16/>

<sup>15</sup> Downloaded 5/12/19 from <https://scvo.org.uk/policy/evidence-library/2018-state-of-the-sector-2018-scottish-third-sector-statistics>

<sup>16</sup> the social care sector accounts for 36% of third sector activity in Scotland, benefitting specific groups such as children, young people, older people and people with disabilities. Downloaded from <https://scvo.org/projects-campaigns/i-love-charity/sector-stats/> 4/12/18

The largest sub sectors within the delivery of social services are housing support, care at home and care homes for adults and day care of children (Scottish Social Services Council, 2018). (Details of the services provided by the organisations taking part in this research are shown in Appendix 7, ‘Participating Organisations’). The social care sector in Scotland has faced a number of challenges over recent years, most notably a substantial reduction in funding for many care and support services due to the impact of policies of welfare reform which has created uncertainty for the future sustainability of organisations (White, 2014) as well as changes in the way that public service procurement is managed (Kippin and Reid, 2014) and significant changes to health and social care reform (Pearson and Watson, 2018).

*The voluntary sector is part of the fabric of social work services in Scotland, providing care and support to individuals, families and communities throughout the life cycle. It is home to organisations who are at once advocates for the public that needs them, vital support networks for people who ‘fall through the gaps’ and a fundamental part of the public service industry in Scotland, accounting for almost one-third of a total annual spend of approximately £3bn. These charities and social enterprises are attempting to balance their roles in a changing context: where funding is tight, social need and demand is great, and where the legislative and policy landscape poses opportunity, but also a challenge to the business model that has hitherto seen many grow beyond recognition. It is a balance they are finding increasingly difficult, and will be even more so in future (Kippin and Reid, 2014: 1).*

It is argued that the current social care situation in Scotland is out of step with the rights and expectations of people requiring support (Independent Living in Scotland, 2016). In order to undertake this research, an understanding of the context and background for the organisations working to deliver statutory services has been essential, as the core challenges of uncertainty of funding and managing the commissioning and procurement processes were frequently referenced by participants.

The context in which this research has been carried out, namely that of the Scottish third sector environment under the regulatory regime of social care, has been described as going through a period of significant change and uncertainty, needing to navigate the impact of policy reforms and the outcome of funding cuts (Scottish Social Services Council, 2018; Christie Commission, 2011; Dutton et al., 2013). Within this turbulent environment the Scottish third sector remains a significant force in the delivery of key statutory services.

The focus in this study is on what might be deemed a disproportionate set of third sector organisations given the medium – super-major charities constitute only 3% of the total number of organisations in the sector. However, as the focus in this study is on performance and quality, it is only this category of larger organisations that (thus far) meets the study criteria. Small and micro third sector organisations typically dedicate fewer resources to any performance and quality initiatives. Moreover, smaller organisations more typically operate with volunteers; the resulting challenges are a smaller pool of paid employees to contribute to a research project, as well as organisations less likely to partake in the kind of quality and performance networks that are the focus of this study. All the organisations which were partaking in networks and participating in outward facing activities relating to quality and performance were mature organisations with established income and resources. Research to date has noted that organisations used in research which are registered with a regulator and which are from the same sector within the third sector will ensure a more consistent approach to research (Moxham, 2009). Whilst undoubtedly, these smaller organisations are key to delivering services, and quality of service is no less an issue for them, the insights into quality and performance do not currently lie within that part of the third sector. Furthermore, small third sector organisations are considered to lack the resources, skills and culture to participate in commissioning and procurement (Taylor and Taylor, 2014). Undoubtedly, if the quality and performance measurement instruments and methodologies gain momentum and formalised quality systems become a threshold performance requirement, greater enquiry will be required but at present, the greatest insight is to be gained from focussing on the larger organisations that have some organisational infrastructure in relation to quality and performance.

A purposive sampling approach was therefore adopted; in this approach the selection of participants and settings is criterion-based and the elements are chosen as they have particular features which allow detailed exploration and understanding of the key themes (Ritchie et al., 2013; Bryman, 2004). There are different approaches to purposive

sampling, the approach which I adopted is typically known as ‘critical or typical case sampling’ (Ritchie et al., 2013; Creswell, 2013; Patton, 2012). In this approach, cases are chosen on the basis of being pivotal to the delivery of a process or operation and therefore critical to an understanding of the research (Patton, 2012; Ritchie et al., 2013; Creswell, 2013) Using this purposive approach to sampling, I therefore approached, in the first instance, a network of third sector organisations. This formed the basis of the first group interview, and as previously described, members of the group were subsequently invited to attend an individual interview.

## **4.7 Interviews and observations**

In total 16 third sector organisations participated in interviews and 23 individuals participated in all interviews. The stakeholder group of third sector organisations which was central to the research was in itself a multi-faceted group of organisations, ranging in size and type of service provision, including, for example: disability and learning disability services; drug and alcohol dependency; mental health; services to children and housing support (See also Appendix 7, ‘Participating Organisations’). I undertook 13 individual interviews and 2 group interviews as well as 3 group observations over the course of a year. It proved beneficial to interview more than one person from an organisation as each participant provided a differing perspective of the research field. Interviews lasted between 1 hour to a maximum of 1½ hours. Interviewees all held responsibility for the adoption, delivery and/or implementation of quality and performance in their respective organisations, through a variety of job roles, from Chief Executive, to quality and performance specialist.

Initially, interviewees were contacted by email inviting them to take part in the research, briefly outlining the nature and purpose of the research. Once agreeing to participate, each interviewee received a copy of the consent form outlining in further detail the nature and purpose of the research. The group and individual consent letters are attached in appendices 5 & 6. All interviewees who were invited to interview accepted. All interviews were digitally recorded and subsequently transcribed verbatim. Field notes were also taken from observations which accompanied the interview. Each interviewee was assured of anonymity. Interviews and observations were labelled for ease of reporting and to ensure anonymity was retained. Consent forms were retained in line with the ethics procedure outlined by the University. In order to initiate the first focus group I approached the network via the ‘gatekeeper’ organisation which hosted the group meetings, and which

acted as a liaison with the whole group. I was subsequently introduced to the second focus group (Group 2) by the participants of the first focus group (Group 1), therefore they were identified by a snowballing technique (Bryman and Bell, 2011). When identifying individual participants and groups within the presentation of the data in the subsequent findings, participants are identified as individuals, for example P2 or P3, being participant number 2 or participant number 3, and the group interviews are identified as either Group 1 or Group 2. Observational data is directly described as such.

#### **4.7.1 Interview design**

The participants being interviewed were experts in the field of third sector performance. Experts are defined as having “*technical, process oriented and interpretive knowledge referring to their specific field of activity*” (cited from Bogner and Menz 2009, Flick, 2014: 228). Undertaking interviews with subject experts, in this case members of an organisation with the specific remit of implementing an element of organisational performance and/or quality improvement approaches was helpful to support a number of aims. According to Flick (2014) these include: for exploration in a new field; to collect context information complementing insights coming from applying other methods; or to generate a typology or theory about a phenomenon. Further distinctions are made among technical knowledge, process knowledge, and interpretive knowledge (Bogner and Menz (2009) cited in (Flick, 2014). I considered that all of these approaches, i.e., exploration, collecting context information and generating theory, could be relevant to the research. I anticipated that an understanding of process knowledge would prove to be one of the most significant aspects for all interviewees. I was particularly interested to see how their interpretive knowledge compared across individuals and groups, as I believed that would yield rich data, which could lead to developing fresh theoretical insights.

I considered it was important, therefore, to select the representative within each organisation who would have the specific insights and knowledge due to their expertise in the field (Liao et al., 2014). One of the challenges of conducting expert interviews is that the interviewer is required themselves to have a high level of expertise, understanding the context and the technical and process requirements (Flick, 2014). Fortunately, as this was a field that I had worked in I was certain that I would have the confidence of the subject experts.



In order to gain interpretive knowledge, it was clear that the research would need an inductive focus, rather than a deductive one. An inductive approach is one where the researcher builds knowledge from the bottom up through observations, this then provides the basis for developing theories (Ritchie et al., 2013). Deduction is considered a top down approach, starting with a hypothesis relating to a theory, which is then confirmed or rejected (Bryman and Bell, 2011). Although these two strands are often presented as being two distinct approaches, it is also argued that this is an over simplification (Blaikie, 2007; Ritchie et al., 2013). An inductive researcher cannot approach their research with a wholly blank mind, nor can a deductive researcher test a hypothesis which has not been inductively deduced from earlier observations (Blaikie, 2007; Ritchie et al., 2013). Therefore, while I understand that my methodology is more inductive in nature, I cannot approach the research without prior knowledge and understanding.

The approach that I took within the research, suited to the research aim and questions, was a highly interpretivist one. In order to gain a holistic view of research participants' views, understanding the importance of interpretation as well as observation is essential in order to gain a better understanding of the world under research (Ritchie et al., 2013). Social constructionism, also related to the interpretivist movement is one in which knowledge is considered to be actively 'constructed' by participants and this is an approach likely to support the nature of this research (Ritchie et al., 2013).

With an understanding therefore that an interpretivist and inductive approach was suitable for this exploratory research, it followed that when considering the type of interview to be taken, i.e., unstructured, structured or semi-structured, it would be the semi-structured interview which would be most suitable for the research (Bryman, 2004; Saunders et al., 2012). In qualitative interviews the interview approach should always remain flexible, and the semi-structured interview has the advantage of having a list of key themes to be covered, adapted according to how the interviewee frames and understands issues and events (Bryman and Bell, 2011). This type of interview also proved highly suitable as some of the participants were interviewed on more than one occasion, first within a group setting, and then in an individual interview.

For those participants who attended a group interview and subsequently a second individual interview, the semi-structured approach allowed me to ask more probing questions depending on the responses of the interviewee in their first interview, and to explore areas of key relevance and interest. It ensured I obtained rich, detailed answers, as

I was not constrained by a set of fixed questions, as I would have been in a structured interview. In order to undertake a semi-structured interview it is also preferable to have a genuine understanding of the world the participants inhabited, this was therefore highly suitable for me revisiting a familiar environment and bringing both expectations and understanding (Bryman and Bell, 2011).

Following the literature review and the development of the research aim and questions, a number of key themes were identified (Appendix 1, 'Interview Themes') and incorporated into an interview schedule to provide a framework for inductive analysis. The key themes covered the following areas:

- Identifying the quality and performance measurement tools and approaches in the organisation.
- Identifying key influences and challenges in adopting/maintaining these approaches.
- Identifying the key benefits of these approaches to key stakeholders.

While I retained these key themes for interview, I found I instinctively approached each interview a little differently, depending on the needs of the interviewee. A small number of participants approached their interview with hesitancy or even some nervousness and would commence by questioning their ability to 'answer the questions'. I did not take this as a lack of subject expertise, but assumed it was more related to a lack of confidence, and an assumption that the questions I would ask would be too 'academic'. I did my best to put such participants at their ease from the start and would simply start by asking the interviewee to tell me about the organisation they worked for and the role, or any day-to-day tasks which they undertook. In this way I could lead into asking questions more specific to the research aim and questions. For interviewees who had attended a group interview in the first instance, I could ask more probing questions relevant to the research aim with less preamble. In all instances where the interviewee was noticeably anxious, they were all quality and performance specialists. This later led to reflections on the role of the quality and performance specialist which developed as a theme and was explored in a number of interviews.

The group interviews generated some of the most interesting dynamics and some extremely rich data. The members of the focus group were, for the most part, known to each other, some of them for over more than a decade, albeit many of them only meeting

sporadically over that time. The interactions between participants encouraged more open discussion between group members. Both of the focus groups were a good size for interviewing with 9 and 6 participants respectively, meaning that neither group was too large, ensuring that everyone was able to contribute to the discussion.

A slightly different thematic approach was taken when interviewing participants from organisations which did not provide direct service provision, but instead provided support directly to charities themselves. These two organisations also provided interesting, complementary perspectives on the research aims and objectives. The four people interviewed from these organisations were not interviewed as part of the focus groups (which were already established) but their reflective, considered approaches opened up some new areas for consideration incorporated into the empirical evidence. Interviews started in December 2016 and were concluded in July 2017.

### **4.7.2 Observations**

In addition to the group and individual interviews three field observations were carried out of the Voluntary Sector Network group (See Appendix 8, 'Meetings Observed'). As a research approach observation has been described as "*the systematic observation, recording, description, analysis and interpretation of people's behaviour*" (Saunders et al., 2012: 340). Observations typically take the form of participant observation, which can range from the researcher taking the role of complete participant, participant-as-observer, observer-as-participant and complete observer (Flick, 2014). The 'complete participant' involves the observer having full membership, and concealing their role as observer (Ritchie et al., 2013). The 'participant-as-observer' involves the status of observer being made clear but engaging in close relationships with the group and taking part in activities (Ritchie et al., 2013). The 'observer-as-participant' involves observing unobtrusively, engaging in the setting to some extent, for example, sitting in on a meeting. The complete observer remains detached from the participants and their presence is not usually known to the group (Ritchie et al., 2013).

Given the purpose of the research was to improve the understanding of way in which third sector organisations measure organisational performance and given my identity as a researcher was known to many attending the group meetings, I considered the most appropriate role for me would be observer-as-participant, in which my primary role was as observer and my purpose was known to those whom I was studying. My involvement as

observer-as-participant meant that this reinforced my role as researcher to the participants as well as allowing me to view group proceedings uninterrupted and compare the statements made in interviews with the practice on the ground. The observer-as-participant role also meant that observation, rather than participation was the main activity (Ritchie et al., 2013). It permitted me to make observations about the group interactions without needing to ask questions or otherwise contribute. I could focus on the processes and problems most essential to the research aim and questions (Ritchie et al., 2013: 248). Interactions were observed between participants as well as between presenters and participants, both during the meeting and in networking breaks. The physical setting, in particular the arrangement of space, was observed (Ritchie et al., 2013: 254). I made field notes, which I used to support my interview findings. Permissions were granted from the 'gatekeeper' of the organisation hosting the meeting. Observations took place on 6 December 2016 (prior to the group interview held on the same day), 31<sup>st</sup> August 2017 and 28<sup>th</sup> November 2017. In line with the ethics protocol, a copy of the Observation Proforma (Appendix 4) was made available to all participants, with details of the research and contact details for the University of Glasgow.

All meetings were well attended, ranging from 23 up to a maximum of 30 attendees. Due to these large numbers the meeting layouts were always in 'theatre' style, allowing the presenter to take the position at the head of the room. I observed and recorded discernible positive relationships between group members in the room prior to the meeting and after the meeting, with members being keen to socialise as well as comment on the items presented. An observation was made to me that due to the high level of interest in attending the meeting, the group were no longer able to participate around a table, and this limited intimate discussion, as such large numbers meant fewer people had an opportunity to contribute. On the whole, the presentations were all well received, and members commented that the opportunity to have a particular presenter attending and providing relevant information applicable to their work was contributing to the exceptional value of the network. The three meetings that I observed had the same key external speaker attending all the meetings who presented updates on the new Scottish National Care Standards.

The dual approach of interviews and observations undoubtedly added a richness to the research that would not been achieved through the interviews or by observations alone. It was notable, for example, that the relationships between participants at most times during the observed network meeting appeared friendly and relaxed, with only one exception

when a group member asked a question relating to an issue faced in their practice. The representative of the host organisation replied that the answer would be found by completing a particular aspect of the self-assessment tool; this was disputed by the questioner. However, the questioner later raised this question again within the group interview, indicating that all the answers were not to be found via this one management framework and thereby critiquing the approach taken by the host organisation, but at the same time reflecting that the benefits of being in the network outweighed some of these conflicting viewpoints. It is unlikely that I would have gleaned this tension without having undertaken these two complementary methods, which provided a reflection on the perception of where expertise lay. I reflected that what I learnt from this exchange was that the participants were adopting the use of the quality framework pragmatically, they perceived that the framework itself was not a wholesale solution to organisational issues, but was necessary, perhaps more for reasons of legitimacy and accountability, in this case, than for organisational effectiveness. The unwillingness to critique the host organisation I perceived to be out of professional courtesy to the environment being offered by the network.

I observed that the added value of the networks for the group members was less an obligation to attend from their own organisations, and more a valuable opportunity to share personal knowledge and understanding of the subject matter under discussion. There was a significant amount of sharing knowledge and practice beyond the formal group interaction, i.e., immediately prior to the start of meetings, during the intervals and in the subsequent lunch break participants were discussing the challenges of practice and planning mentoring, or other collaborations within smaller partnerships.

I noted that the group members were enthusiastic participants and were keen to learn from the presenters. There also seemed to be a high level of understanding of the subject matter from the attendees and a familiarity with the environment (both the regulatory environment and the third sector environment), coupled with the management framework being promoted by the host organisation.

### ***4.7.3 Roles of research participants***

This section outlines how the interviewees and their organisations were coded in order to retain confidentiality and support management of the data. A large number of participants are grouped under the generic heading of 'quality and performance specialist' as there

were many interviewees undertaking this role. The job role was an important factor to help differentiate between perspectives as I found that the perspective of a Chief Executive might differ from a member of staff in that same organisation tasked with specifically delivering the quality and performance remit. The Chief Executive typically demonstrated a clearer overview of the whole process, while the quality and performance specialist was more likely to be concerned with the process and technical element of the job description. As explained above, I classified many of the job roles as ‘quality and performance specialists’. The range of job titles in this category included, for example: Quality and Performance Manager, Quality and Performance Co-ordinator, Quality Evaluator, Quality and Audit Manager (See Appendix 7, ‘Participating Organisations’). Also included in this category are participants whose job title was, for example, Development Manager, but whose main remit was that of a quality and performance specialist. The other main group of participants was therefore the Chief Executive with responsibility for strategic direction, including performance. I considered that the size and resources of the organisation may have an impact on its approach to performance and quality and therefore this has been included in order to assess whether organisational size is significant to the analysis. Whether an organisation is directly involved in providing services to the public i.e., a service provider, or whether it is an organisation providing a service to a charity also provides a key perspective to the research. Appendix 7 indicates the number of interviews each interviewee took part in. The data analysis subsequently took account of factors which could impact on the results including the roles of the individual interviewees and the size/maturity of the organisation.

## 4.8 Data analysis

As has been described, all the interviews were digitally recorded and supported by field notes made at the time of the interview. The digital recordings were then transcribed verbatim by typing them directly into Word documents. The field notes were also transcribed to support the interviews. Transcription was carried out at the earliest opportunity following the interviews. This was helpful from the point of view of forming early reflections and analysis on the data and is recommended by Miles et al., (2013) as an approach to support later, deeper analyses.

The approach used was a thematic analysis (Boyatzis, 1998) which involves “*discovering, interpreting and reporting patterns and clusters of meaning within the data*” (Flick, 2014: 271). This allows the researcher to work in a systematic way through text and to identify

topics that become built in to higher order key themes and to best support how the research aim will be addressed (Flick, 2014; Boyatzis, 1998). Thematic analysis has the advantage of not being tied to any particular discipline or theory; it is widely used and further supports the more detailed phase of the thematic coding, commonly attributed to Gioia and adopted here (Gioia et al., 2012).

In order to support the process of coding qualitative data I chose to use a software package (often referred to as CAQDAS, i.e., Computer Assisted Qualitative Data Analysis Software). While the coding process is similar to manual approaches, some of the benefits of CAQDAS are that it can make the retrieval process faster and more efficient, it can help develop explanations and encourages more reflection on the process of analysis (Bryman, 2004). It can also ensure a systematic approach at a larger scale than manual coding. After examining various available options, I selected NVivo as being the most suitable software for my needs. It proved to be an excellent way to store and maintain the transcriptions of the interviews, along with all relevant notes and supporting documentation. It also allowed me to generate memos while carrying out coding and to store that in an easily retrievable format. Good data management was important to ensure that data was not lost, and I ensured full backups were made. Overall, NVivo proved an excellent tool to support the ongoing coding, storage and retrieval of reports and supported the development of analytical thinking (Miles et al., 2013). When using data from the three sources as described above, i.e., individual interviews, group interviews and observations, I coded the information as a collective whole, as opposed to undertaking three separate coding exercises. This was due to the data being so inherently interlinked, particularly between the group interviews and individual interviews, that it proved quite unnecessary to attempt to separate the data into three separate coding processes.

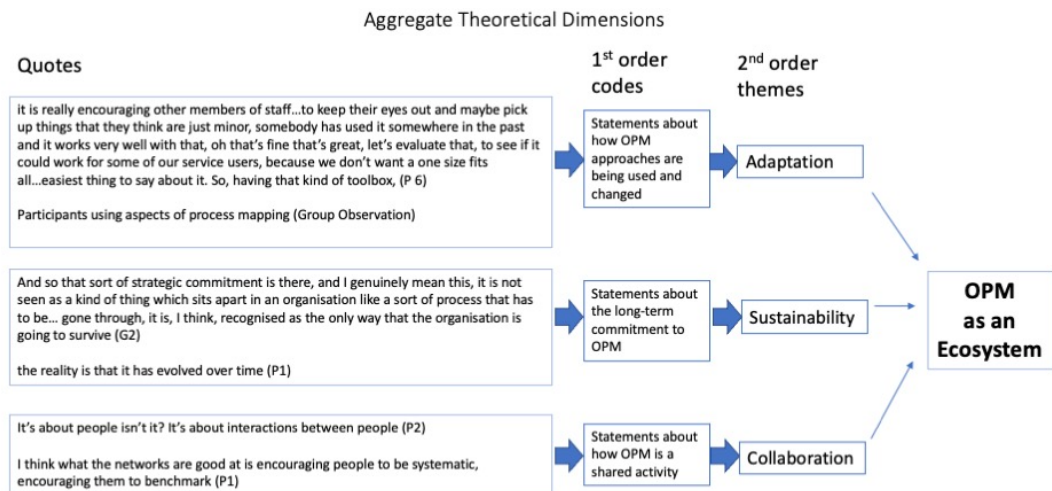
Data analysis began in the early stages of data collection, beginning with coding the transcripts and moving to interpreting the data. The qualitative data analysis process started with First Cycle coding, followed by Second Cycle coding (Saldana, 2013; Gioia et al., 2012; Miles et al., 2013). In First Cycle coding I generated a start list of codes prior to the analysis generated from the research questions (Miles et al., 2013: 74). These typically were what would be described as 'Descriptive' codes, that is assigning a label to the data summarizing in a word or short phrase the main topic of the qualitative data. Examples of the First Order descriptive codes included the following, for example: strategy, performance, quality, stakeholders. In total over 50 first order codes were generated, but of these only about 10 were generated prior to the analysis commencing and the remainder

were developed during the process of analysis. Many items were revisited and recoded, where it was felt that a more appropriate code would be suitable, and a number of items were grouped under a parent code. For example, under the parent code 'Quality' a number of 'child' codes were included such as 'self-assessment', 'evaluation', 'audit', 'benchmarking.' Making sense of the coding was a highly iterative process, and I returned to transcripts many times to recode or re-evaluate the initial coding.

As described by Miles et al., (2013), First Cycle coding is a way to cluster segments of data, whilst still adhering closely to informants' terms (Gioia et al., 2012). The next stage, Second Cycle coding, is a way of grouping the summaries into smaller numbers of categories, themes or constructs (Miles et al., 2013) which try to help explain the phenomena being observed (Gioia et al., 2012). Second Cycle coding did not, in effect, begin for me at exactly the stage that First Cycle coding ended, but at times, in tandem where interviewees clearly addressed an issue that was recognisably a theoretical construct. An example of this is where an interviewee would describe how their organisation wanted to achieve an award for the purpose of 'badging', which was described by many of the participants as how the organisation's leaders wanted an award to demonstrate their achievement to others. I would in First Cycle coding classify this under 'Award', but within Second Cycle coding would identify this action as relating to 'Legitimacy', which is a recognised theoretical construct in the subject of third sector performance.

It was certainly my experience that coding the data triggered analytical thought and the next stage was to ensure that I could systematize my thinking into a more coherent set of explanations. Miles et al., (2013) describe this process as developing 'assertions' and 'propositions.' These assertions and propositions help to summarize and synthesize a large amount of analytical observations. Initially these tended to be quite descriptive, but latterly became more succinct. An example of the approach taken to the thematic analysis is presented in Figure 3, 'Aggregate Theoretical Dimensions' in which is it shown how the quotes and observations from the data are used to generate First Cycle coding, followed by Second Cycle themes which lead to the development of an aggregate theoretical dimension. In this instance, the quotes have generated codes, which have led to the generation of themes, namely; adaptation, sustainability and collaboration, which have supported the aggregate theoretical dimension of OPM as an ecosystem.





**Figure 3 Aggregate theoretical dimensions**

## 4.9 Reflexivity, the researcher and the researched

In developing this research methodology I recognised that while I was aiming to achieve what Ritchie et al., (2013) call an ‘empathic neutrality’, or, striving to avoid conscious bias and to be as neutral as possible in collecting and analysing data, it is almost certainly impossible for this to be fully attained (Ritchie et al., 2013). I would concur with Ritchie et al., (2013) that there is no completely ‘neutral’ knowledge, and it was therefore important to be reflexive about my role and the influence of my understanding of the researched environment on the research process. Throughout the process, therefore, at all stages, I have aimed to reflect on potential sources of bias.

In the first instance the environment which I am researching is one in which I have worked for nearly two decades. I am therefore familiar with the context, the language, and, in some cases, the research participants. This had the advantage of initiating my interest in this field as a potential area of research in the first instance and motivated me to gain a rounded understanding of the topic. I researched the topic previously for a dissertation at Masters level in 2001 and, at that point, I undertook a case study of a single third sector organisation. However, without context specific literature and in the short time frame available for the research the findings were limited in application. Revisiting the subject after a gap of 15 years and with more developed skills as a researcher proved a highly rewarding experience, both personally and professionally.

The benefit of having worked in the environment was that it was very easy for me to gain access to the key participants, being already known to them in a professional capacity. I was swiftly accepted in an expert capacity, bringing my own knowledge and understanding of the Scottish third sector. Participants expressed some anticipation that the research I was undertaking would provide some clarity on the topic of third sector performance, as they recognised that it was a completely under-researched field. I had a sense that by approaching this topic from the point of view of an academic researcher in a field which has received no academic interest to date, I was framing the environment with a new credibility that they had not previously considered.

My request for interviews to support my research was widely welcomed by all concerned and there was great interest in what data the research was likely to generate and how it might support them in the future. This led to a typically warm and enthusiastic reception at interviews if, at times, initial nervousness on the part of some of the interviewees. Many of the participants were working, in their view, quietly behind the scenes in their organisation and rarely had the opportunity to talk about their work in detail, outside of their colleagues in a network. The group interviews generated interesting dynamics and many participants stated afterwards that it had been a unique chance for them to really reflect on their roles and challenges in a safe space. The process of interviewing did not seem to inhibit participants from speaking but they often expressed that the experience had been almost cathartic, as the topic which consumed most of their working life, was of less significance to others.

It is questionable whether another researcher undertaking the same research would have received the same responses as I did to the research questions. It is likely that my past experience has contributed to this, and it is worth reflecting that as a researcher I am implicated in the construction of knowledge through my knowledge of the environment and, at times, of the people (Bryman, 2004). The knowledge which I brought to the research would take an outsider a long time to acquire. Whilst a recognised disadvantage of being close to the research environment is that objectivity can be lost, a counter-argument is that the combination of the researcher's insider perspective along with the additional perspective of participants can produce a more balanced account (Unluer, 2012; Hewitt-Taylor, 2002). This further aligns with the view of scholars that having the perspective of familiarity supports a greater understanding of the culture and maintains a more established intimacy with participants without inhibiting the flow of social interactions (Unluer, 2012; Bonner and Tolhurst, 2002).

Researcher bias, therefore, allowed for a more developed understanding of the complex phenomena being studied, and ensured that my credibility and expertise let me gain trust from the participants: my perspective proved to be a strength of the research design (Bryman, 2004; Ritchie et al., 2013). My aim therefore throughout the whole research process has been to recognise and acknowledge that the research cannot be value free. This personal scrutiny of my role as a researcher has been vital in order to support the reliability of this research.

## **4.10 Research limitations, validity and rigour**

Because the purpose of interpretive research is to give meaning to the phenomena under study, it cannot be assumed that the research findings will be applicable to other nations or other environments. Although I do not suggest that these findings are representative of other clusters of third sector organisations, either in Scotland or further afield, it could certainly be used to complement further research in this under-researched field. It could be used as a methodological approach to support further research of third sector networks, in Scotland, or any other nation, particularly those working in fields which are conceptually challenging. It could be used against a case study, or a longitudinal study of the same field, but seen through the in-depth perspective of one or more organisations. It could also be used to demonstrate how policy could be developed to support networks of organisations in regulated environments.

When considering rigour and validity, through the viewpoint of a qualitative research study, Ritchie et al., (2013) support the view that it is possible to find out about people's perceptions and interpretations both systematically and with rigour. This can be done by undertaking a well-documented methodological approach to the research, as described here, with the aim of generating good quality evidence. Then, it is facilitated by the researcher's reflexivity and their ability to analyse their subjectivity, this has been explored in the previous section. Next, it is enhanced by triangulating data from interviews, observations and field notes which was central to the approach taken here. Finally, it emerges from a careful contouring of the context in which findings were generated. In the case of this research, the use of experts helped to best understand the context in which the findings were generated.

## 4.11 Summary

This chapter has discussed the research aim and questions, alongside the research approach, and justified the methods used. The discussion explains why an interpretive, qualitative, inductive approach was most appropriate for the context and research aim, using individual, group interviews and observation to form the research design. It described how data analysis was carried out using a thematic analysis. This chapter also discussed ethics, reflexivity, as well as research limitations, validity and rigour. In the subsequent three chapters I move on to explore the data from the research findings.

# **CHAPTER 5 Understanding organisational performance measurement – a third sector perspective**

## **5.1 Introduction**

This chapter presents the findings which primarily address two of the research questions: firstly, clarifying the purpose and relevance of organisational performance measurement to the third sector (RQ1); and secondly, exploring how third sector organisations define, understand and measure organisational performance (RQ2).

First, the findings are explored from the viewpoint of the third sector, examining how mission, vision and values shape perspectives of performance. Next, the challenge of conceptual confusion around terminology is identified and explored. The use of processual terminology, particularly quality, is defined and placed in the context of OPM. It is followed by a more detailed account of the perspectives of the role of the key internal stakeholders, namely the specialists in performance and quality and the Chief Executives, who between them, carry responsibility for decision making, operationalising and implementation in relation to organisational performance. Gaining an understanding of how OPM was understood by the actors in the field was critical, the reason being that each organisation must develop and operate its own approach within the complex environment of the third sector.

In order to understand how third sector organisations measure organisational performance, the selection and implementation of various frameworks and standards are explored, including the ISO Standards, the EFQM Model and the balanced scorecard (BSC). The impact of key stakeholder groups, namely the regulator and funders, and the processes of governance and commissioning are analysed within this section.

## 5.2 The third sector perspective

Participants defined the concepts around OPM according to three main thematic areas, firstly: the unique challenges in relation to working within the third sector and how mission, vision and values shape perspectives of organisational performance measurement, secondly; overcoming challenges of conceptual confusion; and thirdly; quality, which underpinned organisational performance measurement in practice.

The uncertainty and conceptual confusion around the language and terminology of performance and defining concepts through processual terminology are addressed, in particular in relation to the data gathering and reporting mechanisms. These three areas represent a fresh approach to exploring how organisational performance is viewed from the perspective of the third sector.

### ***5.2.1 The third sector environment: how mission, vision and values shape perspectives of organisational performance measurement***

The unique challenges of measuring organisational performance and working within the third sector environment were a recurring theme for participants. Without an agreed definition for performance the participants addressed tensions in clarifying understanding around organisational performance and continually reframed the narrative back to their organisational values. The underlying tensions generated by the necessity to define performance measurement were therefore fundamental to the discussions. It was considered crucial for participants that the language around performance was framed in alignment with organisational values. The difficulty in clarifying understanding around performance and how that was interlinked with being part of the third sector was raised repeatedly by interviewees, as expressed by one of the quality and performance specialists, *“I think the thing with the third sector is, it doesn’t come easy to us, really”* (P2). This was a common theme from participants, namely, that the third sector was a unique environment and presented many challenges in comparison to the public and private sector. Participants stated that it was a more difficult sector to measure in, due in large part to the number of stakeholders and the different reporting demands those stakeholders placed on organisations.

Participants were powerful advocates for the third sector reporting that it offered unique added value for the delivery of welfare services. A participant from a major service provider reflected that “*our business is people and providing support for people*” (P7), which also highlighted the lack of either a financial or political driver in relation to organisational performance. What it means for OPM, in this context, was that, as the Chief Executive of a major organisation explained, “*your performance measurement allows you to see how bloody good you are, and if we’re no good, how do we get good?*” (P4). This concurs with the viewpoint of other participants and highlights how the sector views performance, not as a driver of the financial bottom line, but using organisational performance as a driver to improve the quality of service provision.

The organisational mission and values were recurring themes throughout the interviews. Whilst they were not always alluded to directly, the organisation’s purpose and its commitment to the people who used its services were frequently implied. Recurring themes in the discussion which supported this were the elements of both person-centred approaches and customer satisfaction, which were frequently raised as being key drivers for the implementation of the performance and quality systems. Mission and values were a motivating factor in why people chose to work in the third sector:

*It can fit with the values, this is about why I came to work in the third sector, those kind of ‘aha’ moments, when you feel it is relevant and valuable. So that is the real success and I think that sense of ownership, and this is going to work, this is going to fit my values...this will help me collect the data I really need to make the case for the service users, or to help me do better work, or I can do this evaluation in a way that might be fun, or interesting, or I can involve young people in it, or whatever, so those are the moments of ‘aha’ (P10).*

Another interviewee explained that the values of the people working in the third sector were very strong in a way that didn’t happen within a public sector environment, and this was evidenced and reported on in many external inspections. Interviewees also discussed their motivation for working in the third sector and considered it a critical question to be asking, as they reported a clear distinction between themselves, as third sector employees, and those in the private or public sectors, whose motivation, it was noted, would not be of primary importance. They reported that, even though the sector

was not financially rewarding, job satisfaction came about from making a difference to the lives of people, as a quality and performance specialist stated:

*At the end of the day we are here to do whatever your vision statement is, basically to support people to do what they want to do, in whatever way they want to do it, which is all very wishy-washy and all the rest, but we make the widgets the way the person wants them made. That's basically it, but we don't do ourselves a service on that (Group1/R1).*

The comment above is also a reflection on the view that they considered their role relatively under-played. Organisational values as a motivating factor were therefore a dominant theme for those responsible for the implementation and delivery of performance. The values were strongly linked to the expectation that the systems and processes were in place in order to make a difference and deliver a better service to the people who would benefit from it.

### **5.2.2 Conceptual challenges**

Evidence revealed that participants struggled to understand the language of organisational performance, resulting in conceptual uncertainty and confusion. For example, there was debate amongst the participants about whether OPM should be more closely linked to either quantitative measures or qualitative measures. The debate for some was at times quite polarised, with narrow dichotomous options being proposed. For example, one interviewee considered that organisational performance was primarily related to quantitative measures. At the same time, the interviewee inferred that analysing qualitative data was considered to be much more challenging. Another interviewee noted that it was incredibly easy to show stakeholders 'the numbers' but actually using that as proof for what had been done meant that the quantitative data was of limited value:

*How you feel today and how you feel tomorrow and how you feel the next day is very important about what is happening, but there is no way you can put a number on it really. And that is the problem. What way does performance come into that? I have always had that as my soapbox, it is incredibly easy to show you the numbers, every company can show you*



*numbers, but how do you prove to me that what you are doing makes that point? Prove to me? Nobody can really prove and there is no answer to that one, I think (P6).*

This suggests that knowledge of the use of both qualitative and quantitative data was an area of expertise that the quality and performance specialists were lacking, and that, in particular, the challenge of analysing, interpreting and presenting both qualitative and quantitative data was not an area that participants felt comfortable with.

This was reflected in the use of language used to describe these concepts, for example, quantitative data was most typically referred to throughout interviews as ‘the numbers’ and participants generally referred to qualitative data as ‘telling stories’; there was a perception that the latter was a positive and appropriate approach. This could also signify a lack of underlying expertise as to how best to utilise these approaches.

This was evident in participants’ efforts to contextualise the language of performance measurement and quality, without one agreed answer, or clear definition emerging. What was apparent was that for third sector organisations there was no agreed definition or sector wide guidance available on how to implement performance and quality approaches. Each organisation was therefore navigating a route through definitions and working towards a unilateral understanding which would support their organisational aims and mission, as well as meeting the needs of their multiple stakeholder constituencies. However, as one participant stated, *“performance...needs to be bespoke to that organisation, that doesn’t mean that there aren’t general principles”* (P10). This infers that whilst organisations were, by and large, pursuing an individual organisational perspective towards developing and implementing performance, whatever approach they took needed to have validity to others working in the same environment.

The subject of terminology in relation to performance measurement was one that interviewees reflected on at considerable length. The depth of discussions implied an emotional connection where language and meaning demonstrated a deep and, at times, profound motivation. Broadly the understanding of the concept fell into three categories: compliance with regulatory requirements; delivering a good quality service; and making a difference to people’s lives. It was unclear if those three areas were the same things, *“on one level they are, and on one level they are not, so there is a disentangling some of that,”* (P10). On occasion some interviewees reported more confidence in terminology, for

example “*I think performance is clearer cut*” (P8), and “*performance is a formalised word that everybody understands*” (P6). However, one of the quality and performance specialists admitted that they did not in fact speak about ‘performance’, as such, in their organisation and another specifically stated that they personally they did not like any of the performance related terminology.

Creating a bespoke performance process for an organisation therefore presented challenges when there was a range of understanding of meaning for organisations. Whilst interviewees noted that they struggled with the precise meaning of the terminology and the implications for their organisation it was, however, a key objective of their respective roles. Some interviewees described in detail the process of gathering data, attaching evidence to KPIs (Key Performance Indicators) and reporting on the results to the relevant stakeholders, internal and external, but did not always identify this as performance, unless specifically asked. Participants frequently referred to the continual change and adaptation taking place to suit the external and internal environment. Many of the interviewees highlighted how they had applied their own knowledge, prior to joining the third sector, to their understanding and delivery of performance. There was a sense, from all interviewees, that this was not a static environment. Participants also expressed a view that they intended to improve their delivery of performance and understanding of performance to meet a range of stakeholder needs and to ensure they could adapt in line with changes to the environment. The theme of ‘evolving’ as an organisation was frequently referred to. Concurrently, participants would refer to the history of their organisation to illustrate change but also to but reinforce the commitment to the organisational mission and charitable objectives.

### ***5.2.3 Quality: underpinning organisational performance measurement***

Participants defined the key concepts of OPM using specific processual terminology, dominated by aspects of quality assurance and quality management. Interviewees did not make a distinction between quality assurance and quality management; therefore the concepts have been amalgamated to the generic ‘quality’ for ease. Quality was seen as integral to supporting performance measurement and preoccupied participants’ discussion. When asked to define quality, this also elicited a range of responses and discussions. The bespoke nature of service provision in each third sector organisation meant that interviewees mostly recognised that there could be no one definition or approach which

would work across all organisations: “*you are going to do it [quality] totally different from me... because you are working with a different client group*” (Group 1/R2). In other words, everyone designed and implemented quality in a bespoke manner, according to the context of their organisation, without a blueprint or template for implementation and operationalisation.

There was little interest from participants in considering quality and performance solely as a means of ensuring compliance, but interviewees reported that their organisations were striving to reach an improved level of understanding of the concept within their own organisations. Interviewees indicated that there was a gap which needed to be bridged between compliance and they needed to produce an approach that would have real value and purpose to their organisation. Many were working to circumvent the challenges associated with the language of quality, what one interviewee likened to a having a “*secret coven of people who know the language and control what’s going on*” (P6). There was, as has been said, no agreed definition, indeed, one participant described it as ‘ambiguous’. There was, however, an enthusiasm for embracing the concept of quality as it was recognised that it would lead to improvement for their organisation and the descriptors of a quality organisation included “*making people happy, in simplistic terms, happy customers, happy workforce*” (P8). Further discussions concurred that quality was about the satisfaction of the people who were using the service, including that it was ‘person-centred,’ or more simply, one that primarily meets the needs of the person using the service, as a Chief Executive explained:

*I think a quality service is where the focus is on the people, the recipients of the service, rather than the outcomes that that service achieves, because I have seen services get good outcomes, to me that is not a triangulated result, and that service may get very good results (P3).*

This was often typical of responses in that participants considered the formal outcome measurement and associated processes to be of lesser importance than ensuring that people are, in effect, satisfied with the service they are receiving, in other words, the underlying principles behind driving performance were viewed as having a higher priority than the associated practices.

Initiating or driving improvements through quality initiatives were variously described as ‘daunting’, ‘challenging’ as well as ‘exciting’ by the interviewees. Participants stressed that they wanted to ensure that they delivered the best service possible, which needed to be aligned with organisational values. Improving the service for the benefit of those who used it was the primary element in all discussions, and also led many to reflect on changes in culture that would be needed to support that. All organisations recognised the challenges of the quality of services being driven down by the cost efficiencies demanded by funders, but equally all reported that quality of service provision was still the overarching driver for them, above cost and legitimacy: “*What do we want to be able to say to a funder, to an external, to a client, we are good at this because we do X, Y, Z? Or because we’ve got a brownie badge?*” (Group 1/R3). Reshaping the mindset of funders was considered important enough to negate the impact of an award.

Informants explained that quality needed to be an integrated process with ownership of the quality of service delivery understood and supported by everyone within the organisation; one interviewee described this as ‘devolved’ quality assurance. Unless everyone within an organisation could understand and implement the chosen approach it would be difficult to ensure its effectiveness. There was a sense of optimism amongst the interviewees that their approaches were working and that they would keep evolving to improve and meet the needs of the beneficiaries. Quality was, therefore, not seen as a separate function within the organisation, but being strongly connected to the beneficiary, the organisation and with the longer-term desired impact as illustrated by the following quote:

*What difference that is actually making to somebody’s life, as well as to the organisation, and pull that together and I think that is where the kind of quality system and things like that could come together and really make those links (P6).*

This typifies how interviewees articulated their vision of quality within the broader field of performance, as well as for their organisations.

### **5.3 Internal stakeholders**

In this section the role of two groups of people fundamental to performance in an organisation are explored, namely the Chief Executive, who carries responsibility for strategy setting, including OPM, and the quality and performance specialist, whose role is

typically responsible both for implementing and operationalising organisational performance initiatives and contributing to the strategic decision making process.

### **5.3.1 The internal stakeholder – the role of the quality and performance specialist**

Participants in the role of quality and performance specialists were asked to reflect on the nature of their contribution to the process of performance and quality within their organisations. Similarly to how performance was conceptualised within the third sector, the overriding conclusion was that *“the role definition would be different in every organisation, because that organisation’s perception on where they see a need for an emphasis in quality will vary from the next organisation”* (Group 1/R4). Interviewees also reflected on the fact that there was no specific training or qualification which would allow anyone to prepare for the role of quality and performance specialist and that all of the interviewees had therefore come to their role with a range of differing experiences. Some informants brought experience of working in another sector and often had experience of using a private sector model, such as a British Standard or ISO certification. Participants reported that the private sector dedicated greater resources to their performance initiatives, for example, one interviewee recalled that when working in the private sector, with a similar role and remit, he had a team of 60 people, whereas in the third sector organisation he had only one person to provide him with administrative support, the comparative lack of resources presenting a stark challenge for implementation.

When asked ‘what does the organisation expect of you?’, all quality and performance specialists noted that their organisations viewed quality and performance of being of prime importance for them. However, they reported little in terms of direction or instruction from those in a senior level in their organisation. During a group interview the discussion moved onto whether anyone had a job description in place, which was received with much hilarity from the group, leading to the assumption that few had a job description which adequately reflected their role. Interviewees discussed the wide and varying range of tasks they might be expected to do, and one participant reflected that their role might be *“the most thankless job in existence”* (Group 1/R5). Also referring back to the earlier section where the gap in knowledge was an issue, one of the specialists commented, *“You are the ‘go to’ person, so you are meant to have all this knowledge, all these resources”* (Group 1/R6). Other participants concurred with this view. It was apparent that this was because the

organisations expected their quality and performance specialists to be a resource of knowledge information in a field with no defined knowledge parameters.

At times, there was an underlying, or even explicit, anxiety from participants in this role that they simply may not have the expertise required to support the strategy. This was inferred by one of the participants describing the challenges of attempting to deliver and implement the programme as creating a “*concrete sense of terror...really your head gets so fuzzy with stuff you can't think, can you? So, not nice*” (P2). However, this was, in part, mitigated by the fact that there were “*people in the organisation who have [supporting and technical] skills*” (P2). The singular nature of the role was a recurring theme for the interviewees, the language in relation to this ranged from ‘isolation’, to ‘the lone voice’, ‘a role that’s quite solitary’. However, despite these disadvantages, participants described moving from working in a quality function from the private or public sector to the third sector as being a positive experience “*I got my soul back! So that is quite good*” (P6). The autonomy, at times, gave informants a freedom to drive implementation initiatives. The nature of the role itself was also considered to be much broader than they were typically given credit for “*the job title is a job title and this [role] is probably ten times that, it never does you justice*” (P6). Many of the interviewees noted that it was important to retain a level of neutrality within their organisations in order that they could retain independence, which was important when the role required, at times, a level of internal scrutiny.

All of the participants had worked with their organisations for at least two years in the quality and performance specialist role and many of the interviewees reported being in their role for around a decade or more, so could reflect on the initial expectations of the role, compared to their current experiences. Participants described the self-determining nature of the position and the influence which many were able to demonstrate over defining the approach to be taken for their respective organisations. Interviewees reported that they had sole responsibility for the whole of the performance measurement process, including scoping and adoption to implementation, operationalisation and delivery. Many relied on operational staff to undertake much of the implementation of work organisation-wide, this might have some advantages, as one specialist from a major organisation commented:

*I keep myself independent by not doing any audits. So, I could identify the need for something... I'll design the tool... and then they [operations] will do it. I keep independent, I will*

*get the results back, I will analyse them, I can write what I want in terms of the recommendations on the back of that, so it keeps me independent of the process, if you like (P7).*

Despite the autonomy and independence, participants were therefore very reliant on and connected with their organisation's workforce. When considering how to operationalise performance measurement, participants drew heavily on their previous work experiences, within and beyond the third sector. Interviewees reported that they would be expected to use their own initiative to develop the approach. Many reported that their role was typically located in the business support section of the organisation, within Head Office, but they worked closely with their operational colleagues and reported directly to either the Chief Executive, or a Director of the organisation, with additional responsibility for reporting to the board of directors.

In summary, the role was a singular one within their respective organisations, operating in an undefined knowledge management field with few resources to hand. Specialists relied heavily on existing knowledge and colleagues to support the scoping, design and implementation and delivery of organisational performance measurement and had to be effective at working autonomously.

### **5.3.2 Take it from the top – the role of senior management**

Gaining an understanding of OPM from those either with responsibility for their organisation, or from those who were responsible for supporting organisations to develop their capacity, provided interesting perspectives and helped to further conceptualise the issue of performance. However, there was still a challenge of conceptual confusion around the main issues at this level, for example, one Chief Executive from a super-major organisation reflected "*Yes the language is always difficult isn't it!*" (P1). This sense of language, meaning and understanding was therefore reflected across all levels of the organisational hierarchy.

Language was critical to the narrative for many, with a familiar theme of 'journey' or the 'whole journey approach' being used recurrently in many interviews. The theme of 'journey' could be seen to represent an opportunity for discovery, and adventure and ties in with an often optimistic and independent approach. For example, a Chief Executive reported that for his organisation performance was "*first and foremost about wanting to go*

*on the journey, rather than, 'what are we going to standardise against?'"* (P1). The concept of journey at this level might be perceived as a more acceptable synonym for continuous improvement.

Ensuring that performance led to learning and development was dominant. Whilst interviewees reflected on the detail of the processes necessary to ensure that they could deliver performance effectively, they also explained how they wanted to balance that with learning. A Chief Executive of a medium sized organisation commented:

*One of the things that would really, I think, help the third sector would be to shift the balance away from target driven performance management in the public sector sense, audit, did you do this? How many numbers? And shift a bit into learning* (P8).

The mechanics of performance monitoring were considered of lesser importance to participants. The overall aim of learning was for individual members of the workforce, as well as the organisation as a whole. There was debate over whether the sector should be seeking a unified response to OPM or whether, as a Chief Executive reflected this was not possible and, *"there is no common answer"* (P8). Participants who were more willing to accept the complex environment of the third sector appeared more confident in accepting that a multi-faceted approach to performance measurement was preferable.

Organisational size had some relevance towards understanding the perspective of the interviewees. It was observed that for a Chief Executive working for a medium sized charity, (i.e. the smallest of those in this sample) there was a sense of quality and performance being much more closely linked to the experience of the people using the service, whereas for the CEO of one of the largest organisations (i.e. the super-major organisation) this was less apparent, although marginally so. The Chief Executive of the medium sized organisation commented:

*Well, I suppose you could say the closest I've got to come to a definition of quality is that it is person centred. That would be my definition of quality, because it's not like we're producing staples or paperclips, you know, that you can just chuck a couple on the manufacturing line, so for me a quality*



*service... is where the focus is on the people, the recipients of the service, rather than the outcomes (P3).*

However, the Chief Executive of the super-major organisation took a different perspective and reflected that having quality and performance:

*makes you more systematic, so you are not just randomly looking at, well, is that bit working or not? You've got a whole framework and secondly you can benchmark against others and I think that's the challenge for some of our internal indicators, that we have got a reasonable set of indicators but inevitably those become biased towards what's relatively easier to measure (P1).*

Organisational size and maturity therefore do appear to have an impact on the perspective on how OPM is perceived and implemented. This is most likely attributable to a larger organisation having greater resource efficiencies and, consequently, more time to participate in external networks and access expertise and learning.

For the board and directorate levels in the participating organisations there was a real commitment to implementing quality and performance and this, again, was evident in all the interviewees' reflections "*whether it proves to be a naïve belief, or not, that quality is actually what will see the organisation through the financial struggles that health and social care are facing at the moment*" (Group 2/R1). It can be inferred from this that organisations are, in effect, using the concept of OPM as a proxy for mission and vision, and it provided them with confidence that there was a recognisable process to follow which allowed them to deliver a quality service for their beneficiaries.

The role of the internal stakeholder is therefore one which is significantly overlooked in much of the literature, with prominence often being placed on, for example, the role of governance, or key funders. The evidence here indicated that the internal stakeholders are aiming to be one step ahead of their key external stakeholders, working to better understand the concepts, apply them to their organisations, and use the organisational mission and values as a proxy indicator to drive OPM. Whilst the internal specialist is working to identify gaps in their knowledge base and using support networks to support their personal learning and development, despite conceptual and processual uncertainty,

the participants here were focused on delivering the best service possible for their organisations. Chief Executives were often no more certain of the concepts than their specialists, but a consistent theme throughout was the commitment to ensure that OPM supported organisations to deliver their charitable objectives.

## **5.4 How third sector organisations measure performance**

Many frameworks, standards and certifications form part of the literature on organisational performance measurement. These formed part of the discussions with participants who reflected on reasons for considering the adoption and rejection of such tools and which presented interesting findings.

### **5.4.1 Frameworks, standards and certifications**

Amongst the organisations interviewed, all, with the exception of two, were actively using, had used in the recent past, or intended to use in the immediate future, the EFQM Model (European Foundation for Quality Management); it was the dominant management framework and accreditation tool in use. An explanation for this was given by members of the Scottish partner organisation who reported that the high take-up of the EFQM Model amongst the Scottish third sector organisations was unique in Europe. Interestingly, participants explained that even amongst third sector organisations within the rest of the UK there was no equivalent take up of the model. There was a consensus among interviewees that its successful implementation in Scotland was due to the influence of the Scottish Voluntary Sector Network, which had been in existence for around 15 years. A member of the partner organisation stated:

*I think that [EFQM] has really come from the creation of the Voluntary Sector Network and I think that is where it all came from. If we hadn't had that in place for such a long time, would the third sector be in the same place, in terms of EFQM? I'm not sure to be honest (P12).*

Interviewees also were aware that there was no equivalent network in England, Wales or Northern Ireland. It was clear from interviewees that the influence of EFQM has become widespread amongst the Scottish third sector. One of the most significant reported changes

was the adoption of the EFQM Model by Scotland's care regulator, the Care Inspectorate; this was viewed as a positive move by the partner organisation:

*The Care Inspectorate are using, actively using the Excellence Model [EFQM] now, which is great. They are going for Recognition as well, so they are going through it. They understand the process, which is really beneficial (P12).*

Although this is seen as a positive step from the partner organisation, there was, however, a potential bias in the adoption of a specific accredited model by a regulatory body, which may also be used by some of the organisations which it regulates. It could mean that organisations perceive that use of the model was to be mandated or might become mandatory in the near future. Participants in the group interviews were concerned that organisations which were not using this model could find themselves at a disadvantage in inspections, or perhaps receive a recommendation from an inspector to use the model as part of an improvement initiative, without wholly considering its appropriateness.

Members of the partner organisation also indicated that the EFQM Model was complementary to the nature of the third sector and aligned well with the third sector, as it put the customer at the centre of organisations' activities; central to third sector philosophy. Participants from the partner agency considered that, in their view, without the EFQM Model, the third sector could struggle in coming up with an objective framework to measure themselves against, whereas the private and the public sector had many metrics to choose from. Participants from the partner organisation explained that the third sector would benefit from having more 'hard data', (i.e. statistical data), as evidence, as opposed to narratives and case studies and considered this to be an area of weakness for the third sector, in comparison to both public and private sector organisations. However, as this was a view from the partner agency, the role of which was to promote the use of the model in the third sector, their motivation in its continued promotion cannot be underestimated.

For the interviewees whose organisations were using the EFQM Model there was a shared understanding that EFQM used well known, tried and tested principles and processes of quality management, recognisable with roots in pre-existing quality approaches.

Participants recognised it as being a revised and updated version of the Deming cycle of quality. Those with a background in quality therefore considered it to be less innovative in its approach than it was being presented as. Participants reported challenges of ensuring it

was applicable to organisations in the third sector, including whether or not the language and terminology would be acceptable to their organisations. Participants also considered that achieving the various levels of excellence (required for EFQM) would be challenging. Undertaking an EFQM award was considered by participants to be a formidable task for a third sector organisation, one which required internal expertise, time and funding.

However, third sector participants considered that when selecting an appropriate model the EFQM Model was a good fit because it would align with their organisational values and was an ‘holistic’ model, incorporating all aspects of an organisation’s strategic activities. In many cases organisations noted that they adopted the EFQM Model to support them with commissioning and procurement. Other interviewees indicated that the motivation from their senior managers was due in part to a desire for legitimacy, i.e., they wanted to demonstrate that they had achieved the award, there was, at the same time, or within different parts of the organisation, a genuine desire to use the approach to achieve improvement. “*EFQM ...is all about asking why you are doing something, like you know, what sort of result you want to achieve so, hopefully, it is not just about getting another badge*” (Group 2/R2). Whilst from the perspective of participants, there was an expectation that organisational improvement would result, there was also an anxiety that other senior members of the same organisation were supporting it for reasons of legitimacy. The inherent tension of legitimacy and legitimising approaches is further explored in Chapter 7. A quality and performance specialist explained the advantages of using the EFQM Model:

*The thing I like about EFQM versus ISO is there is no restriction in terminology, ... for ISO to work for you to get past your ISO inspections everyone in the organisation has to know that you work to ISO standards. With EFQM we can call it whatever we want, we can call it [Organisation] Quality Group, and then you can change all the language to suit here, which I suppose is the benefit of EFQM, you know, but it is also the downside because you don't have something you can take off the shelf and use (P13).*

Promotion of the EFQM Model among Scottish organisations had been driven largely by ‘word of mouth’ recommendations. Members of the Voluntary Sector Network had encouraged people to join the network and then supported them to implement the model. It

was also noted by some that the EFQM Model added value to organisational activities, but it was felt that working towards an external recognition would allow each organisation to promote themselves, to gather further funding and, furthermore, working with a recognised framework would give funders confidence that an organisation was using a tried and tested framework. The benefits of using the EFQM Model within an increasingly competitive third sector environment was also one which was highlighted by a Chief Executive:

*Because, you know, this is a very competitive business, people have views about organisations like ours and I think it's nice to have, you know? Big companies have got that, wee companies have got that, social enterprises have got that, charities have got it, and so have we (P4).*

One interviewee also explained that the use of the EFQM Model could act as a defence in Scotland against the competition from private sector companies, which were beginning to dominate the social care field in England. The implication from third sector participants was that the private sector entering or dominating the field of social care would have a negative impact on the provision of care, due to profit being the primary driver, as opposed to mission.

For a number of organisations, the use of the EFQM Model was complemented by a range of other accreditations which supported their quality and performance approaches. Another approach which was in use by organisations, usually concurrently with EFQM, was the Investors in People Standard. Whilst many participants referenced the Investors in People standard as being used by their organisation, however, interestingly, it generated no debate as to its usage, or benefits, advantages or disadvantages, and it was perceived very much as a basic necessity for the organisation. Investing in Volunteers (IiV) was another standard which was referenced by some organisations as being in place, which exists to support good practice in volunteer management, but again, generated no further debate amongst participants as to its usefulness.<sup>17</sup> This may be because the focus of this research was on larger organisations, which are typically less reliant on volunteers due to having more paid staff, or due to the fact that volunteering was also not the focus of this research.

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<sup>17</sup> Downloaded from <https://iiv.investinginvolunteers.org.uk> on 13/07/20

There was more debate around the usage of ISO 9000 suite of quality standards, but although in many cases it had been identified as a potential management tool it was indicated by all, bar one, of the participating organisations that it had been up to this point in time, rejected. Participants explained that ISO 9000 was a suggested accreditation tool highlighted on the tendering forms in the procurement process. Therefore, all organisations were driven to consider the applicability of the model for their organisation. One CEO of a major organisation reported his ISO experience with his organisation as follows:

*I certainly came here with the idea that I would quickly put in an ISO-based system and then realised, nah, that doesn't really fit. So, while I would probably want to get there in some distant nirvana future it certainly didn't seem to me to be the right thing to do, because I felt as though it's such a people service so you could miss a lot doing a documented quality management system – not that they are bad things, I think they're great. But actually, it is the people service, how do you actually monitor, influence and develop a people service? You don't do it with the documented quality system, so that is why I thought 'I need to rethink this' (P4).*

This presented an interesting perspective as this particular participant, having had both a private and public sector background prior to joining the third sector, recognised the process driven approach of ISO 9000 did not suit the third sector. It was not untypical for interviewees to report that their previous background in the private sector meant they were familiar with ISO and had considered using it for that reason. Whilst none of the interviewees were currently using ISO 9000, two interviewees reported that they were considering using it in the future in order to support other external accreditations:

*Yes, because I came in from the private sector my presentation was very ISO based. So in the private sector you couldn't tender for anything if you didn't have ISO 9000 and to be perfectly honest most companies pay lip service to ISO so they go out, they build a wee tool, they get their stamp and a certificate and then they go to tenders and anyone who thinks otherwise is delusional! (P13).*

Therefore, in relation to accreditation systems, such as ISO 9000, Investors in People and Investing in Volunteers the verdict was that their usefulness tended to be legitimised, or supported accountability to funders, but participants did not report any inherent value on their use as tools for organisational improvement, learning or development.

PQASSO (Practical Quality Assurance Systems for Small Organisations) was another quality framework that was referenced by participants; although a few had considered its potential viability within their organisations none had opted to use it. One interviewee reported that having a system initially designed for ‘small’ organisations was off-putting to her own major sized organisation, and certainly its initial design framework for smaller organisations was a deterrent to those organisations from large to super-major. It was known to be in widespread use in England, with a supportive associated network, but was not sufficiently supported by funders in Scotland, or any other organisations, to give it enough leverage. One of the interviewees had, in fact, direct experience of PQASSO in the Scottish context although contextualised this by explaining its use was “*very light in Scotland*” (P11). A pilot PQASSO project had been initiated by a funding organisation a few years before these interviews took place with 20 organisations, but since that time most organisations had ceased using the model and with only two organisations remaining in the pilot at the time of the interview it seemed unlikely to retain support over the long term in the Scottish third sector environment. It was explained that the reason for this lack of continued support was that it had not been mandatory to have the standard in place in order to secure funding.

SROI (Social Return on Investment) was another approach which received much incentivisation from UK Government towards its use but was not adopted by any of the organisations taking part in this research. One interviewee had experience of the use of SROI in the recent past, but noted that it was expensive, resource intensive, time consuming and the participant believed that the approach had fallen out of favour at a government level.

*I don't hear it mentioned so much now. I don't think it is quite as sexy now and it's bloody time-consuming to do them properly, so... we got people trained up in Social Return on Investment to do them, but it is very, very time-consuming, you really need to be committed to seeing it, doing it, and following it through because at the end you get information,*

*but the bottom line is from a commissioning perspective they're interested in saying, OK, how far does my pound really go in terms of the wider public purse? Is it £2.50, £4.00 or £6.90? That's that bottom-line figure that they are interested in (P7).*

Meanwhile, the balanced scorecard (BSC), which is a dominant framework in the literature on third sector OPM, on the other hand, received no mention at all from any of the interviewees at any stage and it did not appear to have been considered as an option for a strategic approach to performance or quality by any organisation.

### **5.4.2 The role of the care regulator**

All of the service providing organisations taking part in this research had services which were registered with the national care regulator, the Care Inspectorate, and were therefore inspected against the National Care Standards.<sup>18</sup> Due to the types of service provision, some services had all of their service provision inspected, whereas others only had a small proportion of registered services, therefore the emphasis of the impact of the care regulator varied according to this. From an organisation which was under a significant amount of regulatory scrutiny:

*You basically have an eyeglass on you all the time, no other sector has this level of scrutiny that anything else has, so it is kind of making sure we use that as well because if you are getting great grades and all the rest, Care Inspectorate and schools and the rest of it, that should be screamed from the highest place (Group1/R7).*

While all of those service providing organisations accepted the necessity for a regulator, there was significant debate about the value and worth of the care inspection scores. A number of organisations were achieving the highest marks within their Care Inspectorate scores, however, for those achieving high scores there was an unwillingness to use that as a reliable measure of excellent performance.

<sup>18</sup> Downloaded from the Care Inspectorate, June 2018  
<https://www.careinspectorate.com/images/documents/4479/Scotlands's%20Health%20and%20Social%20Care%20Standards%20journal%20-%20final.pdf>



Organisations accepted that the results from any external overseeing authority may not always be a reliable source of measurement; an unsatisfactory inspection score could, for example, be due to the inspector having a poor relationship with the manager of the service. It was also accepted that it would be possible for the Care Inspectorate to miss important aspects of the service and, therefore, the organisations that took this perspective were working to ensure they were a step ahead of the Care Inspectorate. They did this by working on their own internal quality systems in order to inform themselves with more supporting information relating to their own internal performance:

*There was almost a kind of sense of if I have got 6s in the Care Inspectorate, then I'm doing the job that our service does for the people who use the service...so it is quite reassuring for us that actually some of our services that get really high grades with the Care Inspectorate... there is not a correlation between the quality framework and the care inspectorate grades, which is reassuring in the sense that we are not duplicating effort and they are looking at different things. I think that is really important and it has taken us a while to start to get the message across that you know we are looking at quality in terms of the outcomes for people who use the service not in terms of compliance with the care inspectorate (Group 2/R3).*

A number of organisations expressed frustration that the Care Inspectorate system was designed to support improvement of service delivery, but that, in cases where they were achieving the highest score, it was difficult for them to understand how they could make improvements to their organisation. This demonstrates that organisations did not view an inspection score as a finite result, but considered that ongoing improvement was essential, and felt constricted by the narrow, at times, over simplistic results presented by the Care Inspectorate. This may be, in part, due to the Care Inspectorate needing to present results which are partly for public consumption, but which left insufficient feedback to support a more ambitious organisation to excel.

The importance of achieving good scores was recognised by all participants, in particular, as a weak score would be likely to impact on the growth of an organisation by restricting

an organisation's opportunity to secure business growth. There was an understanding of the critical nature of the inspection process and a recognition that this was the legal framework which could support the future existence or potential closure of services. A poorly scoring project within an organisation could have a significant impact on the whole organisation's future development, therefore, in particular with the larger organisations managing multiple projects, it was critical that internal systems and resources supported all their projects to achieve a minimum of a 'good' score in the inspection cycle.

One organisation reported that they had experienced a significant drop in the grades achieved in their inspections over a short period of time and which resulted in them having to develop a quality assurance system to support the necessary improvements. As the manager of the organisation explained:

*Oh, the grades! The dip! The grades had went down, the complaints had went up, the disciplinaries had went up, and so there was patches of really good quality, so there was some services, a couple was getting 6s, some were getting 5s... 3s... 2s... oh... really poor...so it was, right what can we do about this? (Group 2/R4).*

The impact of the low grades, along with the operational difficulties had therefore been the number one driver for this particular organisation towards implementing a quality assurance system. This was, however, not recorded as an issue for the other organisations, all of which reported having had internal quality assurance systems in place for some time to support their regulatory process. This could imply that for most large, major or super-major organisations, having internal systems in place to support performance was a normative management approach.

### **5.4.3 Funding mechanisms**

The perspective from the partner agency was that having an accreditation, such as EFQM, would allow the TSO to attract funding and reported that its members confirmed that having EFQM accreditation helped to secure funding. The second support organisation, driven to more bespoke organisational solutions, perceived their role as shaping the evaluative culture surrounding funding, by influencing funders, and therefore reducing the challenges of performance reporting for service provider organisations. This support

organisation reported that work was underway with trusts, foundation, and public sector funders to reduce the performance reporting demands, to focus on creating a culture of performance improvement. The challenges of supporting service provider organisations with managing their performance approaches to meet the needs of funders was also fundamental to the support organisation. Whilst one organisation supported the delivery and implementation of a specific model, i.e., EFQM, and was in a position to influence the care regulator, the other was working to change the perspective of funders.

At one end of the spectrum the viewpoint is that there could never be one solution which would facilitate the organisation's development of a performance system, but that, due to the bespoke nature of their service provision, it was essential that each organisation could and should, develop their own system, as a Chief Executive explained:

*We have to help them to see, no, we can't give you a solution because it won't be the right one, because we won't really understand what you need and you won't own it, and it won't be based on what you really need, and so we have to do it together (P10).*

The service providers, however, at times, found this challenging, and as the Chief Executive of a supporting organisation stated, "*we only work with the willing*" (P10) it implies that success may be due only because organisations have the skills, time and resources to invest in this process. Each approach carried its challenges and taking the most bespoke approach was one requiring higher levels of motivation.

However, the service providers reported that their funders were, in many cases, looking for hard data to support the required results, but paying, what might be perceived as lip service, towards an interest in the beneficiaries of the service. Concurrently, organisations were also attempting to change the culture and bring more qualitative information about service improvement. One interviewee from a major organisation reflected on the role of the key funding organisations and their impact:

*The formalised ones, local authorities, DWP, Scottish Government...it is almost like taking that humongous big super tanker and getting it to slow down, and it turns very slowly. Because it is important to see the client journey, and*

*they are saying the words, but at the same time they want to know pounds, shillings, and pence. Numbers, numbers, numbers, why are you hitting this target? Why are you under this target? Why are you above that target? ...They want the good news stories, but, and I'm not going to say it is secondary in any way, but still the focus is a lot of the time on numbers (P6).*

Other service provider organisations commented on the cumbersome and onerous reporting systems which took up a considerable amount of time to process. One of the smaller charities in the sample (medium-large) reported that prior to 2008 the organisation had been funded at 100% service level agreed by the local authority. However, since the 2008 Great Recession the organisation now only received 70% of service level agreed funding and the remainder was being sourced from a variety of short-term, and largely unsustainable, funding options. The multiple funding reporting mechanisms were considered to be both testing and time consuming for the organisation, meaning that performance measurement was a very complex process.

#### **5.4.4 The role of governance**

The impact of governance on the role of OPM varied according to each organisation. There were examples of the board of trustees contributing to the performance agenda whilst, more often, at the other end of the spectrum the board of trustees accepted performance data as it was reported to them. A Chief Executive reported that “*one of the key drivers is responding to the board with appropriate performance data and information*” (P4). The effectiveness of governance in relation to the board of trustees varied therefore as each individual organisation has its own board of trustees, which oversee the work of the organisation on a voluntary basis.

Service provider organisations reported that the governance structures were designed to support their performance initiatives, with one organisation indicating they had some ‘hands on’ involvement of trustees. Some tensions were reported between operational management and trustees, although service providers indicated that the trustees had a role to play in overseeing performance. One board of trustees reportedly made an active contribution:

*That sharpened our focus to define the KPIs, they were basically set by the Board, we have a voluntary Board of Directors and were all very experienced people from very different business type backgrounds who give their time voluntarily to us, but they approve them (KPIs) and agreed them (P8).*

One organisation reported that the senior management team were wholly responsible for developing the organisation's overall performance direction for which they subsequently gained agreement from their trustees. One of the participants reported the relatively benign reaction of their trustees when presented with the results of their performance:

*mmm, I think all the trustees went 'that's great' ... I think that was about it. That's not to say they don't value it, the trustees, but they just sort of went, 'ah, very good' (P4).*

One participant explained that their trustees did not accept the scores received from the care regulator as defining good performance but encouraged the organisation to audit against their own internal standards, reinforcing the bespoke nature of the third sector service provision. Organisations reported having tracker systems, which allowed the trustees to monitor any outstanding actions and agree which strategic objectives the organisation needed to prioritise. One organisation reported that there was support from their trustees in respect of them using the EFQM Model as an approach to support their performance. However, it was explained that the most committed support within the organisation had come from those who had implemented it within the leadership team. A Chief Executive explained how they presented their performance information, in a very managed way, to their trustees:

*What we are looking to give trustees assurance on is that within this basket everything is going okay, enough that you don't need to worry about it...so they get a very simple dashboard which says 'are things going okay or not?' (P1)*

Governance mechanisms, therefore, allowed trustees to see if the organisations were running well, nor not, and appeared to provide assurance that there was a performance framework which they could drill into, if required. However, there was no evidence from

the informants to suggest that any board members included beneficiaries of the service or that this group of stakeholders were involved in co-production of performance measurement at this level. There was also no real sense from interviewees of any significant level of challenge from trustees towards approaches, or of the role that trustees would be required to play in the event of any poor performance being reported, overall more indicative of a relatively benign, or at times, passive approach.

#### **5.4.5 Commissioning**

The process of commissioning and its influence on organisational performance measurement was one which generated significant discussion amongst participants. Although participants reported high levels of success in winning contracts through the commissioning process it was viewed negatively by all the interviewees, who concluded that it was not a process which stood up to scrutiny. Interviewees considered that the tendering process was driving organisations towards providing services with reduced funds. This, it was agreed, did not support the development of high quality service provision. However, the interviewees considered themselves to be responsible in terms of wanting to deliver the best service possible and considered a contract with low requirements for service quality to be unacceptable. A Chief Executive of a super-major organisation reflected:

*I think commissioning of social care is spectacularly bad, and you know, I try to be optimistic, but I haven't seen a lot of improvement, and when things do come along... which on the face of it you think 'that could be really good' ... the implementation of it is so poor and you are just back to this rigid tendering process which inevitably drives towards lower and lower costs (P1).*

The all-important drive for learning and improvement within organisations was not supported by commissioning but took place on the initiative of the service providers, who may have considered that their organisational missions were at risk of being undermined or compromised.

The interviewees who commented on this all considered that the process of competitive tendering had affected what they considered to be a necessary part of third sector work;

namely collaboration with other third sector organisations. Commissioning was also increasingly driving organisations towards short-term funding contracts, and therefore the commissioning model did not help third sector organisations to take a longer-term strategic perspective. Interviewees reported that rather than proving the quality of their existing service provision, the commissioning process was based on the organisation's next promise, instead of an organisation's track record. Frustration was also evident that the commissioning process would routinely ask an organisation if they held an accreditation, such as ISO 9000, which organisations had reported was in the main, an inappropriate model for them to undertake as evidence of their quality of service. Interviewees reported having to justify their use of another approach, i.e., using another standard, framework or certification, or needing to provide detailed evidence on how their internal quality system was designed. One of the local authorities, it was reported, rated organisations tendering for a contract using the ratio of 40% on cost and 60% on quality (which the service provider in this example considered to be too cost dominant). Reports from the Care Inspectorate were used by the commissioners to assess whether or not an organisation would be permitted onto the tender framework and thus be considered for new work:

*I would like to think local authorities when they are looking at the tenders are saying, 'oh, this is a quality organisation,' but I'm not convinced, I think it's more about the bottom line or the scores (P5).*

In this instance the quality and performance specialist here is referring to the scores from the care regulator. This shows a mismatch between the organisation's mission, which is driven by service improvement, whereas organisational performance is, according to participants, being measured against the regulator's scores, which did not support organisational improvement, alongside a cost-driven commissioning process. It appears that the service providers are therefore driving the agenda for improvement in the quality of service delivery.

## **5.5 Summary**

This chapter has explored the findings by considering what the purpose and relevance of OPM is to TSOs, as well as how TSOs define, understand and measure organisational performance. The participants made a powerful case for the third sector offering unique value for the delivery of welfare services. Participants presented themselves as having

higher levels of motivation than those in other sectors with a strong affective commitment to the mission. As the participants were primarily operating within the social care sector this was significant, as the motivating factor was about making a difference to the lives of people. The findings showed how mission, vision and values shape perspectives of OPM and are thus central to our understanding of the purpose and relevance of OPM for third sector organisations.

The findings also identified how conceptual confusion presents a significant challenge for participants working in the field of OPM; as organisations were actively pursuing bespoke approaches to OPM this, at times, fundamental uncertainty over the underlying key concepts was particularly contradictory. Views were often polarised when interpreting OPM, and, at other times, reflected uncertainty of meaning. Language and definition of terms varied between organisations but also showed an emotional connection and motivation as the development of OPM, whatever the nuances of understanding of that concept, remained a key objective for all the organisations and participants in this research in order to improve the lives of people.

The findings then explored how quality is an underpinning concept for OPM. There was less interest in quality as a means of compliance but rather in a way to support a values based approach to customer satisfaction, strongly connected with the beneficiary. The role of key internal stakeholders, namely the Chief Executives and quality and performance specialists was then explored, showing how they respectively influenced decision making, operationalising and implementation in relation to OPM. Whilst the quality and performance specialists reported operating in an undefined knowledge field, the commitment to finding the most applicable means of achieving effective OPM was prevalent for both. In order to explore how TSOs measure performance, the findings looked at the key models and frameworks in use in OPM and quality initiatives and found that the EFQM Model was the dominant framework over others which were more established in the literature, such as ISO Standards or BSC.

The impact of the care regulator, funders and the processes of governance and commissioning were then explored in this chapter. The regulator, considered by the extant literature as a driver of performance, was not perceived to be driving improvement for the TSOs delivering social care. The landscape of funding was a labyrinthine one, often resulting in reporting mechanisms that were complex and resource intensive. The internal process of governance implied, at times, a relatively benign level of oversight and scrutiny



from boards of trustees, lacking input from beneficiaries. However, the process of commissioning was perceived as being counter-productive in supporting OPM. These complexities further enhanced the TSOs resolve to undertake their own bespoke approaches to OPM, thus driving their improvement agendas as they saw fit.

The relationship of TSOs with their stakeholder groups is critical for supporting organisational performance measurement. The next chapter explores in more detail how stakeholders are managed in the context of OPM, in relation to stakeholder networks, conditions supporting stakeholder management, and the prioritisation of stakeholders.

# Chapter 6 Stakeholder networks and managing stakeholders

## 6.1 Introduction

This chapter explores how the third sector engages with its stakeholders and the impact of this engagement on organisational performance measurement. It addresses RQ3: how does stakeholder theory improve our understanding of organisational performance measurement for third sector organisations?

The first section covers the influence of the inter-organisational stakeholder network on organisational performance measurement through the empirical research carried out on two multi-stakeholder networks. The direct impact of such networks on third sector performance is largely unexplored in the literature, yet there was evidence showing its role as a determinant in driving and influencing OPM. Following this, the application of stakeholder management practices towards OPM within a third sector context is addressed by showing how an evaluative culture supports internal stakeholder management. Then the prioritisation of stakeholders, with particular reference to the beneficiary, and stakeholder salience is addressed through the perspectives of power, legitimacy and urgency.

## 6.2 The influence of the inter-organisational stakeholder network on organisational performance measurement

### 6.2.1 *Inter-organisational stakeholder networks*

As part of the research design, inter-organisational networks were used to support two group interviews and three group observations. Through the course of the research, it became evident that the inter-organisational networks were directly impacting OPM in TSOs. As the Chief Executive who had played a very active role in one of the networks explained:

*I think the advantage of networks within a closed and reasonably safe group is to say, okay, well if we collectively are serious about this, how can we use each other to progress and all get better? And I think there are some great examples from the Voluntary Sector Network where people shared, you*

*know, warts and all experiences and it was terrifically helpful*  
(P1).

The existence of such networks has been attributed to an increasing trend of inter-agency collaboration in the third sector. Group members were asked which aspects of the inter-organisational network supported their organisation's performance. A common theme emerging from their responses was that membership of the group would bring different things to each member depending on what stage each member was at in terms of their own and their organisation's understanding of quality and performance. Many interviewees had been a member of their network for many years and reported how their respective roles within the group had changed for them personally over the years. A longstanding group member explained:

*I think it has brought different things at different times, I've been involved with the group for 9 years, on and off, and at the beginning it was to learn more about Business Excellence Model [EFQM] and to understand what that meant...over time you developed your own skills and knowledge through training to become an assessor and applying that to your own organisation. So it was a very distinct part of the model. I get far less of that now. I get far more from the conversations with other people by what they are doing in their organisations (Group 1/Ref 8).*

Another participant within the group discussion reflected similarly to the informant above:

*I totally agree with that, that's my experience as well. I have been in the network about 10 years and initially it was, 'what is EFQM all about? What is this?' And developing your own skills and taking things forward in the organisation and building relationships with people that you can contact for advice or support at other times, as well. I remember going through a job evaluation process a few years ago and speaking to you [N] and other people, and things that were helpful for me so as [N] said I think it is different things at*

*different times depending on the stage that you are at personally and the stage that your organisation is at (Group 1/Ref 9).*

The participants all agreed that the shared, collaborative experience was something that group members could not achieve within their own organisations. Membership allowed participants to overcome the solitary experience of being in the role of a quality and performance specialist. One of the specialists reflected as such:

*It's sort of not being alone, as well, I think that if you are in a role that is quite solitary in an organisation, which a lot of us have been or are, it's a feeling that you are not alone, you are out there with other people that share the same kind of experiences or challenges and you can talk to them (Group1/Ref 10).*

Group members also explained that it was important to have a network that was flexible enough to meet the needs of every member, including those who were new to the third sector and/or quality and performance. Many participants confirmed that they recommended joining the network to others who were working in the field. *"I had recommended them to come along to this meeting, if you are involved in quality assurance in the voluntary sector... this whole thing is going to be of value to you"* (Group 1/Ref 11). Group members all reflected that they were able to share resources with other members, there were many examples of collaborative working practice across both groups. Members also commented that this was one of the key methods by which they received the information they needed to do their jobs and which supported their ability to be the primary knowledge resource within their organisation.

There was, however, little indication that attendance, or even membership of the group, was mandated from their own respective organisations. Attendance and participation of the group was very much a voluntary activity, as one group member explained: *"Nobody would particularly know I was at this meeting, it's in the calendar, but I don't have to tell everyone or report back on it as such"* (Group 1/Ref 12). It was also noted that this type of working practice was unique to the third sector, despite the competitive tendering environment that many people reported they were working in, participants reported that collaborative working did not take place in the private sector. A group member reflected

on his experience within the private sector: “*Groups like this don’t exist in the private sector...we shared nothing, we shared nothing with no one*” (Group 1/Ref 13). The emphasis on the uniquely collaborative third sector implied that it was superior to the way the other sectors would deliver the service. Operating in a competitive tendering environment and yet, at the same time, having collaborative working practices operating concurrently seemed unlikely, however, despite the contradiction, participants reported this as being another successful third sector initiative, contributing to improved organisational performance measurement.

### **6.2.2 The Voluntary Sector Network: a voice in the performance wilderness?**

The Voluntary Sector Network (VSN), established for over a decade and a half, was considered to be a unique form of networking opportunity for its members in the Scottish third sector. The primary function of the network, from the perspective of the partner organisation, was to support its members to use the EFQM Model. However, interviewees reflected that membership of the group had, in fact, a much more nuanced range of benefits. Members reported having been a part of the group themselves for more than a decade and their experience of being part of the network had changed over the years. One of the participants in the group interview reflected that “*the whole network has progressed into being more than the sum of its parts*” (Group 1/Ref 14). Whilst the overall aim of the group was to support members of the network with their EFQM accreditation, members reported that they retained membership whilst their organisation was not actively pursuing EFQM in order to ensure the full benefits of being a member of the network.

Collaborative working practice, in terms of sharing information, and working together within and outside of the group times, was one of the most significant benefits for members. Peer mentoring was reported as an example of actively engaging beyond group meetings. Members noted that they had individually considered what they wanted from the group, as well as what they wanted to bring to the group, and the network allowed them to have conversations about aspects of performance with other members which they could then translate into working practice in their own organisation. They reported offering resources from their own organisations, such as organisational policies, to sharing their submissions for EFQM quality awards. For those members who were new to their specialist role, membership of the network was held as being of great value to them as it provided a place for innovation and idea generation. It offered opportunities for

benchmarking with other member organisations and was widely recommended to colleagues working in the sector, especially “*if you are looking for things like having conversations about quality, what it is, how to measure it, all the dilemmas and the shared experience*” (P2), as a participant from a major organisation reflected. Members reported how the shared learning had ensured that they were able to bring new information and ways of working back to their organisation and develop more sophistication in how they operated.

It was reported that network meetings had a collegiate feel to them and for new members the experience could be revelatory:

*It has opened up their eyes...it has reinforced what we are doing is right, because they are hearing what other organisations are doing, or they are hearing theory, and they are suddenly saying, oh that is what you have been saying all along! Most people do embrace quality, they do want to improve (P6).*

It was felt that the network encouraged its members to be systematic in their approaches to quality and performance. Membership and, subsequently, attendance was entirely voluntary, and they were keen to stress “*it’s not just a wishy washy talking shop!*” (Group 1/Ref 15) but rather a “*voice in the wilderness*” (Group 1/Ref 16). The ‘wilderness’ could be seen to represent the widespread and significant lack of knowledge and interest in supporting and developing approaches to OPM in the third sector.

Group membership was reportedly growing due to word of mouth recommendations. Members reported rejoining after having moved to a non-member organisation. One participant reflected “*you gravitate towards people who...are either very similar or have the same pressures or the same reporting requirements*” (P2). The partner organisation also reported that they had carried out an exercise to explore how many stakeholders were engaged with members, including board members and other people in the supply chain. The partner organisation reported that they had a key role in building the confidence of the organisation through their support with EFQM, and the third sector was noted as having greater engagement with the network than the respective public and private sector networks hosted by the same organisation. A negative aspect of membership of the group, perhaps ironically given its purpose, was seen as an over emphasis on the use and

implementation of the EFQM Model, which, it was felt, led to some rigidity from the partner organisation in terms of working practice.

### **6.2.3 The Quality Forum**

The second network which took part in a group interview was not formed with any formal mandate or constitution and had been in existence for about two years. Group members were not associated with a partner organisation and were not collectively undertaking any form of recognised accreditation. The group was therefore considered by participants as less directive than the VSN. Quality Forum members described their group as a useful network for shaping ideas, sharing good practice and, furthermore, acting as a reassurance to the members, all made up of quality and performance specialists, that they were not alone. The group had been founded by two people from different organisations who wanted to tackle the challenges of implementing a quality system to inform their respective organisations' performance. *"We didn't have a quality assurance team, so this has been brilliant having these people to, you know, talk to!"* (Group 2/Ref 5). The initial conversations had led to a desire to find a safe space, for people doing similar jobs, in similar organisations to overcome the isolation of the role and to ensure peer support and learning.

The theme of peer support was recurrent in the discussions that the group members had about the nature and purpose of their existence, and they stressed the fact that their group was informal and un-constituted, with members contributing themes and bringing issues to each meeting for discussion, for example, *"we pick a theme, like a sort of area of practice, and we will focus on that...the last meeting was measuring outcomes, so we were kind of sharing that and comparing what we were doing"* (Group 2/Ref 6). Group members reflected on the fact that each quality and performance specialist had differing roles in their organisations and this presented them with individual challenges of operationalising the concepts. The group was gaining new members entirely on a word of mouth basis and, with no budgetary or resource allocation available, were using their own organisational resources to share meeting space and time; this presented them with a number of challenges for their longer-term sustainability.

Recurring themes for the group ranged from the process and technical details of ensuring effective performance mechanisms were in place, including implementing quality systems, where members shared their experiences of effective ways to, for example, develop

policies, report on performance, manage audit processes or process data. The peer support was extremely evident when several members shared their challenges in terms of where they felt their organisation was under achieving, but the group members were supportive and proposed constructive suggestions for them, for example, *“I feel a wee bit we’ve completely changed the way we are going to approach it...because we have learnt quite a lot over the last year, where our focus was on auditing, they were doing their self-assessment”* (Group 2/Ref 7). All of the member organisations were service providing organisations registered with the care regulator, so the challenges of ensuring that systems were in place to support the National Care Standards and inspections were also frequent topics. A significant challenge for members included keeping their services open in the face of imminent closure; participants reported recent or future closures of services due to a lack of funding and a concern that *“money trumps everything”* (Group 2/Ref 8). There was a genuine concern among group members that it was vital to ensure that quality of service provision remained, despite the focus, from funders or the regulator, in some cases, being on closure or driving down costs.

It was evident that the Quality Forum was enormously challenged by issues of its own long-term sustainability. Without resources, any dedicated support or an agreed place to meet, members were already considering how they could pursue their agenda in the immediate future. As the willingness to meet, share learning and develop practice was evident, and there were no shortage of organisations wishing to take part, the challenge for this forum was in maintaining its own momentum. Group members were reluctant to join the VSN for a number of reasons which included; the prohibitive cost of membership, a perceived requirement to sign up to an accreditation model and concerns that expectations of pre-existing knowledge amongst current group members would be high.

#### **6.2.4 Other networking forums**

Participants frequently referred to other relevant networks which they were currently or had previously been a part of: *“It is a key part of what we do, you have to have your finger on the pulse”* (P7). One of the group members referenced her time in a closed peer evaluation forum which supported the development of techniques to support organisational performance measurement which had taken place a few years previously. This forum had operated within a short-term time frame, funded for just under a year, and was supported by a partnership of two evaluation and support agencies. The Chief Executive reflected on her time in the group and what the benefits had been. *“Actually, I got a lot out of it...”*



*because I was still thinking in terms of funding... but it turned it around... what I found the most useful was taking the time out and giving it attention. It made me feel prouder of our services”* (P3). The interviewee considered that had been a very positive process for a number of reasons, including that the participating organisations were not there as competitors, which contributed to an open, supportive atmosphere of shared learning with opportunities for reflective space and practice:

*But that was one of the lovely things, that it wasn't a competitive process, it was a facilitative process, and it was, yeah, I suppose at times it maybe felt useful to people that didn't have the experience that I had in service development, so it was a lovely mixed group and people were so open, and it was just a nice forum that they had put together* (P3).

Interviewees from all organisations also referred to other networks which they were aware of and which, although they might currently be an active member of, supported the wider collaborative working practice which was common within the third sector and which, either directly or indirectly supported organisational performance measurement. This might be a formal network, but sometimes less so, as this quality and performance specialist explained:

*Not formal ones, no, but informally, just from people I've known in the past I've got quite strong links with the [TSO], for example, where I used to work with a girl who is the quality manager in there, so just like that, sort of informal links, but I don't have any formal links* (P5).

The Chief Executives all referenced specific peer support groups operating at their level, which offered a safe space to share practice and performance issues. *“Peer support is achieved through CEOs meeting up 8 weekly – Chatham House Rules, share practice, a safe space to share”* (P3). There was a further opportunity to network on an online forum ‘*Inspiring Impact*’ which operated UK wide and which supported the quality and performance agenda for the third sector. However, none of the participating organisations were actively using the resources of the national online resource hub which was hosted by the key umbrella agencies across the UK which offered freely available performance measurement tools and techniques. A concern was raised that it was too ‘England-centric’

and needed to demonstrate more relevance to Scottish based charities, as one of the directors explained in more detail:

*However, the UK is an increasingly different space, so that is the tension for us, because the language of Inspiring Impact, is obviously, inevitably speaking primarily to England, because that is the biggest bit.... so they say impact, we say outcomes. Do we mean the same thing? It is quite easy to get caught up in definitions and inevitably it is quite top down, Inspiring Impact, so some of this production of tools and resources, is exactly the opposite of how we work which is on the ground, and small scale, and the policy environment is very different too than in England, so ... trying not to be negative about it, but try and manage some of the 'not so applicable to Scotland' bits, which might be around the outcomes agenda (P10).*

These aspects addressed here are recognisably barriers to engagement which are failing to support third sector organisations in Scotland, despite the opportunity for an online forum to be accessible and relevant to all UK based organisations.

The next section explores how stakeholder management practices take place in relation to performance measurement.

## **6.3 Managing stakeholders in the context of performance measurement: conditions supporting stakeholder management.**

### **6.3.1 The evaluative culture and internal stakeholder management**

Participants consistently referred to and reflected on the nature of their relationships with their respective stakeholder groups. This aspect of organisational performance measurement, within the context of stakeholder management practices, is examined in more detail here. In the first instance, the conditions which supported stakeholder management practice were unpicked and a central required characteristic of the TSO's workforce was described as an 'evaluative culture'. A quality and performance specialist

explained that this was across all levels of hierarchy of the organisation: “*But definitely from the top down there is a supportive culture to this kind of function which helps* (P13). In relation to supporting performance measurement practices, and in addition to the evaluative culture described above, interviewees identified that organisational culture had an impact on OPM practices, for example, they identified a ‘person-centred culture’ and an ‘open culture’.

Although interviewees recognised the importance of ensuring the organisational culture supported both good organisational performance measurement and stakeholder management practices, it appeared that organisations were not actively adopting strategies to support this. A Chief Executive reflected:

*An evaluative mindset is a particular way of thinking which sits well with some people and less well with others, so there is even the kind of learning style, ‘what person am I? I don’t want to reflect, I just want to get on with the next thing’, so even personalities can be a challenge. Some people just find this stuff easier than others* (P10).

This was a particularly interesting finding, which demonstrated that individuals were not acting mechanistically in relation to managing their stakeholders but were considering how best to manage differences in personalities and how to optimise relationship management for the benefit of their organisations.

Interviewees, mostly in the role of specialists, reported that facilitating intra-organisational communication and understanding of performance was critical to success, by improving employee engagement and reinforcing the commitment to the mission. Having a workforce which was motivated to make a difference to the lives of people was also seen as key to support stakeholder management practice:

*What would get in the way of it if is people didn’t understand why they were doing it. So, I think, as an organisation, we are always keen to say to people why we are doing these things and the value they can attribute to them in terms of their own practice, rather than it being seen as a corporate governance exercise* (P6).

This comment from a specialist in a large third sector organisation reinforces the concept of how these specialist organisational stakeholders are shaping the approach to stakeholder management, including attributing value and improving understanding. Managing internal stakeholder relationships was a key part of ensuring that all aspects of performance could be successfully delivered. The same interviewee described the approach to working with key staff in her large organisation “*because of the different perspectives you need persuasion*” (P6). The persuasive approach could form a part of an evaluative culture, by using compelling arguments to ensure people are able to adopt desired work practices and encouraging knowledge sharing and communicating good practice.

### **6.3.2 Prioritising stakeholders: the beneficiary claim**

“*So, how do you prioritise all of your stakeholders, funders, clients and how...do you manage that?*” (P6). How to prioritise organisational stakeholders was referred to frequently by interviewees and raised as a question (above) by an interviewee from a large organisation and pointed to a fundamental uncertainty of the process. The question of how prioritisation took place was not a formalised process for any organisation. The prioritisation of stakeholders was, furthermore, not a static, unchanging state. This was illustrated through the issue of competing priorities and it was a challenge to ensure optimum conditions for the stakeholder management process. In other words, it might be possible for a stakeholder to have not previously had an urgent claim on the organisation, but, if circumstances changed, the management of stakeholder relationships would need to be adapted accordingly, as the quality and performance specialist of a major organisation reflected:

*It looks great, I know, so simple on paper, so simple in my head, but things like time and competing priorities and they can change very quickly. So, yeah, because as soon as you've stumbled across a major issue, then actually you need to, in terms of due diligence, liability, exposure to risk, that then becomes quite rightly, the priority (P2).*

The sense of urgency and the risks of failing to appropriately manage stakeholders, and the potential future scenarios attached to that was also raised by an interviewee:

*If you keep going the way you're going in terms of procurement in Scotland and social care then you are going to end up with Richard Branson and SERCO and BUPA, and they will just buy the contracts, get the work and then they'll put the price up, absolutely convinced of it! (P4).*

For the interviewee in this case, the risk of the loss of services to the private sector was both high and likely, and with serious implications for the sector as a whole leading to a reduction in the quality of social care provision.

Managing stakeholder relationships with those who had both legitimacy and urgency, but low power, i.e., the beneficiaries, was considered one of the most challenging aspects of stakeholder management for interviewees, as described here by a specialist from a large third sector organisation:

*The service users we are working with have disabilities or a long-term physical health condition, or are socially excluded, so there are major barriers and there are multiple barriers as well, so it is really about trying to address those barriers and showing the journey, and that in itself shows the funder, stakeholder, that you are achieving it (P6).*

Balancing responsiveness to both clients and funding agents was here considered to be a significant challenge and carried out by supporting the understanding of those with high power (funders) against those with legitimacy (service users). This aligns with the literature and reflects how the stakeholder voice for this group of stakeholders is under-represented and provides evidence showing how third sector organisations are working to shift perspectives.

When considering how to prioritise stakeholders, interviewees were primarily concerned with how to ensure the salience status of their beneficiaries was at least of equal status with more powerful stakeholders:

*I think the words that interest me are 'range of stakeholders', I think the user involvement bit of that is most interesting, so*

*I think performance for the people we serve as well as the people that fund us (P10).*

This was the perspective of the CEO of a medium sized organisation. Ensuring that the beneficiaries were accorded an equal status with the funder was a recurrent concern. However, the relationship with the high power stakeholders, the funders, was referenced differently, in particular in terms of the dynamics, the power, urgency and the tension between the instrumental and normative stakeholder approach:

*Funding is the biggest [challenge], the sector is always going to moan about it, you don't have consistency of funding, there are very few funders who will fund you for more than one year ... I think 3 years if you are lucky, if it's a local authority, but due to your funder you are having to evaluate the targets, you can lose funding (P6).*

Interviewees also noted that there were times when organisations were absolutely required to deliver the reporting demands from funders and other key stakeholders, with little opportunity to build meaningful relationships. Relationship management was a precarious process for those stakeholders with high power, such as the regulator, interviewees recognised that a poor inspection score could be simply “*down to the relationship with the inspector we've got*” (Group 2/Ref 9). The results of poor stakeholder management could have consequences for the long-term survival of the project, as one interviewee explained:

*If someone is looking for a care service for themselves or a relative, that would be a natural port of call for them to look at, 'how's the organisation doing? What grades are they getting? What are they actually saying about them?' So that is quite an important one for us, in that sense, because it will hopefully bring in business if we are getting good results (P8).*

The evidence indicates, therefore, that good stakeholder management ultimately supports future commissioning and business development.

Managing collaborative relationships with other partner agencies was considered a key area for good stakeholder management practice amongst organisations. One interviewee

stated that the need to improve collaborative practice between stakeholders was a substantially growing requirement, and partner agencies described how they supported organisations to work together. Despite the understanding that one organisation may find itself competing against another organisation for new business which it typically collaborates with, there was still a willingness to share good practice, something that most considered unlikely to happen outside the third sector. Furthermore, ensuring a sound knowledge of other stakeholder groups allowed organisations to even turn down opportunities for new business and offer them to other organisations with the best specialist skills, where it was in the interests of the beneficiary, a specialist explained, “*you are more appropriate to that person and we want to make sure that person gets the best journey*” (P6). Sharing good practice with other external stakeholders was unlikely to be organised strategically but was taking place across inter-organisational ‘peer’ groups. As an interviewee from a large third sector organisation reflected:

*you try and share good practice.... even though we are pitched against each other...if this was the private sector, we probably wouldn't have the relationships we do have, because it wouldn't be allowed... (P6).*

The unique nature of the third sector, as referenced frequently by participants, was in strong evidence here in the way that organisations work collaboratively. It demonstrated a stakeholder management practice that goes beyond both the necessary and the expected, striving to prioritise the beneficiary.

### **6.3.3 The salience status of stakeholders: static or shifting?**

There was evidence from the data that stakeholder groups which would typically be expected to fall into the category of holding high a power status, i.e., funders, were, at times, shifting their own salience status. This was an unexpected finding, as although it has been suggested that stakeholder groups are, in effect, allocated their stakeholder salience by the organisation, and that an organisation may try to moderate that relationship by increasing the power status of a group of stakeholders, the potential of a group of stakeholders to moderate their own, from high power, to greater legitimacy, was surprising:

*What is interesting in the trusts and foundation world is that they are increasingly interested in the difference they are making as funders which has been really helpful... actually, what is that telling us that will make a better grant next time? (P10).*

The evidence here points towards a cultural shift in the landscape of funder and funded.

Interviewees reported the importance of ensuring that their beneficiaries' salience status was not seen as secondary in any way:

*It does raise the question about who are we working for, you know? For all these badges and all these organisations and customer service excellence, all these things, you know, they are not the people we are working for. It is the service user (Group 2/Ref 10).*

There was evidence that showed how TSOs were working to ensure the funders had clarity over how they were working with user groups where disability, for example, was a significant factor. Careful stakeholder management practices in these circumstances were needed to ensure that the funders fully understood the needs of the beneficiaries. *“So it is very much we want to show to the individuals and, to anyone else, the progression. Is there is a reason for the progression?” (P6).* Whilst managing stakeholder relationships was time consuming, the investment in the process ensured that stakeholders in a position of power could better understand the perspective of the client journey. Interviewees described a proactive approach to managing their relationship with funders, offering a pragmatic method of delivering, in the first instance, what the funder might want, in terms of statistics, but also:

*we are moving away from that, to the client journey, the customer journey, to show [the funder] that, yeah, we have hit the targets, but it's back to that, how do you know what you are doing is actually, why that person has progressed? So, we are trying to be proactive about that as well (P6).*



The earlier perspective, from a supporting agency, that third sector organisations may not want to put themselves in the position of driving changes from the funders, is in effect, contradicted here; in some cases third sector organisations are driving the changes. Organisations showed how they continued to prioritise their beneficiaries over the more powerful care regulator, indicating that this was a time-consuming process to ensure that all internal stakeholders, (i.e. staff who may not be directly involved in stakeholder management), were clear about the organisational direction:

*it has taken us a while to start to get the message across that, you know, we are looking at quality in terms of outcomes for people who use the service, not in terms of compliance with the Care Inspectorate (Group 2/Ref 11).*

Furthermore, in relation to the regulated services, there was a desire to ensure that an organisation did not stop at compliance with the care regulator, but with changing perceptions of service provision:

*Are we talking about compliance with regulatory requirements, are we talking about delivering a good quality service, are we talking about making a difference to people's lives, and are those three the same things? (P10).*

This certainly could be considered from the perspective that power, i.e., from the care regulator, and legitimacy and urgency, i.e., providing a good quality service and making a difference to people's lives, were of equal, or normative, importance from the perspective of the service provider:

*I think it doesn't give a picture of what I see, as what I want to see as a quality journey for the organisation, I want the bigger picture, I want why we are doing it and how we are getting there, and the processes and all the rest of it... but yeah, you still have to hit your KPIs at the end of the day because your funders demand it, or you haven't got an option, people demand things, you are not going to miss that...but just to focus on that from the language, it is the*

*hard line KPIs at the end of the day, which isn't really just about this* (Group 1/Ref 17).

Once again, this reflected the tension between compliance, the management of high-power stakeholders and the drive towards an evaluative culture which supported the organisational mission. Interviewees described the conflict and tension between the relationships with stakeholders that they were working to manage most effectively. There was a continual drive to ensure that the stakeholders were managed in such a way that the beneficiaries were prioritised, despite the fact that this might mean challenging existing stakeholder management practices to ensure that approaches to performance measurement supported the organisational mission.

### **6.3.4 Stakeholder management in practice**

Quality and performance specialists managed tensions between normative and instrumental approaches by ensuring improved communication methods in their organisations ensuring key documents, such as the organisational strategy, were communicated effectively and were accessible to all stakeholders. Ensuring accessible communication, including to those who may be excluded from such processes, such as the beneficiary, who has legitimacy and not power, was considered vital by organisations. This shows that developing understanding for key stakeholders was essential, but also reflects, again, how organisations are working to a normative understanding of stakeholder management. As the Chief Executive of a super-major organisation explained: *“As senior managers we have to turn things like the strategy into understandable language. If people can't see the thread that goes through the work then you are in trouble, because why are you doing that if it is not about the charity's mission?”* (P1). Organisations remained focused on ensuring that the mission remained at the heart of their work and ensuring that there was equality of understanding by clarifying meaning through language and minimising any intra-organisational tensions.

Interviewees referenced the ongoing complexity of stakeholder management. As one specialist explained, it was a *“big kind of complex juggling jigsaw”* (P7). There was certainly evidence of unresolved conflict around how best to manage those processes in order to stay in business *“our business is people and providing support for people, we have to juggle that”* (P7). Where there was evidence that organisations had understood the requirements of the most powerful stakeholders (typically funders) and had applied

practices which would support that and appeal to funders, for example, implementing a recognised performance measurement tool, such as the EFQM Model, there was not, however, evidence to show that they had accordingly weakened the priority for their beneficiaries. Therefore, although, at times, a more instrumental approach was demonstrated, in order to secure funding, it was undertaken pragmatically in order to support the mission. This was in spite of the interviewees referring to the commissioning process as poor, in part, due to obstructing the development of good stakeholder management practice:

*the charity sector tends to be very responsible in terms of wanting to deliver the best it can, rather than looking to the contract and saying 'all we are required to deliver is this? So why deliver any more than that?' (P1).*

Therefore, a normative stakeholder management practice was dominant, despite institutional barriers. Whilst the formal analysis of stakeholder groups was not a common practice amongst interviewees, a few organisations reported that they did attempt to analyse the differences between their various stakeholder groups. Those who did this indicated that the process was problematic, with conceptual confusion arising over stakeholder definitions, for example, trying to clarify whether the stakeholder was a customer or partner. One interviewee explained that they actively sought the views of their stakeholders on a biennial basis through a stakeholder survey:

*We are doing a stakeholder survey right now in which we are asking, (we do this of our stakeholders every 2 years), we ask a general set of questions to help us keep checking, are we still relevant? (P10).*

The organisation asked questions such as '*what are the things you particularly value about us?*' and '*what can we do better?*' which allowed them to keep checking their relevance to their stakeholders and to ensure they could meet their diverse needs. This would therefore allow them to make changes at a strategic level to ensure they could keep responding to stakeholders' changing requirements. However, there were no other examples provided of an organisation taking a formal survey approach to its stakeholder management practice. This could be due to a lack of time and resources, or organisations not having considered

strategic prioritisation of stakeholder management as a key activity to support approaches to OPM.

One organisation described its stakeholder management practices as being ‘soft’ approaches, typically by means of informal stakeholder events which brought together key members of stakeholder groups. The interviewee, from a major organisation reported that:

*Anyone, from people using the service, to family members, social workers, commissioners, Care Inspectors, anyone who wants to come along and also people that you are seeking to influence as well, local authorities, because you are always looking to try and organically grow your services and develop good relationships which is often sometimes a better way of developing services rather than relying on the tendering route all the time... so there is that kind of like softer, stakeholder, promoting the service locally (P7).*

These events filled a promotional role for the organisation, in terms of ensuring that the work they undertook was widely seen, but they were also an opportunity to ‘celebrate the success’ of their service provision; much of this was undertaken with people using services in the front role of promotion. This was an alternative method of increasing the salience for this stakeholder group.

## **6.4 Summary**

This chapter explored the findings in relation to how the third sector is engaging with its stakeholders and the impact of this on OPM through the lens of stakeholder theory. The first finding revealed how the inter-organisational stakeholder networks were influencing OPM within the respective third sector organisations. The two networks which formed part of the empirical study showed how participants managed a collaborative, peer support approach to improving their knowledge on OPM, at the same time whilst operating within a highly competitive environment. The networks were operating in an increasing trend of inter-agency collaboration within the third sector, but nonetheless demonstrated a unique and peer led approach to knowledge management. They allowed their members to overcome the disadvantages of operating in a solitary role within a field with undefined

knowledge parameters and also acted for their members as a voice in the performance wilderness.

In order to support stakeholder management and OPM participants determined that an evaluative culture was needed. By this was inferred an intra-organisational culture that supported learning from its performance information in order to make organisational improvements, and one in which the internal stakeholders were all actively involved. Stakeholder prioritisation, through the concepts of power, legitimacy and urgency, was explored. Its importance was shown particularly when managing stakeholder relationships for those with low power, i.e., the beneficiary, and showed how the TSOs were focused on prioritising the beneficiary claim. There was further evidence from the TSOs that high power status groups, i.e., funders, could shift their own salience status to align more with that of the beneficiary, pointing to a shift in the cultural landscape of funder and funded. The findings also revealed how tensions between normative and instrumental approaches to stakeholder management were managed in practice, showing that normative stakeholder practice dominated, despite institutional barriers.

The implications of these findings in relation to stakeholder theory are further explored within Chapter 8, Discussion. In the next chapter the findings are explored through the drivers of accountability, legitimacy and improvement, followed by the concept of performance measurement as an ecosystem.

# **CHAPTER 7 Approaches to organisational performance measurement: accountability, legitimacy, improvement and performance as an ecosystem**

## **7.1 Introduction**

In this chapter the findings are explored in relation to RQ4, namely: what are the key drivers of organisational performance measurement for third sector organisations? From the empirical data several key themes emerged. Firstly, the chapter explores the role of accountability, legitimacy and improvement. Each of these factors have been identified as impacting on OPM, but there is evidence from the findings that shift our perceptions of how these are weighted. Accountability is of considerable concern for the third sector organisations, as they are accountable to a significant number of key stakeholders, particularly within the regulated social care environment in which they operate, and the tensions and challenges are reflected here. Legitimacy was also recognised as a driver as TSOs may consider that the use of a framework or accreditation will ensure they are aligned with their peer organisations. The extent to which this is currently taking place is explored. Finally, there is evidence of organisational improvement, which is often presented as an overriding reason for undertaking any performance initiative, but new insights from the participants advance our understanding in this area.

Furthermore, the data showed three thematic developments which were identified as: adaptation, in which organisations evolved their approaches to OPM in the light of changing external and internal circumstances; sustainability, in which organisations showed that OPM was part of the organisation's long-term strategy, and collaboration, in which networked activities with other organisations were essential to develop OPM. This supported the development of an aggregate theme of OPM as an ecosystem.

## **7.2 The role of accountability, legitimacy and improvement**

In this section the themes of accountability, legitimacy and improvement are further explored through the evidence presented by the findings, alongside the impact these have on how TSOs undertake organisational performance measurement.

### 7.2.1 Accountability

Organisations identified their external accountability as being to a number of statutory bodies including, but not limited to: the Care Inspectorate; SSSC (Scottish Social Services Council); Commissioners; SVQ (Scottish Vocational Qualifications) and the Public Fundraising Association, and all of these statutory bodies carried clear reporting requirements. Discussions on external performance accountability were, however, dominated by the care regulator, funders and commissioners. At the same time, interviewees acknowledged that they were actually accountable to “*anybody who is directly involved in services*” including “*the people who use the services themselves*” (P7). It can be inferred from this that accountability to the people who use services was not just a ‘nice to have’ but formed part of the contractual arrangements with funders “*there is a lot of emphasis placed on outcomes with service users and measuring outcomes which is usually a condition of every contract that you end up with*” (P7). Participants reported that measuring outcomes, a dominant theme in UK social care provision, did not always equate to a genuine understanding of the needs of beneficiaries.

Interviewees reported that accountability to commissioning and procurement agencies did not allow them to effectively demonstrate their performance. One participant explained their tense relationship with commissioners:

*they had no clue, they’ll throw ISO9000 at you, because they are procurement, and they are used to the procurement angle of ‘I know what I actually want. Well, I don’t actually want an ISO, but I know an ISO’ and that’s as good as they want*  
(Group 1/Ref 18).

Interviewees reported dissatisfaction with the fact that on some tender frameworks the organisations were rated by 40% on cost and only 60% on quality, which interviewees reported to be a disappointing level of investment in service quality. This was summed up by one interviewee “*certainly from my perspective, quality things get ‘dingied’<sup>19</sup> just because they get trumped by money all the time*” (Group 2/Ref 12). This reflects a frustration from participants that the needs of the beneficiary should be prioritised, and that driving down the costs would have a negative impact on beneficiaries. It is a direct

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<sup>19</sup> Scots slang for ‘rebuffed’

criticism of the procurement process as it also implies that the commissioners were far less knowledgeable about appropriate approaches for performance measurement.

Compliance was still a mandatory requirement, and there was certainly additional tension for organisations working across national borders and, therefore, with additional accountability bodies, for which the reporting requirements were even more significant, *“it’s trying to get something that is compliant and is useful. It is not easy trying to bridge the gap”* (P13). Whilst organisations recognised the necessity for compliance, the frustration was evident:

*The downside with this place is the amount of compliance we have to deal with, we have everything from Scottish Government, all the sector local authorities, we do work with English local authorities, southern Irish local authorities* (P13).

Despite interviewees stressing that when procuring for services the cost was critical from the procuring agency’s viewpoint, it was still not a perspective that organisations were keen to consider *“in actual fact, we don’t want to be the cheapest in the market, because we want to be providing a quality service, dealing with complex care needs... rather than a basic care service”* (Group 2/Ref 13). This proved to be a recurring theme among interviewees prioritising quality of service provision over cost.

There were accountability challenges for organisations working across several different local authorities which found they had to provide information in a variety of formats in order to meet different commissioners’ requirements. This, at times, was at odds with the internal approaches which they had developed which focused more on the needs of the people who use their services:

*That has always been a bone of contention. You want information about your own organisation that you can promote in terms of what you’re doing, what you’re achieving, what outcomes you are achieving for people, but at the same time you have to satisfy the commissioners and so forth in terms of what they want* (P7).



For the largest organisation interviewed a main accountability driver was reporting to each local commissioner, however, it was notable that for the size of organisation the reporting requirements appeared less onerous than for their counterparts in a smaller organisation. The larger organisation may be more easily able to access more significant resources and expertise to support this.

The care regulator, interviewees reported, was overly bureaucratic and compliance driven, putting smaller, less well-resourced organisations, at a disadvantage. Whilst it was acknowledged that the role and existence of the care regulator may provide some surety, the organisations themselves were looking to find out how to become a “*best in class service*” (P4), however, ensuring compliance with the care regulator was still considered essential, or, as one interviewee phrased it, “*we still salute the flag when it comes to the Care Inspectorate!*” (P4). There was also a perception that the Care Inspectorate would be not quick enough to respond to errors in service delivery. An organisation reported that they used their own performance and quality systems to identify any corrective action needed in advance of inspections and felt that this preventative and corrective action was insufficiently recognised by the regulator. Organisations were caught up in a cycle of collecting unnecessary or excessive amounts of data driven by accountability requirements and the data collection therefore “*feels meaningless to them*” (P10). The way information was presented to the care regulator meant it was not always aligned with organisational values. When responding to the care regulator, for example, participants disliked the way that “*we get encouraged to compartmentalise somebody’s existence*” (P2) thus losing the individual’s story. This perception of the care regulator as being insufficiently able to drive real performance improvement is insightful, as it showed that the service providers’ perception is that they are taking a lead in the drive to improve services. It also emphasises the continued values driven perspective of the third sector.

It was reported that positive action was being taken to ensure that both funders and funded were beginning to better understand each other’s requirements. The Chief Executive of a supporting agency explained:

*What are the common questions that funders really should be asking in terms of funded organisations? And those questions are ‘what did you do?’ ‘what difference did you make?’ and ‘what did you learn?’ And actually, it turns out that pretty much all trusts and foundations, and pretty much*

*all public sector funders, those are the answers to the questions that they want to ask (P10).*

The supporting agency also reported that there was a shifting emphasis away from the cost driven paradigm to an understanding of the relationship which was shared by funders and funded alike:

*the process of getting funded organisations to report to them isn't just a mechanistic accountability 'did you spend the money and what difference did it make?' but actually, 'what is that telling us that will help make a better grant the next time?' (P10).*

This drive to change the perception of the accountability relationship between funders and funded was perceived to be a topical issue by interviewees who were working to gain a deeper understanding of the nature of this relationship. The implication here being that service providers had a greater understanding of the importance of data gathering in the context of performance reporting, with a focus on gathering outcomes about individuals, which they considered to be important in terms of service quality. The service providers wanted to be recognised for their knowledge and expertise in these more appropriate data gathering methodologies which prioritised service quality.

Interviewees reported that they were under pressure to demonstrate they were effectively delivering their services, although at the same time, there was a recognition that they were, yet again, only being asked for no more than basic information, in terms of, for example, providing financial information, working to National Care Standards and ensuring contracts were being fulfilled: *"it is being able to prove that we are delivering on the 'belt and braces' of those kind of things..."* (P2). Furthermore, there was a collective sense of disappointment from participants that the systems supporting accountability did not allow any further in-depth analysis of what was happening, beyond covering basic compliance, for example, ensuring that an organisation is working within its budget or that the regulatory grades were satisfactory, but the underlying qualitative data was not permitted to be reported on. It was also recognised that in order to ensure that an organisation could perform to the highest standards that there were aspects of service provision that needed to be underpinned by additional resources, for example, staff training, and this would necessarily come with an extra cost attached to it.

It was, reflected one interviewee, also time to consider the performance of those who were commissioning the services *“I'd like to feel that we would get further with the quality debate, but for me it is part of this wider problem about commissioning”* (P1).

There was further anxiety for many organisations *“about the bottom line and about control and about what happens when things go wrong and being held to accountability”* (P2).

However, participants expressed the view that while the funder may be less interested in the qualitative data, TSOs should nonetheless be presenting information which proves that the service is making a significant difference for the beneficiary. As one interviewee explained *“we would really like to do a bit more”* (P2), although reflecting later that *“you need to have that conversation with the council and then they are not in a place to have that”* (P2). The short-term nature of funding contracts had a significant impact on performance, as one of the quality and performance specialists explained, *“you can lose funding and having a run at something means you have the opportunity to actually develop it and improve it and look for quality things and then to re-evaluate at the end”* (P6). There was recurring disappointment that some funding bodies took a short-term approach to funding TSOs, which restricted opportunities for long-term improvement and development.

Interviewees stated that they intended to move away from the funders' relatively straightforward accountability requirements towards the client or customer journey, and there were many examples of working proactively so that *“you could see that we've engaged with this person, they've done a journey, they've done stuff, they've got action plans, and they've improved...we want to show... to anyone else the progression is there”* (P6). The process of reporting to and the associated accountability requirements from funding agencies could, however, be overwhelming to the smaller organisations which did not have the resources to support this, for these organisations it could be potentially a disenfranchising experience. For the smallest organisation in this research, the Chief Executive explained, *“I'm still round the services on a regular enough basis, and I don't mean that ensures quality, but, I suppose if we were big I would want a lot more sort of tick boxes”* (P3). Getting to the crux of what a good quality service provision was about was important to all the interviewees *“what do we do in order to demonstrate what we are doing, what works? You can prove your outcomes, you can prove you are doing stuff with numbers and the ‘what works’ bit is a happy customer”* (P6). Service provider organisations were keen to demonstrate a superior approach to service delivery, reflecting either a failure or an inadequacy on behalf of the funder.

Some interviewees also expressed a belief that the current performance and quality environment in which the health and social care organisations, in particular, were working within was volatile and potentially ready for a paradigm shift. Where accountability was driven to only provide the narrowest level of compliance, it meant there was a risk of services being so under-resourced to the point where they would be unable to deliver services at all *“it’s only going to stretch so far, until it reinvents itself successfully, and we reinvent ourselves successfully or we have more indicators of ‘that’s not OK’”* (P2).

Performance reporting was variously described as difficult or cumbersome with excessive bureaucratic processes built in. However, it was the perception that, whatever the barriers to reporting accountability, that fundamentally *“they all want to know the same, what difference has the service made? As per the service user, so I think that is the way our feedback and so forth, that we get, is geared up to towards”* (P3). So, some funders may provide barriers to supporting organisations and accountability could be restricting, rather than enabling. However, at times funders did, according to the evidence, match the service providers’ interest in the lives of the beneficiaries. The spectrum of supportiveness towards third sector organisations by funders varied therefore from restrictive to enabling practices.

One of the TSOs reported how they were accountable to their board of trustees and provided them with performance data and information:

*A lot of our key processes play into that corporate governance in terms of them being assured, as they should be in their role as a board member, that we are doing what we say we do, and if we are not doing what we say we do that we need to take action plans and whatnot to them and tell them what we will do to resolve it* (P7).

The participant from the smallest organisation taking part in the research noted that they were consistently achieving high scores in their regulated services, despite reporting that they had little in the way of a formal quality or performance system. The organisational size meant that the managers could oversee all the services effectively, in their view *“we are sufficiently small that we have a feel for things”* (P3). The assumption being that a relatively small organisation with a robust leadership style could manage its performance well in this respect, but it was less certain that an organisation operating on a larger scale

would be able to manage this approach without effective internal systems and processes in place.

One organisation reported having a formal internal audit and inspection unit, which ensured they had internal systems to manage quality:

*We do have a range of audit processes in place internally in the company, so we will cover a wide range of aspects of practice. In terms of practice with service users [and] some of the key support mechanisms for staff, we conduct a range of health and safety audits, data management audits and property management as well, because, as a company, I think that's important to make sure we're on the ball with these things, but we try and make sure we do it in a way that provides benefits to services rather than strangling them with audits. So I'll often review the practice audit side to see if we can pare back, or is too risky to not do it, we could maybe reduce the time frame, have we reached our level of responses to questions now that is not showing any risk if we were to not do them? So we have a range of practice audits and finance audits, as well and they are all reported through our audit committee and ultimately to the board (P7).*

A few organisations had internal self-assessment tools which supported the external inspections. One of the quality and performance specialists explained: “*So we built a big self-assessment tool, framework, overarching framework that we use from a quality perspective*” (P13). During one of the group interviews a member explained how the partner organisation had supported them to improve their approach to self-assessment:

*So, we've had a guy in that's taught a couple of staff how to do business mapping, facilitate different sessions, change the way we approach self-assessments, so we've streamlined and changed how we do them and adapted them, and we now have a checklist approach to self-assessment ... which I think is of value (Group 1/Ref 19).*

In the second group interview, self-assessment was used to get greater organisational 'buy-in' from the staff members taking part:

*This year we have changed it to self-assessment, so we're going through a bit of an 'organisational change' at the moment and we're all kind of focussed a bit more on empowerment at the moment and also kind of there was this 'oh, we've got to do our quality assurance assessment again' ... there wasn't much buy-in, so we've changed it to self-assessment this year in the hope that will get a bit more buy-in from the services themselves, but yeah, as I say it is still quite early days. But it seems to have gone down quite well, and they are all kind of those that don't need to do as much as such, seem to be over the moon about that! But a lot of them have chosen just to do the whole document again which is quite a good sign as well (Group 2/Ref 14).*

There was a high level of transparency in the internal reporting systems in place in organisations, for example, with a quality and performance specialist reporting that their quality department had unfiltered access to the information which was being reported to the board of trustees:

*I personally report to, on a monthly basis, I report to the finance committee, so this is an unfiltered report, so the report goes direct from me to the finance committee and to the board, the first time the directors and senior managers see it is the same time as the board see it. So that is a decision that our Chief Exec has taken right at the start, that the quality department should have unfiltered access, so that was agreed (P13).*

The transparency was further described as being part of the organisational culture by the same participant:

*So we are a very open organisation, there is no director's door I can't walk up to and just chap<sup>20</sup> and walk in, so that sort of structure is, I suppose, core to [our] culture, you can question anyone, you can question anything (P13).*

A quality and performance specialist also reflected on the benefit of having self-assessment as part of the approach to OPM, not just in terms of reporting to the board, but also in terms of informing those who have taken part about whether or not improvement is taking place.

*From my point of view, in order for the self-assessment process, or whatever, has got to have an intrinsic value to the individual service and they need to be to take stuff and from all of these smaller things we get payback in the organisation because you can see the organisational picture, are we getting better? Are we getting worse? (P7).*

The board of trustees had varying setups, depending on the organisation, but usually a finance or audit committee was in existence and one organisation reported having a regulatory sub-committee which examined the inspection reports. There was no doubt that organisational size has an impact on the extent of the development of internal systems and processes to support performance, as the Chief Executive of a super-major organisation commented, *"I think we are quite business-like in some ways, because we have well-established management structures, budgeting structures, performance structures, all that sort of thing"* (P1). Meanwhile, smaller organisations may rely more heavily on leadership styles, as the Chief Executive of the smallest organisation in this study reflected, *"I think part of being small means we really can keep an eye on things, and we've got a good feel for things"* (P3).

### **7.2.2 Legitimacy**

There were a variety of perspectives on whether or not holding an accreditation, such as EFQM, would ensure that an organisation could secure new work. One interviewee expressed the view that:

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<sup>20</sup> Scots for 'knock'

*it's [EFQM] a 'nice to have', but its increasingly become less of a 'need to have' because there are other demands on their time, their funding, which is such a shame because it is like a chicken and egg, if you are using the model ... it strengthens your case for funding (P9).*

Another interviewee reported that the commissioning process was still focused on the ISO 9000 standards, but their organisation had made the decision to undertake EFQM and Investors in People, in all probability in order to ensure external proof of quality or as an external verification. However, in contrast, another interviewee indicated that although they had used EFQM to support tender applications, they could not be certain if having that accreditation had contributed to their success in the procurement process. Whilst it nominally provided a validity to what they were trying to do, measuring its actual benefits were difficult. One organisation reported that they had considered ISO as an accreditation tool, but that the demands of the Care Inspectorate had in fact become too great for them, and the main priority was to ensure that they achieved the Care Inspectorate's requirements.

One of the quality and performance specialists explained in the focus group that there was currently no significant kitemark in existence in the Scottish voluntary sector which would indicate an organisation had reached a certain standard of performance:

*It's the one thing missing... can we just get a recommendation of this is the quality standard that they want you to go for. It was dead easy in the private sector, you had to have your ISO badges, we couldn't compete in tenders if you didn't have them, there was no choice of getting funding for things, of getting ...we couldn't physically sell that product if we didn't have these 5 or 6 stamps on the side, whereas there is nothing in this sector (Group 1/Ref 20).*

On the one hand, the participant explained that this was probably completely appropriate, however, he also believed it could be advantageous as a long-term aim for the sector to develop some form of accreditation that could combine the scoring from EFQM, along with any other existing accreditation, to apply to the commissioning process as a form of recognised quality improvement framework:



*The most annoying thing I have about the [third] sector is because it is public money they don't seem to be willing to say 'we want you to have this' because essentially that would be them saying 'we want you to pay this private company to assess you!' Which obviously I can get why they don't want to, but it can be what changes your, I suppose, your focus a little bit. We don't have to have a recognised quality standard attached to us, now we are choosing to gradually work towards the EFQM stuff, but it is not my number one task because it is not a requirement. If they were to come out and say 'for you to tender the next secure framework you have to have Recognised for Excellence' [EFQM] or 'you have to have ISO 9001'. Whatever way, or 'you have to have customer service excellence', whatever, I suppose it would then focus your route a little bit more ... all of these things cost money (P13).*

As the quality and performance specialist explained above, as third sector organisations were, to a greater or lesser extent, receiving public money, having an agreed accreditation would provide clarity, rather than each organisation being left to navigate their way through the different models and frameworks. Interviewees certainly reflected that the lack of a single agreed, validated method led to challenges around organisational decision-making.

In respect of trying to decide which model, framework or accreditation an organisation should use, there was a widely held viewpoint from participants that organisations needed to look 'beyond the badge'. It was argued that organisations needed to have a good process in place, and while some might have an understanding that holding a particular form of accreditation would be beneficial "*they don't actually want the brownie badge, they want a good process, they want a good quality system. And I think that sometimes people can get hung up on the brownie badge*" (Group 1/Ref 21). The viewpoint held by the quality and performance specialists, in particular, recognised that finding a process that was the right fit for the organisation was more important, and that it was typically a more senior member of staff, such as the Chief Executive, who may want to secure a particular award for their organisation. One interviewee reflected that initially in her organisation the Chief Executive had wanted an award, but that the experience had been "*a pointless exercise...it*

*was just a badge... on the letterhead, at that point in time. No more than that. And that is not what quality should be about*" (Group 1/Ref 22). Participants concurred that taking such an approach did not support the organisational mission.

However, it was reported that senior management and Chief Executives were more interested in having an improved service, as opposed to legitimising activity. Using the EFQM process was, interviewees believed, also one that didn't *necessarily* encourage legitimacy, but was more focused on ensuring that organisations focused on desired results, which would discourage seeking the status of holding an award for the sake of it. The initial motivation to undertake an accredited award, such as EFQM, was in some cases, due to organisations desiring to take some action due to a change, either internally or in the external environment. Subsequently looking to see what other organisations are doing, in terms of accreditation or a quality framework, may leave them with a sense of *"they don't want to be left behind. Actually, this is what large chunks of the third sector is doing"* (P12). Whilst the initial motivation may have been driven by seeing other organisations take up approaches, ultimately though, the process that they would go through would change their perspective. It was believed that very few organisations which continued to undertake these processes did so for reasons of legitimacy *"it's not really about the badge or the plaque on the wall, for most of them it's about 'we are improving as an organisation"* (P12). One interviewee explained that local authorities would be more likely to pay lip service to the process of improvement and excellence, but that they should actually take valuable learning from the third sector, which was, as a whole, much more likely to be embedding quality and improving their organisations. This was interesting as it was the local authorities which were responsible for the commissioning process deemed so inadequate by service providers. When reporting on an organisational perspective, it is important to remember that the organisation is made up of individuals with many different and shifting perspectives; this is particularly relevant in this instance, where the leadership can be motivated to drive change for the purposes of legitimacy, but can shift their perspective to seeking improvement, over time.

Although most organisations reported that there was a consensus of understanding of the benefits of any accreditation or framework they were undertaking, there were observations, within a few organisations, that whilst some staff members were motivated to undertake their accreditation in order to ensure improvement, at a higher level, for a small sub-section of managers the *"the perception is perhaps [that] it is just a badge"* (P5). For those who were solely looking for 'the badge' their motivation might be for use on tenders and

fundraising applications, whilst others in the same organisation saw a broader picture “*it was a way of reviewing where we were and learning things that we can improve on to actually make us a better organisation, ultimately to have better lives for the people that we are supporting*” (P8). One interviewee reflected “*that is the bit that, luckily, my organisation doesn’t believe in either, they would rather be better at something, rather than, just if we can get the badge, great!*” (P6). A Chief Executive also reflected on the conversations he had with other organisations on the benefits of undertaking any form of accreditation, but also concluded that the most significant benefits came from “*identifying where you can make an improvement, rather than pat yourself on the back and say, ‘well done, we can get another trophy’*” (P1). Legitimacy may provide initial motivation, but it is likely to adapt and change over time. The benefits of a genuine organisational improvement may overtake legitimacy as a dominant motivator and return the organisation to a mission driven perspective.

### **7.2.3 Improvement**

Interviewees were highly focused on ensuring continuous improvement was in place and frequently reflected on how organisational improvements happened. Starting from an operational perspective, interviewees discussed how they might make improvements to a process, typically by drawing from different perspectives and co-producing solutions. Having an agreed performance framework in place was not, in itself, participants agreed, evidence of effective performance. Cooperation, collaboration and collective approaches to improvement were normative approaches. Interviewees reflected that despite the frameworks and external accreditations that they had used, their most effective process improvement tools were the internal ones which they had developed themselves “*I can see a marked progress of improvement, but that is our own internal take on performance measurement*” (Group1/Ref 23). The quality and performance specialists had all used their autonomy to develop their own initiatives and supporting improvements across all areas of organisational operations, driven by internal mission and values.

Having a named ‘continuous improvement system’ was certainly not an indicator of success for one organisation, which reflected that their continuous improvement system had become no more than a ‘tick box exercise’, which was not being managed or monitored; the organisation had learnt from this experience and was currently developing a more effective process. Some participants noted that small pockets within the same

organisation were more resistant to change, and therefore, in these isolated areas, improvement was less of a priority.

One interviewee gave an example of how organisational learning was put into practice; these were identified from complaints, critical incidents or inspections. The mandated requirements and recommendations were used to develop both corrective and preventative actions. Another interviewee reflected that undergoing the EFQM accreditation identified process improvement as a necessary requirement which improved their efficiency. Another participant commented that implementing the EFQM Model led them to reflect and improve on their practice across all levels of operation and allowed them to *“identify where we are not doing a good job and take corrective action”* (P4) or, put another way *“if we’re no good, how do we get good?”* (P4). Organisations expressed a desire to get beyond the basic level of compliance, demanded by the care regulator, and move towards asking staff to reflect on their individual work practice and ensure improvements were being implemented. Integrating monitoring and evaluation into practice meant that they could ask key questions about service improvement, *“it’s not a job to do, it is something that is integrated into your practice, always thinking about what you could do better”* (Group 2/Ref 15). Ensuring that people delivering services could better understand the whole cycle of continuous improvement was a recurring theme amongst interviewees.

Interviewees cited straightforward approaches to developing improvements, starting at strategic level:

*What are you there to do? How do you know you are doing it really well? How do you continue to make sure you do it really well? Basic. What works and then you get into sub-sections, so like, what works and what doesn’t work? (P2).*

It was an area of strength for the participants, where they were able to make their own contributions to the field. Interviewees noted that the sector as a whole was a challenging one for measuring improvement, one interviewee cited an example from his organisation which supported young people to get qualifications to get into employment. The measures which the local authority required were considered inappropriate. Despite the challenges, interviewees considered that ensuring improvement was happening was a vital part of service delivery, resulting in changes to people’s roles in order to facilitate *“not just monitoring quality in the services, but supporting the services more, to look at their own*

*practice and improve, where necessary*” (Group 2/Ref 16). A challenge for services which were inspected was understanding how the Care Inspectorate could ensure that a high scoring organisation could demonstrate any further improvements, especially when, it was acknowledged, the regulator was actively seeking improvements in organisations. It was perceived that the care regulator could, in effect, constrain organisations in their vision to provide a ‘best in class’ service.

The partner agency which supported the implementation of the EFQM Model reported that it had frequently identified process improvement as a key link between improvement and performance measurement. For those using EFQM, a supporting improvement practice would be to consider how the overarching principle of RADAR (Results, Approach, Deployment, Refinement and Review) could ensure that organisations improved their understanding of how they approached and deployed their initiatives so that they could track improvements. In the first instance though, organisations had to self-assess their practice in order to be clear about their strengths, as well as areas for improvement, and this could be done using the EFQM Model. According to the partner agency, organisations identified the EFQM Model specifically in order to address improvements which needed to be made *“I think they are coming to us, particularly with those that understand all that, we do see the need to be continually improving what their offering is”* (P11). Reflecting on the concept of improvement for one interviewee meant they were considering *“this whole process of evaluation, performance, monitoring is useful, it’s not just about ticking a box, but it’s about improvement at its widest sense”* (P10). Change management was also referred to as part of the cycle of improvement. Empowering staff to get involved over the long-term and growing people’s ability was described as a part of the work that *“really reaps the rewards”* (P2).

One participant described the cycle of delivering improvements as follows:

*I know our processes are pretty strong and this may be reinforcing it, because that is pretty good because if people can see they are actually doing something well, it is easier for them to take on the next step, which is the harder step of something they are not doing so well* (P6).

There was an understanding of the complexity of the process of improvement, which could be an improvement for an individual being supported by a service, as well as the organisation as a whole. One participant explained that by asking the following question:

*What was it about the service that helped that to happen?  
And that leads us into a slightly more complex monitoring  
and evaluation system that is looking at process as well as  
outcome (P10).*

Organisations which were able to evaluate and demonstrate improvement in their performance were increasingly likely to result in better funding, so organisations, it was argued, that get better at evaluating have a better chance of getting funded. It was also argued that organisations needed to move on from monitoring and gathering data and ensuring that they moved into “*the improvement space*” (P10) which was where, it was felt, that organisations should be heading.

### **7.3 Organisational performance measurement as an ecosystem**

Participants attempted to articulate how performance measurement was perceived in their respective organisations, beyond considering performance measurement as a process or a system. One participant explained that he considered performance measurement in both the way an organisation worked, including its culture, and the broader system in which the organisation operated, and described this as an “*ecosystem*” (P10). In expanding the idea of the organisation at the centre of a network he then further articulated this as being “*performance in all directions*” (P10). Another participant explaining how performance was perceived in their organisation said it was “*the whole living and breathing thing*” (P2) and also that “[*performance in*] *social care is “a bit of an art form, really... it’s not a science! It’s about people isn’t it? It’s about interactions between people, so that is very hard to write down as a standard”*” (P2). The notion of ‘ecosystem’ and the perception of performance as an evolving, interactive and relational approach, allowed for further analysis of the data within these concepts. These particular concepts were supported further by the evidence from interviews as well as from field observations. Furthermore, these concepts appeared to depart from any form of learned or traditional management approach to OPM.

Three themes were identified which underpinned that of an organisational performance measurement eco-system, namely: adaptation, sustainability and collaboration. The methodology demonstrating this can be seen in Figure 1, (Chapter 4, Research Methodology) showing how the evidence was analysed.

### ***7.3.1 Adaptation of organisational performance measurement***

The concept of OPM as being adaptive was evidenced from observations during group meetings. Group observations took place over the course of a year and during that time significant changes were taking place in health and social care. It was therefore imperative that regulated organisations had opportunities to understand how the forthcoming changes to regulation, inspection and standards would impact on their organisations' performance. At each of the observed meetings a representative from the care regulator attended and gave an interactive presentation in which attendees were invited to ask questions and discuss issues pertinent to their organisations. The care regulator was going through a process of rapid change and development driven by changes to the legislation. (On 1 April 2018, Scotland's Health and Social Care Standards came into effect replacing the National Care Standards). At the meetings there was evidence of learning and adaptations both from the TSOs and the care regulator as they responded to ongoing feedback. Proposed changes included a reduced number of inspections, with more reliance on assessing service quality being placed on the individual organisations and an increased emphasis on driving self-assessment from the service provider. It also showed that many of the changes planned by the care regulator were driven by the TSOs, such as a proposed change to the point scale used for inspections, indicating a transformational way of working for the regulator. The adaptations which were taking place were both strategic and operational for the TSOs. The participants reported that they were making associated adaptations within their respective internal OPM approaches to ensure that they had the resources and knowledge in place to support those who would need to respond to this both strategically and operationally.

Further evidence on adaptiveness was shown at group meetings with inputs from other presenters with expertise in complementary approaches to performance. For example, in one of the group meetings a presentation was given on Lean and Six-Sigma. The meeting had full attendance and participants were very engaged with this presentation, asking many pertinent questions from the presenter, and some shared their past experiences of undertaking process mapping and assessing its effectiveness. There were informal discussions during the break from participants about what aspects of process mapping from

the presentation on Lean and Six-Sigma would be relevant and appropriate to take back to their organisations at that time. Attendees reported that improving an emphasis on business process mapping would support the forthcoming changes to the inspection system, with an anticipated increased reliance on self-assessment. As many of the attendees were actively using the EFQM Model in their organisations there was an interest from attendees to understand how they could merge the relevant aspects from Lean and incorporate improvements into their existing organisational performance measures.

During a group interview a participant explained how they had embedded aspects of the models into their bespoke system:

*EFQM? Well, I suppose we see it as a kind of model, I suppose we have taken, I think what we've taken from it primarily is RADAR...and sort of taken that and applied that within the organisation, I don't know if we've got something... I suppose we have, to a certain extent, the quality framework is, kind of, follows the RADAR process, yeah, so I suppose in that regard we have embedded [it] (Group 2/Ref 17).*

This was evidence of how organisations were demonstrating adaptiveness. One quality and performance specialist explained, “so, essentially you are just trying to be adaptable and using as many relevant methods as possible” (P6).

Participants explained that they understood adaptability to be about taking the best from what was in existence and using it flexibly. One participant likened it to having access to a ‘toolbox’ where approaches are assessed for their appropriateness and deployed:

*It is really encouraging other members of staff, right across the organisation to keep their eyes out and maybe pick up things that they think are just minor, somebody has used it somewhere in the past and it works very well with that, oh that's fine that's great, let's evaluate that, to see if it could work for some of our service users, because we don't want a one size fits all, because, it doesn't! It's basically the easiest thing to say about it. So having that kind of toolbox, which*



*has probably been overdone in so many ways, having a variety of assessment tools beyond, you are going to have your core ones which you are always going to use, but having ones that can add to it, that add value to the individual but also to help the staff member (P6).*

Adaptability in building or developing approaches to OPM were taking place due to changes in the environment (e.g., legislation) or in new service developments or by gaining access to shared learning. It was, therefore, considered to be a normative way of working.

### **7.3.2 Sustainable organisational performance measurement**

It was evident from attendees that OPM was strategically bound up with organisations for the length of their organisational life-span. Although organisations were making adaptations and improvements to the approaches they were developing, or had in place, at no point did anyone consider this was not integral to the organisation's long-term existence or that they would abandon their respective initiatives:

*And so that sort of strategic commitment [to performance] is there, and I genuinely mean this, it is not seen as a kind of thing which sits apart in an organisation like a sort of process that has to be gone through, it is, I think recognised as the only way that the organisation is going to survive and I don't mean to be overdramatic when I say that but if we are not going to be competitive on cost then there is no other way that we are going to.... Not that has occurred to us in any case! (Group 2/Ref 18).*

The most mature organisations were able to consider the approaches they had adapted to over time, as well as considering their future challenges, such as technology. In this quote, the issue of managing technology to support OPM, allows the participant to demonstrate the challenging scenario:

*It would be nice to say it has all been carefully planned, but the reality is that it has evolved over time, and particularly in terms of the technology it can be quite a struggle. One of the*

*sort of corporate strategy aims is that we will become more digital and I think everybody recognises that you want to, once you have set the system up you want it to automatically draw the data from existing systems but if that's not how it's designed then inevitably you have this rather clunky drawing information from multiple sources putting it together and knocking the edges off and reporting (P1).*

Despite an understanding that organisational performance was part of the long-term strategic direction of the organisation, the lack of long-term funding was considered an obstacle to sustainability to developing performance measurement initiatives, as a Chief Executive reflected:

*Yes, it is sometimes easier to convince ourselves and we look at some piece of work and say that's really good, really ground-breaking, but I think...when you've been around a long time and you've seen a lot of initiatives and things and the real thing, I would argue, that most charities are trying to achieve is system change and just because you are doing something interesting and you get funding for 3 or 5 years doesn't necessarily change the system (P1).*

A further challenge to building sustainable OPM was reflected in this comment from a participant who recognised that, at times, it was difficult to ensure that it was an issue for the whole organisation, potentially due to a lack of skills or long-term vision:

*That's the bit that worries me, is are we building a sustainable system here? Or are we taking some very good individuals and putting them together and they are doing good stuff but it's not actually impacting on the system? (P1).*

Sustainability was also implicitly reflected in the age of the Voluntary Sector Network (15 years) as well as the membership of many of the individual group members (over a decade). In none of the discussions was organisational performance measurement considered as a short-term initiative, and all means of ensuring its long-term viability was pursued. One of the group members reflected that “*the conversation [about performance]*

*has been going on for 20 years!”* (Group 1/Ref 24). The result of this was that there had been long-term organisational learning for both individual organisations and the sector as a whole. Group members from both forums discussed how to make the groups more inclusive, supporting membership growth, increasing frequency of group meetings and ensuring accessibility for more (geographically) remote members. Group members also recalled that some years earlier they had collaborated to revise the EFQM Model to make it more relevant for the third sector. This showed a commitment to ensuring that the approach would be fit for the long-term, combining both adaptability and sustainability.

### **7.3.3 Collaboration and organisational performance measurement**

Observations during the group meetings revealed ongoing networking and collaboration between the two different quality forums. OPM was therefore perceived as an inherently collaborative activity, going beyond the organisation and the established network, but also occurring between networks. The partner organisation for the VSN at the first observed meeting announced their new strategic theme for supporting their stakeholder performance networks was to be ‘collaboration for results’. They intended to widen their approach to include collaborative working as they considered this to be an effective method for ensuring the implementation of OPM. Collaboration was also taking place between the care regulator and the regulated organisations which had jointly developed changes to the inspection regime.

One of the participants explained that performance was *“about people isn’t it? It’s about interactions between people”* (P2), thus further reinforcing the importance of networking and collaboration, whether that was in relation to individuals taking part in a stakeholder network meeting or organisations collaborating over larger initiatives, such as changes to the regulatory system.

A Chief Executive of a super-major organisation reflected on how effective collaboration had been for the VSN but also presented his view of some of the real demands made of it, as well as the challenges for the networks in supporting collaborative working:

*I think the advantage of networks within a closed and reasonably safe group is to say, okay, well if we collectively are serious about this how can we use each other to progress and all get better? And I think there are some great examples*

*from the Voluntary Sector Network where people shared, you know, warts and all experiences and was terrifically helpful. I think it is, the drawback is it's a relatively small club and it is heavily reliant on certain individuals and it is usually people who are not the chief officer, so it is usually a quality, technical people who are very good at the systems but actually the reality of the world is it that is often trumped by the politics of, you know, how do you actually do this in organisations and how do you maintain the promotional bit while also in the background working on improving your own performance? (P1).*

Working collaboratively was therefore identified as a strength for the third sector. A quality and performance specialist reflected:

*I think probably you will have gathered from [partner organisation] that you do tend to network quite a lot, so we do share a lot of ideas between ourselves and you gravitate towards people who we think have got, you know, come from the same place as you (P2).*

A Chief Executive elaborated further:

*The voluntary sector can be very good at working together and I think things like networks and pulling people together, as I said earlier the fact that people are willing to share experiences and really be open and honest is enormously encouraging (P1).*

At an observation of a group meeting a comment was made by an attendee “*the network stretches beyond the group meeting*” (Group 1/Ref 25). This referred to the fact that although there were typically four ‘formal’ meetings in a year, there was considerable ongoing networking taking place in the background, including mentoring, informal meetings, peer support and one to one support meetings. Collaboration was therefore very much a normative way of working within the sector, which has been used as a method for

many years by all the participants to support the long-term future of their performance measurement initiatives.

## 7.4 Summary

This chapter showed the findings around the key drivers of organisational performance measurement in third sector organisations: accountability, legitimacy and improvement. The driver of accountability revealed a complex and challenging landscape for third sector organisations to successfully navigate. Whilst compliance with care regulatory processes was considered important and reportedly adhered to, it was considered, at times, a weaker driver for OPM than expected and additionally, a shift away from mechanistic accountability processes towards funders was reported. Whilst the benefit of adopting OPM approaches solely in order to gain an accreditation was understood, there was a view that organisations were looking beyond a more superficial approach to OPM and gaining a certificate for the purpose of legitimising their activities and moving towards embedding practices which supported organisational improvement. Participants were trying to move into the 'improvement space' to benefit those being supported by the organisation, as well as the TSO as a whole.

Three themes were identified which supported the aggregate theme of OPM as an ecosystem: adaptation, sustainability and collaboration. The theme of adaptation was particularly evident from observation of group meetings. Evidence of adaptive approaches was apparent through the way participants showed how they continued to make changes to their approaches and ways of working to fit with the changing environment they were operating in. Sustainability was reflected in the long-term approach that participants took towards OPM, it was effectively bound up in the lifecycle of their respective organisations. Finally, collaboration was integral to ensuring OPM remained current, with active networks supporting OPM and formal and informal links between networks, revealing that it has become a normative way of working for the sector.

The next chapter brings together the findings against that of the literature and discusses the implications this has on our understanding of the field.

# Chapter 8 Discussion

## 8.1 Introduction

This research set out to address a central issue for the third sector which was to offer an insight into the theory and practice of OPM. It was argued that in the for-profit and public sector the literature in this field is more developed. However, the necessity for effective OPM in the third sector was even more imperative, due to the increasing demands of a diverse group of stakeholders with legitimate claims on those providing welfare services. There was a lack of consensus on how to approach OPM and a dearth of empirical evidence underpinning key concepts. As a sector which provides essential services, and, according to participants and the literature, offering a better alternative to welfare provision than private and public markets (Lindsay et al., 2014), it is vital that effective OPM is in place in order to support third sector organisations to deliver their missions. In this chapter the evidence from the data is compared with the findings in the literature to explore how our understanding of the way in which TSOs measure organisational performance has improved.

This chapter starts by exploring the purpose and relevance of OPM to TSOs, in particular looking at how mission, vision and values shape perspectives. The empirical evidence then looks at how participants defined and understood concepts of OPM, showing conceptual confusion in this area, with quality and performance specialists operating in a poorly defined knowledge base. Next, the chapter moves to how TSOs measure organisational performance through the use of the frameworks, standards and certifications available. It also reinforces the distinctive aspect of TSOs (Macmillan, 2012) in which the perception is that the TSO offers better value for the beneficiary than that of the public and for-profit sector. This theme is reinforced later in this chapter when the concept of institutional failings is introduced.

This is then followed by a discussion on how the inter-organisational stakeholder networks influenced OPM for their member organisations, showing them to be beneficial towards supporting the development of knowledge in this field. Moving on from this, stakeholder management practices are then explored in this context of the tension between instrumental vs normative approaches. The impact of an evaluative culture, which allows organisations to use learning to improve and to involve their stakeholders is described. Stakeholder theory was explored next and the prioritisation of stakeholders and their needs according to

their salience status showed TSOs prioritised those stakeholders who lack power but hold claims of both urgency and legitimacy.

Key drivers of OPM were examined through the lenses of accountability, legitimacy and improvement. Accountability showed a shift from where the performance requirements of funders dominate to a more holistic culture driven by mission, vision and values. The extent of legitimisation was then explored, followed by evidence showing how organisational performance measurement contributes to organisational improvement. This chapter draws to a close with an exploration of how OPM is perceived as an ecosystem with the themes of adaptation, sustainability and collaboration in support of this.

## **8.2 The purpose and relevance of organisational performance measurement: how mission, vision and values shape perspectives of third sector organisational performance measurement**

In the literature it is understood that third sector organisations are driven by a set of values, with norms and motivations strongly linked to mission accomplishment (Macedo et al., 2016). In the earlier chapters the research highlighted some mixed results on the extent to which mission influences performance (Kirk and Nolan, 2010; Weerawardena et al., 2010). However, empirical evidence was presented which strengthens the emphasis on organisational commitment, defined as how an individual feels towards their organisation “*in terms of emotional attachment, acceptance of goals and values, identification with organisation, behavioural investment and wanting to stay in the organisation*” (Patel et al., 2015: 761), as being a key motivator for organisational performance. In this research, the participants demonstrated a strong affective commitment where their values were aligned with organisation’s values and mission, as opposed to that of a normative or continuance commitment (Patel et al., 2015; Allen and Meyer, 1990). There was evidence, also, of participants using performance as a proxy for mission and a certainty that organisations required a bespoke approach to match the mission and client group. It provides us with more empirical evidence towards our understanding that the mission, and the affective commitment to mission, takes a priority in driving performance (Macedo et al., 2016). Our understanding of the relevance of OPM to the third sector organisation becomes even more heightened as this is framed in the context of an environment which bears institutional failings within both regulation and commissioning. The mission, therefore, allows the TSO to manage its OPM in a way that bypasses those failings and explores the context of OPM

in a way that is specifically relevant to the sector; thus the purpose of OPM is to support mission achievement. The next section explores what was revealed to be a question of fundamental importance to this research, namely defining and understanding OPM by the TSOs.

### **8.3 Defining and understanding organisational performance measurement**

Participants who specialised in performance and quality considered their knowledge base in relation to organisational performance to be weak. This was reflected in a widespread conceptual confusion regarding terminology and definition; this is a relatively unexplored area in the research and has significant implications for its successful sector wide delivery (Moxham and Boaden, 2007). Participants were more at ease considering OPM in terms of ensuring greater cultural acceptance among stakeholders, hence a clarity in perceiving OPM as part of the organisational ecosystem; this was therefore a preferred way of owning the concept, through a meaningful metaphor. There was also some uncertainty over key performance concepts at the most senior level of the organisations, nonetheless, Chief Executives reported a commitment to ensure performance supported their organisations to deliver charitable objectives.

There was also greater focus around quality, the underpinning concept supporting OPM, and participants showed clarity of implementing approaches in relation to this concept which were more clearly aligned with the needs of customer satisfaction for beneficiaries. The literature recognises that the pressure to adopt a quality system is typically in response to a mix of multiple factors (Cairns et al., 2005a; Moxham and Boaden, 2007; Brodie et al., 2012). Quality, for the participants in this research, was perceived as bridging the gap between compliance and adding value to their organisations, integrated with all its stakeholders as part of an evolving process. Quality was not perceived as a separate function within the organisation, but was strongly connected with the beneficiary, with the organisation and with the longer-term desired impact.

The key internal stakeholder, namely, the quality and performance specialists, held a singular role in their organisations, and were largely operating in an undefined knowledge field, with little in the way of resources. The evidence around the knowledge base of organisational performance measurement within the third sector is an area that has received little attention in the literature. There has been up until this point, perhaps an expectation



that those working in TSOs will implicitly have the knowledge required to implement OPM, but this research has shown that this is not the case, and therefore draws attention to a significant gap in our knowledge.

This lack of agreed understanding of significant concepts was not an area that appeared to be being addressed at any significant policy or institutional level, leaving TSOs relatively adrift to develop their learning at an inter- and intra-organisational level, through what could be considered to be a sectoral or organisational autodidacticism. This knowledge gap is partly addressed by the use of frameworks, standards and accreditations to meet organisational requirements and this is explored in the following section.

## **8.4 How TSOs measure organisational performance: frameworks, standards and certifications**

In order to explore how TSOs measured organisational performance, the evidence was compared to the literature in which one of the key features of implementing performance for organisations is applying an externally recognised framework, standard or certification (Moxham and Boaden, 2007; Bititci et al., 2012; Cairns et al., 2005a). This may be in order to demonstrate achievements to funders or other key stakeholders. The motivations for undertaking such external frameworks were explored in detail with participants, as well as the approaches which were in use and the reasons for using them. The evidence showed that the dominant approaches from the literature were largely rejected by participants in favour of much less researched tools. Using Scottish organisations as the sample proved particularly interesting as the results showed that the dominant model was, in fact, the EFQM Model (Gómez Gómez et al., 2011), as opposed to other more promoted and researched models, such as the balanced scorecard (BSC) (Kaplan, 2001) or ISO 9000 (Sampaio et al., 2012). In addition to being used by TSOs, the EFQM Model was in active use by the Scottish regulator for health and social care. Models other than EFQM were considered to only have value in terms of their legitimacy and accountability. This is a significant finding in the research as there is no evidence of extensive, systemised usage of any performance framework in the third sector in another context. A key underlying reason for this is further explored in the next section, 8.5, in which the impact of inter-organisational stakeholder networks is scrutinised.

However, whether holding one, or none, of the available frameworks supported the success, or otherwise, of commissioning, it was impossible to say. This is surely a

hindrance to the development of effective approaches to OPM, whilst the largest organisations with the greatest resources and therefore economies of scale, could pursue these initiatives with less risk to themselves, it would be more challenging for the smaller organisations to go down these fairly unproven routes, risking limited resources for uncertain benefits.

## **8.5 Inter-organisational stakeholder networks**

Evidence from inter-organisational stakeholder networks showed that they were a driver in supporting organisations to meet their OPM demands. The inter-organisational stakeholder networks functioned as a combination of communities of practice and multi-stakeholder networks. They were potentially unique in terms of not being mandated, featuring peer-to-peer collaborative activities, and also fulfilled the role of competency networks, thematic groups and learning networks. Most critically they supported their member organisations to meet ever increasing performance demands (Snyder et al., 2004). It is an entirely reasonable supposition therefore that EFQM has become the ‘accidental’ dominant accreditation model of the Scottish third sector due to the powerful pull of the long-standing Voluntary Sector Network which grew up around it. It is therefore likely that the rise in popularity of the EFQM Model is less due to its originality and innovativeness, or its particular third sector adaptations, but due largely to the support members receive from the partner organisation and, by extension, the stakeholder network they are participating in. This inter-organisational stakeholder network was undoubtedly helping to address the gaps in knowledge and understanding of OPM for its participants and which were not being sufficiently promoted at a broader, sector wide institutional level, therefore its enduring success appeared due to the continued motivation of its organisational members.

Whether mandated or otherwise, the benefit to the third sector of such networks cannot be underestimated. The opportunity for specialists, and others, to develop their professional skills over the long-term is critical for organisations to meet the increasing performance demands which they are under. These networks have proved to be a key determinant in driving performance practice, whether acting as communities of practice (Wenger, 2000) or multi-stakeholder networks (Roloff, 2008) they demonstrate strong potential to provide co-ordinated support sector-wide and are worthy of further research. The next section explores the stakeholder management practices considered necessary for OPM to be effective.

## 8.6 Stakeholder management practices: instrumental vs normative and the evaluative culture

The existence of the normative-instrumental classification is well known in the literature on stakeholder theory (Jones and Wicks, 1999; Miles, 2015). Reinforcing the existence of a normative approach to their stakeholder management, organisations described the necessity of an ‘evaluative culture’ in order to provide optimum conditions for supporting stakeholder management. An evaluative culture is described in the literature as: “*an organizational culture that deliberately seeks out information on its performance in order to use that information to learn how to better manage and deliver its programmes and services, and thereby improve its performance*” (Mayne, 2008: 1). An evaluative culture, as described here, allowed the organisations to work more effectively with their stakeholders. Participants described this as being a culture that ensured that the organisation used the learning from the results of its OPM approaches to make improvements to the organisation. The informants further supported the development of an evaluative culture which encourages knowledge sharing among all its stakeholders. In addition, internal stakeholders were all actively involved in the development of performance measurement approaches. The relationships with stakeholders being described may also include the relationships between those facilitating the improvements (support agencies) and the organisations themselves.

There was evidence of tension between instrumental and normative approaches to stakeholder management practices. Two organisations referenced the tension in existence in their organisations: on the one hand governance was being driven by a more person-centred (i.e., normative) cultural approach, whilst concurrently, new members of staff were reportedly bringing in a business-like culture. Therefore, a tension arose between a normative approach to stakeholder management and an instrumental approach for those organisations. On the one hand there was evidence that this would lead to a healthy amount of organisational tension, but others found it difficult to reconcile those stakeholder management tensions. The management of these tensions is an overlooked area of implementing OPM and, typically, it was quality and performance specialists who were located at the centre of this point of organisational tension.

Organisations did not always show consistent strategic approaches to manage their stakeholder relationships. It would be beneficial to explore further how much organisations are relying on a ‘successful informality’ amongst their stakeholders to manage those

relationships. It may be appropriate to consider if third sector organisations could take on the brokerage role, often managed by the support organisations, to improve key stakeholder relations with funders and the care regulator, to allow them to take a lead in ensuring the improvement agenda is supported by the organisational mission. There is clearly an opportunity for the collaborative minded third sector organisations, working to achieve their missions and advocating for their beneficiaries, to be better supported by the third sector support agencies, or even third sector infrastructure bodies. Either way, the evidence has highlighted that there is undoubtedly a gap in the provision of structured support to third sector organisations in developing the stakeholder management skills required to support the development of their organisational performance measurement approaches. Given the role of the third sector working to benefit society and the most vulnerable within it they require a greater level of strategic sector wide support. This aligns with the literature as Herman and Renz (2008) argued that stakeholder management is key to the success of the development of measures. The next section explores further how stakeholder theory informs the way OPM is defined and understood by TSOs.

## 8.7 Stakeholder theory and OPM

Stakeholder theory was identified as a theoretical lens to support the management of the broad stakeholder base which influences OPM (Moxham and Boaden, 2007; Taylor and Taylor, 2014). The key area of stakeholder theory under the focus of this research was that offered by Mitchell et al., (1997: 854) who define stakeholder salience as being, “*to whom and to what managers actually pay attention.*” Stakeholder theory suggests organisations prioritise stakeholders and their needs according to their salience status, using Mitchell et al.’s, (1997) typography of power, legitimacy or urgency (see Table 1, Chapter 3). Its relevance to OPM is critical, due in part to the number of stakeholders with competing claims on an organisation’s performance requirements. The literature debates whether TSOs prioritise more powerful stakeholders (Coule, 2015) or balance responsiveness to beneficiaries and funders equally (LeRoux, 2009a; Leipnitz, 2014). The empirical evidence supported the latter view, thus making a contribution to knowledge in this field. Scholars have questioned what the missing link is between stakeholder salience and OPM asking: how do organisations respond strategically once they have prioritised stakeholder claims (Roloff, 2008; Taylor and Taylor, 2014)? The evidence revealed two things: firstly, while scholars recognised that stakeholder salience was subject to perspective, not just the managerial perspective (Miles, 2015) but also the salience of stakeholders to the organisation (Shea and Hamilton, 2015) the evidence pointed to a shifting of salience

status by a high-power stakeholder group, moving to increase their legitimacy status and improve their understanding of the needs of beneficiaries. This therefore allowed TSOs to prioritise their beneficiaries' OPM requirements, thus being more salient to those who cannot diversify their interests. It showed that high power stakeholders were changing their salience status to align with an organisation's more normative approach. This, therefore, improves our understanding of how the salience status of a group of stakeholders may unexpectedly alter or shift and shows how TSOs can better manage OPM requirements of low power stakeholders. This evidence was unexpected and is an area worth further research. The second finding was that there was limited evidence showing how organisations prioritised stakeholder claims. Far from improving an understanding of how TSOs respond once they have prioritised stakeholder claims, we learn that organisations have undefined processes for prioritising stakeholder claims and therefore strategic approaches are correspondingly weakened. With the added conceptual confusion arising over classifying stakeholders, this also acts as a barrier to developing a strategic response to stakeholder management.

Third sector organisations were working normatively towards their stakeholders for whom they have performance measurement demands. However, the evidence from the data has presented several challenges to those organisations. In the first instance, third sector organisations inherently recognise that an evaluative culture is the optimal approach to support good stakeholder management practice, however, there was a lack of underpinning strategic cohesion, either at individual organisational level, or sector-wide level, to support this. Organisations rarely undertook a formal or strategic analysis of their stakeholder groups and were furthermore faced with conceptual confusion in classifying their stakeholders. It had been considered that funders transmitting business sector practices would drive organisations towards a more instrumental approach (Thomson, 2011; LeRoux, 2009a), however, the evidence points to more subtle approaches from the organisations themselves to prioritise lower power stakeholders and ensure they are given an equal status with other stakeholders. The shift to more normative approaches may be being brokered by intermediaries or could be a direct result of stakeholder organisations working to ensure that the voice of the beneficiary is, as far as possible, to the forefront of all interactions. The literature also indicated that larger TSOs would be more likely to adopt instrumental practices (LeRoux, 2009a), however, this was shown not to be the case for the large, major and super-major organisations in this study. This research therefore moves forward our understanding of how stakeholder theory is applicable to performance measurement in the third sector and gives direction for future theoretical research.

Third sector organisations were committed to their organisational missions and were intuitively, rather than strategically, using mission to drive normative stakeholder practices, prioritising stakeholders who lack power but have claims of both legitimacy and urgency. A question mark remains over the extent to which third sector organisations could and should drive their most powerful stakeholders to adopt more normative practices to support effective and proportionate approaches to performance measurement and how the wider third sector infrastructure could strategically provide effective support to that end. Future research would be needed to draw on perspectives from the funding organisations themselves in order to gain a fuller picture of current practice and explore to what extent instrumental and normative practices are taking place and to explore the extent, or otherwise, of a paradigm shift.

## **8.8 Drivers of OPM? accountability, legitimacy and improvement**

The existing literature, as previously described, identified key drivers for adopting performance measurement systems by third sector organisations as being: accountability, legitimacy and improvement of efficiency and effectiveness (Moxham, 2014). Evidence is emerging from the data however, that the paradigm of OPM in the third sector may be shifting towards a more collaborative, integrated concept. It was found that research participants were shifting the discourse of OPM away from that of a mechanistic accountability, where the compliance focused performance requirements of funders or the regulator typically take precedence, or one where legitimacy is dominant, but instead described a more holistic culture in which performance was part of the ‘living, breathing’ system of the organisation. Participants described their approaches to performance as part of the organisation’s culture, values, belief and vision for the future, rather than one dominated by processes or management control. Organisations at the earlier stages of developing their approaches to OPM described a vision of organisational performance as one where culture, values and belief were critical to its success. Furthermore, there was evidence to show that improvement was a desired outcome of performance initiatives. This proved to be significant, as, to date, there has been little evidence in the literature which demonstrates that improvement is an outcome of performance initiatives. Quality and performance specialists were in agreement, that improvement was fundamental and critical to success, and a driving factor in all cases, even where elsewhere in the organisation, the

initiatives might be partially driven by the, at times, poorly performing accountability requirements, or even, for a time, legitimacy.

Whilst the charity regulator is no doubt one of the most powerful stakeholder groups for the third sector (Dawson and Dunn, 2006) the literature tells us that charity regulation can outweigh its role of accountability, by acting as a distraction to third sector organisations from their charitable objectives (Hyndman and McDonnell, 2009). However, a further surprising finding from the research is that, according to the participants, achieving a proportionate and suitable approach has not been successful. Instead of the care regulator demanding high standards of performance it was insufficiently functioning as a driver of improved performance, as the informants in the study reported low confidence levels in the integrity of the inspection process. This must be an area of significant concern to those working in this field of social care, where the empirical evidence showed that the care regulator is considered a weak link in driving improvements towards the high quality provision of care. However, there seemed relatively little interest among participants in collectively challenging the institutional failures; instead it was being addressed at an intensive and extraordinary inter-organisational level.

There was a very diluted sense of the impact of governance in supporting accountability than might be gleaned from the literature. For example, the traditional view is that governance holds an organisation to account for its conduct and responsibilities (Hyndman and Jones, 2011), the challenge from the literature relates to the expectation of governance being a “*social and dynamic*” process (Coule, 2015: 79) but participants presented governance as primarily “*benign and straightforward*” (Coule, 2015: 75). In other words, governance proved to be a relatively passive conductor of OPM in an organisation, rather than a key driver, which has been the received understanding. Furthermore, there was no evidence to suggest that beneficiaries formed part of the governance mechanisms, thus presenting them with limited opportunities to co-produce performance at this level. Stakeholder theory, however, suggests that board membership should comprise of beneficiaries at this level and this must represent an area to be addressed (Hyndman and McDonnell, 2009).

The perspective of commissioning here not only supported but amplified the view of the literature on commissioning where there was a concern that the demands of the state may be prioritised over other stakeholders and distort the organisation’s mission (Dacombe, 2011). Participants reported that the process was dominated by commissioners attempting

to drive down costs and, with short term funding contracts dominating, there was little opportunity for TSOs to develop their long-term strategies, therefore failing to support performance improvement. If, as Bovaird et al., (2012) has stated, good quality performance information is needed to help commissioners analyse efficiency and effectiveness, then we can conclude that the process has failed conclusively in that regard. It appeared that the participants were not challenging the institution of commissioning, perhaps going some way to answer the question about the relationship between the third sector and those commissioning services raised by Carmel and Harlock (2008: 167) which was, does “*ambivalence ever translate into resistance*”? Carmel and Harlock (2008: 167) presented a bleak perspective of the third sector within the commissioning landscape as being “*market responsive, generic service providers, disembedded from their social and political contexts and denuded of moral content and purpose.*” However, it appeared very clear that the participants presented no evidence in support of this perspective and, indeed, challenged this perception of themselves at every opportunity. The notion of resistance may, on the surface, be mistaken for ambivalence, but the process of improving performance continued inter-organisationally, despite the barriers at this higher level of influence.

The evidence revealed the extent to which the paradigm of OPM in the third sector might be shifting towards a more collaborative, integrated concept, where accountability to funders and high-power stakeholders was less prevalent. There was certainly evidence that accountability to those key stakeholders is expected and compliance a necessary component of that, but there was also evidence which showed subtle levels of influence at work, both by third sector organisations and supporting agencies towards those high-power stakeholders which was driving an evaluative culture in line with organisational missions. External accountability, in terms of commissioning and statutory bodies, was not a driver of performance improvement, but was, at times, out of step with the organisations they commission and regulate. Accredited models, dominated by EFQM, were predictably more within reach of the better resourced organisations, but whether this approach definitively improved performance or secured new business was uncertain. While some participants preferred a single model or approach for the sector, most felt that this was impossible. This is reflected in the literature which recognised that for the complex, multi-faceted sector no single simplistic solution will suffice (Taylor and Taylor, 2014; Moxham and Boaden, 2007). Whilst there was a division of understanding about how well different funders were responding to their third sector organisation’s requirements to improve relationships and while clearly, many of those stakeholder relationships were improving to the benefit of the



third sector organisations, some remained compliance driven. The desire to work more proactively with funders was a dominant theme. Furthermore, accountability at an internal level revealed transparency of processes, of leadership style and supportive, if at times, passive and benign, governance.

The thorny issue of legitimacy was a contentious issue for the participants who reported instances where organisations had adopted performance measurement approaches solely for the purposes of achieving an award. Participants noted, however, that motivation shifted to a desire for improvement once the wider benefits were seen and understood across the organisational hierarchy. Therefore, while adoption of OPM for reasons of legitimacy can occur, it appears that over time it evolves to a focus on ensuring organisational improvement and was by no means a current or ongoing concern for any of the participants in their organisations.

Improvement was a key focus of the participants' discussion and clearly OPM was being used to support organisational improvement. Improvement for TSOs represented the improved lives of their beneficiaries and communities, and a workforce which supported that vision and commitment. The specialists demonstrated an affective commitment to mission through their desire to innovate cross-cutting approaches to organisational performance measurement and, by this means, enhance organisational improvement. Whilst institutional failure was shown to be failing to support TSOs to develop their OPM practices, nevertheless, due to the TSOs independent and distinctive way of working they appeared to be taking OPM into their own organisational hands. Thus the distinctive nature of the TSO is working to its advantage, by using mission, vision and values to ensure that OPM becomes a normative way of working in the sector. This theme is developed in the next section exploring how OPM has been integrated into the distinctive, cultural concept of an ecosystem by the third sector organisations.

## **8.9 Organisational performance measurement as an ecosystem: a shifting paradigm?**

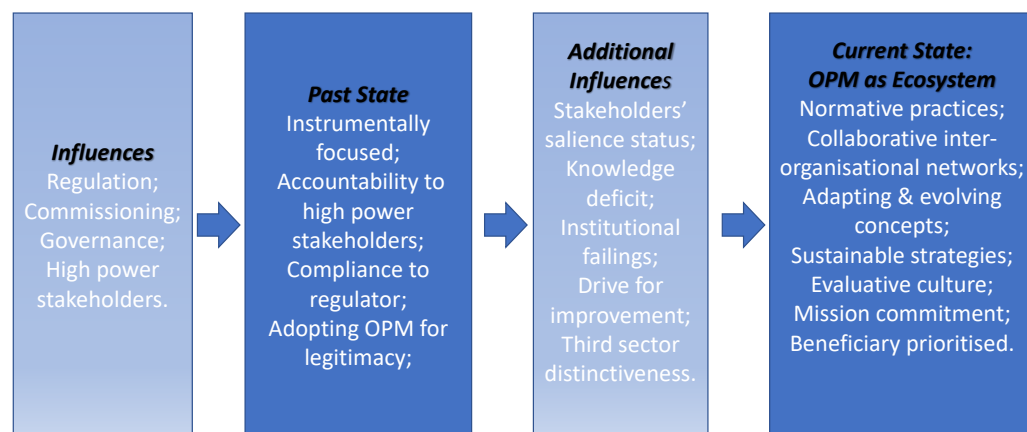
While much of the literature focused on the key drivers for adopting performance measurement systems by third sector organisations as accountability, legitimacy and improvement of efficiency (Moxham, 2014), the emerging evidence indicated that the paradigm of performance measurement in the current third sector environment may be shifting towards a more collaborative, integrated, evolving concept, an organisational

ecosystem, which has not been wholly imposed on an organisation, but organically grown to form part of the organisation's culture, values, belief and vision. An analysis of this concept was supported by three underpinning themes, namely, adaptation, sustainability and collaboration (See Figure 4, Third Sector OPM: The Paradigm Shift). There was evidence that participants adapted experiences, learning and methods to embed the most appropriate approaches to their organisations' internal systems and could show evidence of how strategies were evolving. Adaptations were prompted by changes in the external (policy) environment, new learning strategies, or new developments to models and frameworks. There was evidence to show that adaptability, in relation to designing and developing approaches to OPM was considered to be a normative way of working. For example, participants evidenced adaptation, through the use of a range of quality models developed in another sector, by tailoring them to suit the unique third sector culture. Another example of adaptation was evidenced through the change to legislation, ongoing at the time of this research, which resulted in changes to the inspection regime, and third sector organisations were proactively making strategic changes in response to this. OPM was also shown to be sustainable as it was integral to organisations' long-term strategic survival and had, for all of the organisations, been part of their strategic planning for at least 20 years. The Voluntary Sector Network itself was a long-standing community, which showed only signs of continuing to grow and develop. Barriers to sustainability were reflected in the short-term nature of funding to develop initiatives, particularly in respect of the commissioning process. Collaboration was the third strand of the ecosystem theme. The development, understanding and implementation of collaboration supported OPM amongst stakeholders, both inter-organisationally, as well as intra-organisationally, was a critical underpinning element of OPM and, demonstratively, a normative way of working for TSOs.

As has been identified within this empirical research it is clear that there are institutional failings in the landscape surrounding the TSO, in particular by the care regulator and by commissioning. It further leaves the TSOs relatively unsupported in this demanding knowledge field. TSOs have shown a distinctive approach in rising to the challenge of how to address OPM and have developed a unique way of framing the problem with the aim to better serve society in a way which aligns with third sector language and culture. By viewing OPM as part of their organisational ecosystem they can evidence their adaptations and collaborations and confirm that this forms part of their long-term survival strategy. Whilst TSOs may not appear to directly challenge institutional failings, they are quietly raising the bar of service quality in the way they see fit.

A conceptual diagram is shown in Figure 4 to illustrate these points. In this diagram, the first column '*Influences*' shows a summary of factors influencing the direction of OPM from the extant literature, i.e., regulation, commissioning, governance and high power stakeholders. This contributes to the column '*Past State*' which summarises the paradigm as being predominantly instrumentally focused, with an emphasis on compliance-based activities, accountability to high power stakeholders, and with OPM adopted for the purpose of legitimising activity. The third column, '*Additional Influences*,' shows further concepts identified from this research, namely; knowledge deficit; the shifting salience status of stakeholders; institutional failings, the drive for improvement and third sector distinctiveness. These factors have contributed to the shifting paradigm summarised in the final column; '*Current State: OPM as Ecosystem.*' Here normative practice dominates, alongside collaborative practices, adaptation of concepts, sustainable strategies, an evaluative culture, and commitment to mission with the beneficiary prioritised.

## Third Sector OPM: The Paradigm Shift



**Figure 4 Third Sector OPM: The Paradigm Shift**

### 8.10 Summary

This section has presented evidence which reinforces how mission, vision and values shape perspectives of organisational performance. There was empirical evidence which showed how individuals felt towards their organisations was influenced by a strong emotional

attachment and affective commitment (Patel et al., 2015); and a clear distinction in how the third sector perceives itself in comparison to other sectors. There was, however, clarity that the beneficiary was a priority concern for the participants, and this, again, provided important empirical evidence which supports the focus on the organisational mission as a priority in driving performance (Macedo et al., 2016). This strongly aligns with a fundamental tenet for the third sector in which the internal stakeholders are strongly driven by an affective commitment to mission (Patel et al., 2015) and reinforces the little understood link between mission and performance (Macedo et al., 2016).

The findings in relation to the usage of the accreditation models were surprising and in direct contrast to the leading approaches being presented in the literature. The EFQM Model was the dominant framework in use by participants in the Scottish third sector, as opposed to other models such as the balanced scorecard (BSC) and ISO 9000. This is a significant finding in the research and fills a considerable gap in our knowledge of how the third sector is measuring performance and should form the basis of future research.

The care regulator, no doubt one of the most powerful stakeholder groups (Dawson and Dunn, 2006), was shown to be insufficiently functioning as a driver of improved performance, this was another unexpected finding from the research. The participants reported low confidence in the inspection process and were driving their own performance improvements beyond that expected from the care regulator. In relation to funding mechanisms, there were two different perspectives presented. In the first instance, many funders were driving organisations to take an instrumental approach (i.e., with an emphasis on funders prioritised over beneficiaries), this is the approach generally understood as the prevalent approach in the literature. However, an alternative perspective was also in evidence, and an unexpected finding was that many funders were altering their approach to be less demanding in terms of performance reporting requirements and aligning their position with that of the beneficiary, in other words, adopting a more normative approach. If third sector organisations are in this position with their funders, it means they are able to ensure beneficiaries are prioritised and it could represent a significant shift in the relationship between funders and funded.

Whilst governance is often presented as a key driver of OPM (Hyndman and Jones, 2011), participants presented their governance mechanisms as satisfactory, but also as relatively passive conductors of organisational performance. Meanwhile the commissioning process, as viewed by participants, amplified the view of the literature which showed there was a concern that these demands could lead to a distortion of the organisation's mission

(Dacombe, 2011) and instead of helping commissioners to analyse efficiency and effectiveness, it represents a failure at an institutional level.

The understanding of stakeholder theory and its application to OPM has been improved through an enhanced recognition of how stakeholder salience is being applied. The shifting stakeholder salience status of high-powered stakeholders allows TSOs to prioritise the OPM requirements of their beneficiaries. Prioritising stakeholder claims was undertaken at an operational, rather than a strategic level. Our understanding of the instrumental-normative classification of stakeholder theory in the context of OPM in the third sector has also been improved. Where the received understanding was that where funders operating instrumentally would lead TSOs to operate in the same way, it has been shown that TSOs are continuing to operate normatively towards their stakeholders, which again, enhances our understanding of the application of this theory.

Organisational performance measurement in the third sector may be at a crossroads in its own history. It is moving from a focus on a compliance based accountability towards a culture of collaboration. There is evidence that it is diverging into a concept that fits the cultural requirements of the sector it serves, driven by the stakeholders of that sector who are committed to ensuring that organisational missions are delivered effectively. An unexpected by-product of the institutional failure of both regulation and commissioning is that TSOs have prioritised their own OPM agendas, devised their own approaches and inter-organisational networks, developed their own concepts and have adapted to the changing circumstances in order to benefit the recipients of their services. Considering OPM as part of the ecosystem of a TSO, with the associated concepts of adaptation, sustainability and collaboration, may represent a significant shift in the paradigm. Ultimately, whether the approach is more successful than the performance of their public and for-profit counterparts will be for the users of those services and society itself to judge.

In the next chapter, the conclusion summarises the research findings in the light of the research aim and questions. The chapter then highlights the contribution to theory, the implications for practice and policymakers and also draws attention to the limitations of this research, as well as making recommendations for future research.

# Chapter 9 Conclusion

## 9.1 Introduction

This chapter draws together the strands of this research and presents a summary of the findings on organisational performance measurement in the context of the third sector. There has been research done on OPM before, primarily in the private and the public sectors; historically, the frameworks and principles which came out of that research were then applied to the third sector by researchers and practitioners alike. This was not without challenges, however. In this thesis, the aim was to understand the third sector OPM paradigm, practices and drivers. The theoretical framework of stakeholder theory was chosen as a suitable approach as, in this context, a diverse group of stakeholders interact on competing OPM demands. The exploratory nature of the research aim and questions pointed to a qualitative research design. The study data came from individual and group interviews and observations involving 16 Scottish third sector organisations. The evidence showed how the third sector environment shapes OPM and how stakeholders, and stakeholder networks, are managed by TSOs to support their organisational performance measurement strategies. The evidence points to organisational performance measurement reaching a crossroads in its implementation within mission driven third sector organisations, due in part to the institutional failings of regulation and commissioning. OPM is emerging as part of the organisational ecosystem supported by a collaborative infrastructure of third sector organisations.

The next section offers succinct answers to the research questions, followed by the contribution to theory, practice and policy as well as on the limitations of this research and recommendations for future research.

## 9.2 Research aim and questions

The study was shaped around, and aimed to address, a number of exploratory research questions, starting with the research aim:

*Drawing on stakeholder theory, this research aims to improve our understanding of the way in which third sector organisations measure organisational performance.*

Over the course of the research, some interesting answers emerged from the findings.

### **RQ 1. What is the purpose and relevance of organisational performance measurement to the third sector?**

The third sector organisations taking part in this research were all highly committed to implementing both quality and performance in their respective organisations. This was evidenced by their use of some existing frameworks and certifications, as well as adapting their own bespoke internal approaches. Whilst at the same time, recognising the necessity for such levels of accountability to demonstrate their compliance to funders and the care regulator, the TSOs in this study had largely bypassed this phase and developed approaches that best suited their own requirements, often using these methods to front more ambitious ways of achieving their missions.

This leads to significantly enhancing our understanding of the purpose and relevance of OPM to the third sector organisations, which was to support TSOs to achieve their organisational mission and, in some cases, act as a proxy for mission. The evidence showed that both mission, and the affective commitment to mission, took a priority in driving OPM. TSOs were highly committed to OPM as being a means of achieving their mission. OPM proved to be relevant as it was a framework that could add credence to mission success. The purpose of OPM was to springboard each TSO to find their own bespoke solutions to achieve their missions. In an environment characterised by elements of institutional failure, the purpose and relevance of OPM to TSOs can be viewed as essential, where external benchmarks are low, they set their own bar.

### **RQ 2. How do third sector organisations define, understand and measure organisational performance?**

The research identified a broad conceptual confusion around the definition and understanding of OPM by TSOs. Interpretation was undertaken by the individuals who were responsible for adopting and implementing various OPM initiatives. There was a tension around the development of approaches, which may have originated within the for-profit or public sector. Interpretation of the concept was therefore being developed more instinctively and reflected in thematic approaches where OPM was perceived as a part of the organisation's ecosystem and was being adapted, embedded, evolved and sustained through networks and collaborations across the sector as a whole. In this way, organisations were able to define the concepts through language that was meaningful to the

sector and its cultural background, allowing them to overcome institutional failings within the third sector environment.

In exploring how TSOs measure OPM, the TSOs used a combination of standards, frameworks and accreditations alongside their own internal OPM systems after adapting and embedding approaches from a variety of sources, including prior knowledge and inter-organisational networks. This was carried out predominantly by quality and performance specialists. The dominant framework in use amongst the Scottish TSOs in this research was the EFQM Model. The reason for this appeared to be due to the existence of the longstanding inter-organisational stakeholder network which fulfilled the role of knowledge network and community of practice for its members and acted as a determinant in supporting benchmarking and active stakeholder engagement.

### **RQ3. How does stakeholder theory improve our understanding of organisational performance measurement for third sector organisations?**

Stakeholder theory suggests that organisations prioritise stakeholders and their needs according to their salience status of power, legitimacy or urgency (Mitchell et al. 1997). Third sector organisations were prioritising the OPM requirements of their beneficiaries and were being more salient to those who cannot diversify their interests. There was evidence that a high-power stakeholder group could shift its own salience status, moving to increase legitimacy. This showed that third sector organisations were working normatively towards their stakeholders for whom they have OPM requirements.

The evidence showed that TSOs have undefined processes for prioritising stakeholder claims, understood to be a key aspect of managing stakeholders, with strategic approaches correspondingly weakened, which was a barrier to effective stakeholder management. Our understanding of the instrumental-normative classification of stakeholder theory in the context of OPM in the third sector has been improved. The received understanding was that funders operated instrumentally towards their TSOs which, in turn would lead TSOs to operate instrumentally. However, it was shown that TSOs are operating normatively towards their stakeholders, even with an instrumentally driven stakeholder. Furthermore, the larger TSOs were expected to be operating instrumentally, however this was not evident from this study. This research therefore moves forward our understanding of how stakeholder theory is applicable to performance measurement in the third sector and gives direction for future theoretical research.



#### **RQ 4. What are the key drivers of organisational performance measurement for third sector organisations?**

The organisational mission was a key driver of OPM for TSOs, with internal stakeholders using performance as a proxy for mission. An evaluative culture was also considered essential by TSOs to support the development of internal performance initiatives and to ensure that all internal stakeholders supported the intra-organisational approach. Inter-organisational stakeholder networks were a key driver of OPM allowing TSOs to share knowledge and support their learning in a field where there is a dearth of expertise. The internal stakeholder quality and performance specialists were identified as being responsible for driving the OPM initiatives in their respective organisations. Funding mechanisms were identified as a driver of OPM; there were two opposing perspectives presented here with some funders operating instrumentally, and at times supporting a compliance based focus, and others adopting more normative approaches.

Internal governance processes were shown to be a relatively benign influence on OPM, with the lead on OPM typically being taken by the TSOs internal leadership team. Beneficiaries did not form part of the governance mechanisms, considered to be essential according to stakeholder theory. The care regulator was a driver with a weak influence on OPM, due to its focus on compliance and lack of support for driving TSOs to be 'best in class'. The process of commissioning was also a weak influence on OPM, dominated by short-term funding contracts and an emphasis on low-cost services. The processes of regulation and commissioning therefore represented significant institutional failings within the third sector environment, which contributed to TSOs reverting to their own missions to act as a springboard to develop their own OPM agendas.

### **9.3 Contribution to theory**

Stakeholder theory was identified as an appropriate theoretical lens. There were three key findings from the research. Firstly, there was evidence showing that a stakeholder group with high power (funders) shifted its salience status to equate to that of the beneficiary, to increase their legitimacy. Where this occurred, it allowed TSOs to prioritise their beneficiaries' OPM requirements. Secondly, the evidence showed that TSOs have weak processes for prioritising stakeholder claims with strategic approaches to stakeholder management correspondingly weakened. Finally, our understanding of the instrumental-

normative classification of stakeholder theory in the context of OPM in the third sector has been improved. The received understanding was that where funders operated instrumentally towards the TSOs which they funded, this would, in turn, lead TSOs to operate instrumentally; however, it has been shown that TSOs continued to operate normatively towards their stakeholders. Furthermore, larger TSOs were shown to be working normatively towards their funders, which differed from the expectations in the literature. This research therefore moves forward our understanding of how stakeholder theory is applicable to performance measurement in the third sector.

## **9.4 Implications for policymakers**

The care regulator was shown to be a weak influence on performance improvement, with participants reporting low confidence in the inspection process. As the national scrutiny body responsible for driving up standards and improvement in the delivery of social care services this is an issue for policymakers to ensure that high quality services are being continually developed and supported at this level. There was a perception that only weak or failing organisations were benefitting from the care regulator's intervention, but for those TSOs wanting to demonstrate that they were 'best in class' it was failing to deliver.

The commissioning process was viewed to be failing to drive any form of performance improvement for organisations. In this respect, the funding mechanisms of TSOs should be addressed to ensure that OPM can be developed in order to support long-term funding cycles and develop collaborative mechanisms for working jointly with TSOs in developing services that support effective delivery of welfare services.

Inter-organisational stakeholder networks have been shown to have a positive impact on the development of OPM initiatives. There should be scope for these to form part of the funded mechanisms provided by third sector infrastructure organisations to ensure that knowledge around OPM and quality can be shared across all TSOs and move towards the development of a mutually accessible knowledge base in an insecure field.

## **9.5 Implications for practice**

Third sector organisations must develop their stakeholder management practices in order to best support the development of their OPM approaches, this includes ensuring their stakeholders have been prioritised effectively and strategically. Third sector organisations did not always strategically apply stakeholder management practices to their organisation

and often relied on a key internal stakeholder, the quality and performance specialists in this case, to manage tensions and work to improve organisational relations between stakeholders.

A question mark remains over the extent to which third sector organisations could and should drive their more powerful stakeholders to adopt more normative practices to support effective and proportionate approaches to performance measurement and how the wider third sector infrastructure could strategically provide effective support to that end. There was no evidence to show a consistent lead being taken by any major third sector infrastructure organisation to support such practices.

It was noted that in an environment where professionals from other defined functions have clear access to learning and qualifications, for example, healthcare, finance, the law, health and safety, it seems short-sighted that quality and performance specialists lack this formality of training. These specialists, carrying responsibility for the quality of service provision, are left without dedicated support from either within their organisations or from the third sector, with a fragmented, conceptually confused and misunderstood pathway to improvement. It would therefore be highly beneficial to ensure that this group of stakeholders have access to relevant training and development to ensure they are able to work to the highest standards in their field.

As has been raised in the section above, the development of inter-organisational stakeholder networks could provide opportunities for shared learning in communities of practice. Longer term, the integration of such networks could support the development of an evaluative culture in TSOs to allow OPM to become a normative way of working. It may then further support the professionalisation of those working in the field of quality and performance.

## **9.6 Reflections on this research**

At this point it is important to reflect on the research study to consider its limitations. The sample of TSOs employed in this study was made of medium, large, major or super-major organisations. These were all mature organisations and with secure financial resources and constitute a small proportion of the overall sector. However, there were good reasons to address these organisations rather than a more diverse sample, or a sample based entirely on small organisations. As justified in the methodology, small and micro-organisations in

the third sector may have very varied approaches to OPM, as their resources, including staff and finances, are limited. Therefore these would have been an unreliable source of data for a study on OPM.

The third sector has a broad base of service providers. This research explored a group of organisations in the same sub-sector (social care), regulated by the Care Inspectorate, and largely operating in collaborative networks. Although this was considered a strength of the research design, experiences may not be comparable to TSOs operating in other sub-sectors, with different regulatory and environmental backgrounds. As could be seen with the organisation which was the smallest of those participating in this research, the approaches to OPM were markedly different; whilst the super-major organisation had a greater range of resources to hand and therefore more defined processes, the smaller organisation relied on a less formal approach. Whilst it is likely that many of the recommendations would still be applicable to smaller organisations, the greatest impact and benefits for them would be likely to come from the policy changes recommended in this research which would make the challenges of overcoming complex concepts and knowledge sharing more accessible.

Finally, my own perspective and experience coming from a third sector background has undoubtedly shaped and influenced this research. I understood from the outset that whilst I was striving to achieve the 'empathic neutrality', as described by Ritchie et al., (2013), that it is almost impossible for this to be fully attained, as research cannot be value free. My prior knowledge of the environment under research presented me with both advantages and disadvantages. In the first instance it initiated my original interest in the field, and my knowledge of the environment gave me ease of access to participants through networks I was familiar with. The conclusions from the research were also, from my own experience, highly unexpected in some instances with perspectives that were new to me. This has however reassured me that a robust research methodology and rigorous approach took place. At the same time, I must acknowledge that I am implicated in the construction of knowledge through my knowledge of the environment and its people. However, by undertaking an interpretive study it has allowed me to understand this from the outset and recognise that the role of the researcher in this context always shapes interpretation.

## 9.7 Recommendations for future research

In order to further explore the application of stakeholder theory in the field of third sector OPM, the funders of such organisations should be the focus of future research to understand their perceptions of their salience status towards TSOs, and to explore further the extent to which a normative and instrumental stakeholder perspective is viewed. Whether it is appropriate for TSOs to formally broker the relationships between third sector organisations and their funders would also be a question for future research, as the effectiveness of such approaches, although clearly desired by the third sector, is uncertain.

The EFQM Model was found to be the dominant approach used by the organisations in this research. However, there was little research available in respect of its application in the third sector. Given its widespread use future research should further establish the level of its effectiveness for the third sector.

A follow-up study could also be employed to determine differences in how micro and small third sector organisations approach OPM, compared to larger organisations, to understand better how those organisations with less resources, and potentially more reliant on volunteer staff, develop their OPM; for example, are they more or less likely to undertake an accredited model? Research could also look at differences between policy areas to understand the differences in approaches for those TSOs which are not regulated by the social care regulator. Finally, it would be enormously beneficial to move our understanding of OPM forward to explore the extent to which the aggregated theoretical construct of the ecosystem is valid for third sector organisations in other contexts and find out how can this help develop our understanding of the field further.

## 9.8 Summary

This research aimed to improve our understanding of the way in which third sector organisations measure organisational performance measurement, drawing on stakeholder theory. Empirical evidence has now been employed to address it and has suggested that there is a shifting paradigm in how organisational performance measurement is being adopted by the third sector. Institutional failings in a deprived area of knowledge make the resilience of TSOs to pro-actively develop their approaches with the wellbeing of their beneficiaries as uppermost, all the more surprising. That development has led to the concept of organisational performance measurement as an ecosystem, which shows itself

to be adaptable, sustainable and collaborative. In order to ensure a fit with culture and mission, those organisations are driving organisational performance measurement towards a crossroads in its own history as it moves towards an embedded, evolved, sustained approach, away from compliance towards a collaborative future.

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## **Appendix 1 - Interview Themes**

### **Interview Themes for Individuals**

1. What do you think your organisation should do, or is already doing, to demonstrate to their stakeholders that they are providing a good service to their beneficiaries?
2. What has influenced your approaches to demonstrating to your stakeholders that you are a good service provider?
3. What have been the greatest challenges in selecting those approaches?
4. What, in your view, has been the outcome of the approach/es you have chosen?

### **Interview Themes for Focus Group**

1. What, in the view of the group, do you see as the most important role of this professional network of quality management professionals in the voluntary sector?
2. What quality and performance measurement tools and approaches are the group using and promoting in their organisations?
3. What value do you find this has to the individual group and organisation members?
4. What value does the group have to the wider community of third sector organisations in Scotland/England?
5. What do you see as the future for organisations like yours in measuring performance?



## Appendix 2 – Participant Information Sheet – Group Interviews



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### Participant Information Sheet Group Interviews

- ❖ **Study Title:** Third Sector Performance
  
- ❖ **Researcher Details:** Laura Lebec, PhD Researcher, Adam Smith Business School, University of Glasgow

#### ❖ **Information Statement**

You are being invited to take part in a research study. Before you agree to participate it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully and discuss it with others if you wish. Ask us if there is anything that is not clear or if you would like more information. Take time to decide whether or not you wish to take part.

Thank you for reading this.

#### ❖ **Purpose of the Study:**

To improve understanding of the way in which third sector organisations in England and Scotland are using performance measurement systems to measure their impact for a wide range of stakeholders.

#### ❖ **Participant Information**

- Participation in this study is entirely voluntary.
- Participants have a right to withdraw at any time without prejudice (for example, to their job, studies or well-being) and without providing a reason
- Interviews are expected to last no longer than 2 hours.
- Interviews will be audio recorded
- Participants' personal details will be kept confidential by the allocation of ID numbers.
- Group members are expected to maintain their discussions and the identity of other group members as confidential.

#### ❖ **Confidentiality Statement:**

Please note that assurances on confidentiality will be strictly adhered to unless evidence of wrongdoing or potential harm is uncovered. In such cases the University may be obliged to contact relevant statutory bodies/agencies.

#### ❖ **Data**

The data gathered will be used for the purpose of contributing to a PhD thesis. Additionally, the results from the data may support any further research publications resulting from this, including conferences, journal articles and other academic related material.

Data will be stored securely in a locked office, secured only by password and accessible to the researcher and course supervisors. Data will be destroyed after 10 years in line with University of Glasgow procedures.

This project has been considered and approved by the College Research Ethics Committee

❖ **Contact** details if required.

Researcher: Laura Lebec, PhD Researcher, c/o Adam Smith Business School, University of Glasgow, University of Glasgow, Gilbert Scott Building, Glasgow G12 8QQ.  
[l.lebec.1@research.gla.ac.uk](mailto:l.lebec.1@research.gla.ac.uk)

Supervisor: Dr Adina Dudau, University of Glasgow, West Quadrangle, Gilbert Scott Building, Glasgow G12 8QQ.  
0141 3302264 email: [Adina.Dudau@glasgow.ac.uk](mailto:Adina.Dudau@glasgow.ac.uk)

❖ **Complaints**

In the event of any complaint please contact the College of Social Sciences Ethics Officer, **Dr Muir Houston**, email: [Muir.Houston@glasgow.ac.uk](mailto:Muir.Houston@glasgow.ac.uk)

## **Appendix 3 – Participant Information Sheet – Individual Interviews**



College of Social  
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### **Participant Information Sheet Individual Interviews**

❖ **Study Title:** Third Sector Performance

❖ **Researcher Details:** Laura Lebec, PhD Researcher, Adam Smith Business School, University of Glasgow

❖ **Information Statement**

You are being invited to take part in a research study. Before you agree to participate it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully and discuss it with others if you wish. Ask us if there is anything that is not clear or if you would like more information. Take time to decide whether or not you wish to take part.

Thank you for reading this.

❖ **Purpose of the Study:**

To improve understanding of the way in which third sector organisations in England and Scotland are using performance measurement systems to measure their impact for a wide range of stakeholders.

❖ **Participant Information**

- Participation in this study is entirely voluntary.
- Participants have a right to withdraw at any time without prejudice (for example, to their job, studies or well-being) and without providing a reason
- Interviews are expected to last no longer than 2 hours.
- Interviews will be audio recorded
- Participants' personal details will be kept confidential by the allocation of ID numbers.

❖ **Confidentiality Statement:**

Please note that assurances on confidentiality will be strictly adhered to unless evidence of wrongdoing or potential harm is uncovered. In such cases the University may be obliged to contact relevant statutory bodies/agencies.

**❖ Data**

The data gathered will be used for the purpose of contributing to a PhD thesis. Additionally, the results from the data may support any further research publications resulting from this, including conferences, journal articles and other academic related material.

Data will be stored securely in a locked office, secured only by password and accessible to the researcher and course supervisors. Data will be destroyed after 10 years in line with University of Glasgow procedures.

This project has been considered and approved by the College Research Ethics Committee

**❖ Contact details if required.**

Researcher: Laura Lebec, PhD Researcher, c/o Adam Smith Business School, University of Glasgow, University of Glasgow, Gilbert Scott Building, Glasgow G12 8QQ. [l.lebec.1@research.gla.ac.uk](mailto:l.lebec.1@research.gla.ac.uk)

Supervisor: Dr Adina Dudau, University of Glasgow, West Quadrangle, Gilbert Scott Building, Glasgow G12 8QQ.  
0141 3302264 email: [Adina.Dudau@glasgow.ac.uk](mailto:Adina.Dudau@glasgow.ac.uk)

**❖ Complaints**

In the event of any complaint please contact the College of Social Sciences Ethics Officer, **Dr Muir Houston**, email: [Muir.Houston@glasgow.ac.uk](mailto:Muir.Houston@glasgow.ac.uk)

## Appendix 4 – Observation Proforma



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### Observation Proforma

❖ **Study Title:** Third Sector Performance

❖ **Researcher Details:** Laura Lebec, PhD Researcher, Adam Smith Business School, University of Glasgow

❖ **Information Statement**

During field visits, observations of organisational activities and key actors will be recorded in a field diary. Although observations are not likely to be included directly in the research they will provide a useful context to support understanding and theoretical development.

❖ **Purpose of the Study:**

To improve understanding of the way in which third sector organisations in England and Scotland are using performance measurement systems to measure their impact for a wide range of stakeholders.

❖ **Participant Information**

- Participation in this study is entirely voluntary.
- Participants have a right to withdraw at any time without prejudice (for example, to their job, studies or well-being) and without providing a reason
- Interviews are expected to last no longer than 2 hours.
- Participants' personal details will be kept confidential by the allocation of ID numbers.

❖ **Confidentiality Statement:**

Please note that assurances on confidentiality will be strictly adhered to unless evidence of wrongdoing or potential harm is uncovered. In such cases the University may be obliged to contact relevant statutory bodies/agencies.

Participants may, if required, allow their own name, or the name of their organisation to be attached to any specific comments subsequently published in the research. In the event this may be required, further permission would be sought from each interviewee on an individual basis.

❖ **Data**

This project has been considered and approved by the College Research Ethics Committee

❖ **Contact** details if required.

Researcher: Laura Lebec, PhD Researcher, c/o Adam Smith Business School, University of Glasgow, University of Glasgow, Gilbert Scott Building, Glasgow G12 8QQ.  
[l.lebec.1@research.gla.ac.uk](mailto:l.lebec.1@research.gla.ac.uk)

Supervisor: Dr Adina Dudau, University of Glasgow, West Quadrangle, Gilbert Scott Building, Glasgow G12 8QQ.  
0141 3302264 email: [Adina.Dudau@glasgow.ac.uk](mailto:Adina.Dudau@glasgow.ac.uk)

❖ **Complaints**

In the event of any complaint please contact the College of Social Sciences Ethics Officer, **Dr Muir Houston**, email: [Muir.Houston@glasgow.ac.uk](mailto:Muir.Houston@glasgow.ac.uk)

## Appendix 5 – Consent Form – Group Interviews



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### Consent Form Group Interviews

1. **Title of Project:** Third Sector Organisational Performance

Name of Researcher: Laura Lebec  
Name of Supervisor: Dr Adina Dudau

I confirm that I have read and understood the Participant Information Sheet for the above study and have had the opportunity to ask questions.

I understand that my participation is voluntary and that I am free to withdraw at any time, without giving any reason.

I consent / do not consent (delete as applicable) to interviews being audio-recorded.

I acknowledge that participants will be referred to by pseudonym.

As a participant in this group interview I understand the need to maintain confidentiality of the discussions and the identity of other group members.

I understand that the data collected from this research will be shared securely with my personal details removed and I agree for it to be held as set out in the plain language form.

I agree to take part in this research study

I do not agree to take part in this research study

Name of Participant ..... Signature .....

Date .....

Name of Researcher ..... Signature.....

Date .....

## Appendix 6 – Consent Form – Individual Interviews



University  
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### Consent Form Individual Interviews

**1. Title of Project:** Third Sector Organisational Performance

Name of Researcher: Laura Lebec

Name of Supervisor: Dr Adina Dudau

I confirm that I have read and understood the Participant Information Sheet for the above study and have had the opportunity to ask questions.

I understand that my participation is voluntary and that I am free to withdraw at any time, without giving any reason.

I consent / do not consent (delete as applicable) to interviews being audio-recorded.

I acknowledge that participants will be referred to by pseudonym.

I understand that the data collected from this research will be shared securely with my personal details removed and I agree for it to be held as set out in the plain language form.

I agree to take part in this research study

I do not agree to take part in this research study

Name of Participant ..... Signature .....

Date .....

Name of Researcher ..... Signature .....

Date .....



## Appendix 7 - Participating Organisations

Table 2 Organisations Participating in Interviews

	<b>Charity – Type of Service Provision</b>	<b>Annual Income of charity (2014/15)<sup>21</sup></b>  Size of Organisation <sup>22</sup>	<b>Interviewee(s)</b>
1	Learning Disability Service Provider; supports children & adults with a learning disability.	£28million <i>(Major)</i>	Development Manager (group and individual interview)
2	Disability Service Provider; supporting disabled people and their families.	£22million <i>(Major)</i>	Chief Executive (individual interview) <i>and</i> Quality Assurance Manager (individual interview)
3	Disability Service Provider; supports children, adults and older people with learning disabilities, physical disabilities, autism and dementia.	£36million <i>(Major)</i>	Quality and Performance Manager (group and individual interview) Quality and Performance Coordinator (group interview)
4	Providing rehabilitation, training and support for people with disabilities.	£6million <i>(Large)</i>	Quality Improvement Lead (group and individual interview)
5	Provider of social care services across Scotland; for individuals with learning disability, mental health or other disabilities, drug or alcohol dependency.	£27million <i>(Major)</i>	Quality and Audit Manager (group and individual interview)
6	Providing services to the homeless; offers support and accommodation.	£1million <i>(Medium/ Large)</i>	Chief Executive Officer (individual interview)
7	Providing services to children	£295 million <i>(Super-major)</i>	Chief Executive Officer (individual interview)
8	Providing specialist services to children	£28 million <i>(Major)</i>	Quality Improvement Manager (group and individual interview)

<sup>21</sup> downloaded from <https://www.oscr.org.uk> 10/12/17, Register of charities

<sup>22</sup> Size of organisation is classified as follows

£100,000 to £1 million = medium.

£1million to £10 million = Large.

£10 million up to £100 million = major.

Over £100 million = super-major.

Downloaded 05/10/18 from NCVO <https://data.ncvo.org.uk/a/almanac18/methodology-2015-16/>

9	Advisory Organisation; an independent advice network.	£5.8 million <i>(Large)</i>	Quality Assurance Manager (group interview)
10	Social Care Provider; housing support and care at home.	£6.5 million <i>(Large)</i>	Administrative Manager (group 1 interview)
11	Mental health charity; a range of support services for individuals with mental health problems.	£10 million <i>(Major)</i>	Quality and Improvement Officer (group 1 interview) Development Manager (group 2 interview)
12	Social Care Service Provider; community-based support for individuals with learning disability, mental health issues, dementia, alcohol or drug issues	£61 million <i>(Major)</i>	Quality Evaluator (group 1 interview)
13	Charity providing housing and support services	£43 million <i>(Major)</i>	2 x Operational Managers (group 2 interview)
14	Social care provider; for adults, children and families and older people	£109 million <i>(Super-major)</i>	2 x Operational Managers (group 2 interview)
15	A charitable membership organisation	£660,000 <i>(Medium)</i>	Chief Executive (individual interview), Account Director (individual interview), Head of Business Development (individual interview).
16	Charity using learning to support the delivery of services for public benefit.	£384,000 <i>(Medium)</i>	Director (individual interview)

*NB There are 2 'super-major' charities indicated in Table 2, (income over £100million) yet only 1 'super-major' recorded in Scotland, this is due to the fact that one of the super-major charities operates in both England and Scotland*

## Appendix 8 - Observations

**Table 3 Meetings Observed**

<b>Parties</b>	<b>Date</b>	<b>Setting and Purpose</b>
Voluntary Sector Network members and Care Inspectorate representative.	6 December 2016	2 hour meeting in Edinburgh with input from Care Inspectorate on new National Health & Care Standards & strategic commissioning. Presentation on Lean: principles & practice and how it aligns with EFQM, Voluntary Sector Network alignment with public & private sector members. Update from host organisation.
Voluntary Sector Network members and Care Inspectorate representative	31 August 2017	2 hour meeting in Edinburgh. Input from Care Inspectorate with an update on the National Care Standards review and an integrated self-assessment jointly with EFQM. Update from network members on their experience of benchmarking the EFQM model. Update from host organisation.
Voluntary Sector Network members and Care Inspectorate representative.	28 November 2017	2 hour meeting in Glasgow. Further update from Care Inspectorate on National Care Standards Review. Update from network member on dissertation in quality in third sector. Update from host organisation.