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Democratizing the Non-Profit Sector: Reconfiguring the State-Non-Profit Sector Relationship in the UK

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INTRODUCTION

This paper focuses on questions of democracy within the non-profit sector (NPS) and the form of state/NPS relationship that needs to exist if a fertile environment for democratic arrangements is to be cultivated. It argues that, wherever the NPS fulfils a significant role in delivering publicly funded welfare services, democratic arrangements are *essential* within non-profit organisations (NPOs) to ensure legitimacy and accountability, but also because democracy can help improve service quality and effectiveness *and* enhance policy agendas through advocacy and value guardianship. The UK is adopted as a case study to illuminate the barriers to democratising the NPS because UK NPOs have played a significant role in public service delivery for thirty years and this has been accompanied by some of the most extensive institutional NPS support in the world (Smith and Teasdale, 2012). Furthermore, NPS service delivery seems set to continue with the Coalition Government placing it at the centre of its 'big' idea for a 'Big Society' (Conservative Party, 2010:37). Studying the UK NPS thus has the potential to illuminate the type of state-NPS relationship that needs be in place to facilitate democratic governance in NPOs, not just in the UK but in any country where they are heavily involved in public service delivery. This is not to ignore the differences in welfare trends between countries or the different contexts within which national NPSs operate (Taylor et al., 2010:146), but rather to highlight the key similarities that transcend these differences, even if they vary in salience from country to country.

The UK evidence suggests that the democratization of the sector is being hindered by the pressures arising out of the emerging contract culture of the 1980s/90s

and, more recently, New Labour's welfare 'modernisation' agenda, which have induced normative, coercive and mimetic isomorphism, with NPOs becoming increasingly dominated by a hierarchical, bureaucratic organisational archetype. Of course, given the significant diversity within the sector in terms of finances, human resources, functions, structure and organisational characteristics, a diversity of state/NPS relationship is inevitable (Warren, 2001). Moreover, there is also evidence that a growing polarization within the sector, especially between those larger, more formal, more professionalised organisations and those that are smaller, rely more on volunteers/community input and are more informally organized. Nevertheless, it is argued that this evolving policy context and the absence of internal democratic structures in larger, more formal, 'shadow state-type' NPOs in particular, has resulted in insufficient opportunities for participation and democracy, undermining their organisational legitimacy and accountability to members, participants and service users, but also service quality and effectiveness as innovation and policy process dynamism are themselves hindered.

The paper goes on to make the case for an alternative 'assisted self-reliance complementarity' state-NPS relationship that prioritises NPO autonomy and would thus be more conducive to ensuring democratic governance. Furthermore, it argues that the isomorphic processes resulting from excessive state-NPS contact can be *reduced* if there is a pluralisation of non-state organisations that distribute government-raised funds to the sector. Finally, it concludes that organisational change *does* seem possible if key state actors and NPO stakeholders can be persuaded of the normative importance of democratic governance within the NPS.

THE DEVELOPMENT OF ISOMORPHIC STATE-NPS RELATIONS IN THE UK

In the 1980s the NPS's place in the provision of welfare was re-evaluated in the face of calls, from those on the political Right in particular, for a more pluralist system. This was seen to entail a shift in the state's role whereby it would relinquish much of its direct provision to the for-profit and non-profit sectors, which it would, in turn, work to enable, finance, and regulate through the quasi-market mechanism and the imposition of a new contracting culture. In essence, NPOs were encouraged to bid for service contracts and, if successful, provide welfare services on behalf of the state (Lewis, 1999). In this context, grant-giving and tax breaks in various forms continued, but, increasingly, contracts became a crucial source of funding (Lewis, 1996). However, whilst this resulted in role extension for the NPS throughout the 1990s, NPOs remained junior partners insofar as they had little, if any, input into the policy process or shape and direction of policy, either at the local or central level (Harris, Rochester and Halfpenny, 2001). Reduced to the status of service agent, NPOs were effectively pawns in the game of introducing market discipline into public service provision, with contracts as a vehicle for the pursuit of neo-liberal agendas (Lewis, 2005). Accountability and legitimacy in service delivery was to be ensured through market competition. Indeed, in this welfare pluralist framework where they were now 'providers', competing with one another for welfare contracts, NPOs came under pressure from the state to demonstrate managerial efficiency and a 'business-like' ethos, seen to be synonymous with 'value for money', in order to keep the funding coming in. As the least powerful actors in the contracting relationship, NPOs were effectively pushed into shifting their organisational culture, modes of operation and priorities in a bid to secure government contracts (Wolch, 1990; Eikenberry and Kluver, 2004). In essence, the shape and role of the NPS was being *qualitatively* transformed, not least by the activities of the state seeking to restructure the British welfare system through a combination of selective system

dismantling, shifts in state welfare responsibilities, a decentralization of service responsibility and the externalization of service provision.

The new state-NPS relationship was characterized by a growing state penetration into participating NPOs' activities, with the former demanding more openness to external monitoring/evaluation and the implementation of a range of regulatory policies. Indeed, Wolch (1990:4) argued that the accountability conditions attached to contracts effectively became the disciplining mechanism for the sector and non-profits that were unable to "*resist the imposition of incompatible state-mandated agendas*" would become more highly structured, formalized and professionalized, consequently *diminishing* the opportunities for internal democratic governance. Some contract requirements even incorporated guidelines regarding 'acceptable' political/campaigning activities, overtly reducing the potential for policy advocacy and value guardianship. As a result, participating NPOs became more reactive as opposed to proactive, conservative and cautious as opposed to innovative, and exclusive as opposed to empowering and participatory, taking them further from their community roots and original mission statements. Indeed, Wolch (1990) noted a growing division between smaller, less formalized organisations that did not succumb to the lure of government finance dependency, preferring to continue their advocacy and campaigning work and commitment to client-centred, user-led strategies, and larger more formal organisations whose primary focus was increasingly on meeting government requirements in exchange for service contracts.

This process, culminating in many large NPOs becoming "*excessively oriented to internal operations*" and more concerned with the "*self-serving objectives of internal advancement and power instead of collective group goals*" (Wolch, 1990:221), was

further advanced by successive New Labour governments. Committed to the 'modernisation' of both public services and the modes and structures of governance (Clarke et al, 2000; Newman, 2001), New Labour drew heavily on the concept of 'partnerships', incorporating responsibilised stakeholders within a devolved administrative and political framework, in a bid to activate 'new' forms of governance seen as crucial to government legitimacy. Such partnerships were presented as having the potential to deliver not only increased service quality but also a regenerated, more active civil society through their commitment to democratic renewal, community involvement and empowerment, a result of their assumed, inherent positive qualities (Haugh and Kitson, 2007; Kendall, 2010). Here, the principles of marketisation, managerialisation and individual responsibilisation, all of which were central to the neo-liberal project of the post-79 Conservative governments, retained their place, whilst at one and the same time the partnership approach was presented as an indication of a new, negotiated, consensual and less top-down state-NPS relationship. Hence, whilst continuing to require their for-profit/non-profit sector 'partners' to demonstrate efficiency and effectiveness and accept close monitoring and regulation by the state (Harris, Rochester and Halfpenny, 2001) and utilizing choice discourse to legitimize its commitment to welfare pluralism (Fyfe and Milligan, 2003), both reflections of a neo-liberal agenda, New Labour also increasingly drew on neo-communitarian discourses which highlighted the apparent decline in social participation and community involvement and, crucially, the role of the NPS as a *potential* 'training ground' for active citizenship and civil responsibilisation (Osborne and McLaughlin, 2002; Haugh and Kitson, 2007; Kendall, 2010).

Compacts were presented as evidence of both this new, more equal relationship, and the opportunity to develop a more meaningful stakeholder 'participation'. The

details of such a strategy need not detain us. Suffice it to note that, national Compacts were developed as a framework of principles that would guide and structure the state-NPS relationship within a more partnership ethos (Craig et al, 2002; Osborne and McLaughlin, 2002). Indeed, Compacts, though non-binding agreements between signatories, gained their legitimacy from the fact that they had been developed through *consultation* with relevant stakeholders (Morrison, 2000). They differed from previous initiatives insofar as they codified a set of responsibilities for *both* sides and in doing so drew on the idea of facilitating a less top-down, more organic state-NPS relationship, thus connecting to discourses of active citizenship, community building and democratic, inclusive governance.

Launched in 1998, Compacts sought to construct a shared public service ethos, bringing together what were inherently contradictory priorities and objectives: government and state agencies were able to extend their tentacles further into the business of participating NPOs and yet, in formalizing the principles of partnership in an apparently consensual way, Compacts secured for government an NPS that was increasingly willing to self-regulate in very specific ways and use its 'power' and 'autonomy' in a 'responsible' manner, as defined principally by the state (Lewis, 2005; Taylor et al., 2010). Indeed, Compacts, coupled with a continued reliance on service contracts (re-termed 'service agreements'), worked to promote cultural and organisational change at the level of individual NPOs, in part arising out of the need to ensure an organisational compatibility with the statutory organisations they were replacing (Deakin, 2001), but importantly also to ensure clear lines of accountability in relation to the finance accessed from the public purse. Moreover, the evidence suggests that New Labour used these closely regulated partnerships to ensure that would-be non-profit participants became much more 'managerially minded' and accepted a

framework of government-defined 'good practice' which emphasized and reinforced 'economic rationality' (Morrison, 2000), even where this threatened to facilitate a shift away from their traditional 'voluntary' welfare ethos.

Crucially, these developments were also *not* accompanied by the introduction of "*new mechanisms for constraining and democratizing the new forms of public power*" (Morison, 2000:101). Rather, the focus was on developing new methods of accountability and control including "*standard setting, monitoring and enforcement, inspection and oversight, adjudication of complaints and grievances, performance pay, indicators and targets, licensing and franchising, and benchmarking and audit*" (Morison, 2000:101) in the interests of meeting state objectives, including the maximizing of market efficiency. Carmel and Harlock's (2008) evidence suggests that through the actions of the Treasury, the Home Office and the National Audit Office, Blair's government gave the NPS little choice but to deliver public services through the quasi-market mechanism. Indeed, rather ironically, in preparing sections of the sector for an increased service provision role, New Labour had at one and the same time disempowered it in important ways. Essentially, as participating non-profits become more professionalised and formally organized, better funded and more concerned with presenting their 'business-like' credentials in order to demonstrate themselves to be 'fit partners' (Ling, 2000), they become *less* able to deliver on the agenda of community governance and democratization, thus casting doubt on New Labour's claims to be interested, at least equally, in the democratic values of participation and the potential for the NPS to activate civil society (Haug and Kitson, 2007) and deliver effective services which serve also to build capacity in communities (see Eikenberry and Kluver, 2004).

In effect, this period brought a new breed of NPO, one which was more corporatist, hierarchical and bureaucratic, with a clear division of labour between managers and welfare professionals/volunteers, where passive citizenship was desirable and users were increasingly conceived of as 'consumers' of a service who were 'out there' (Fyfe and Milligan, 2003). These organisations then were being transformed as relations, structures and processes associated with the state and statutory organisations, which had previously come under fire for being ineffective, unaccountable and monolithic, came to displace old NPO arrangements. Indeed, the government's role in promoting, setting goals for, and regulating partnerships, where necessary using funding as a lever and not just an incentive (Wyatt, 2002), served to position NPOs as 'subordinated' partners (Clarke and Glendinning, 2002) working *within* the 'templates' established by central government (Lewis, 2005). Rather ironically, those non-profits that were *not* incorporated into this framework and are thus arguably more likely to be innovative, inclusive, and democratic, were left out of the loop altogether.

Clearly then the evolving NPS-state relationship has not been conducive to the development of internal democratic arrangements. Rather, a dynamic of isomorphism has emerged whereby participating NPOs, exposed to similar environmental conditions, experience a process of 'forced' homogeneity with regard to organisational structures, internal decision making processes and behavioural features. By adopting what Greenwood and Hinings (1993:1055-1056) claim is a set of systems and structures that consistently embody "*a single interpretive scheme*" in line with the preferences of dominant groups with financial control, participating NPOs increasingly display a strong tendency towards "*archetypal coherence*". Indeed, we can differentiate three forms of isomorphism at work across this period: normative, coercive and mimetic. The first, normative isomorphism, has resulted from the ideological belief of successive

governments that the delivery of public services *should* be subject to private sector governance principles and techniques - an increasingly dominant interpretive archetype. Coercive isomorphism, caused by formal and informal political influence and legitimacy requirements whereby successive government policies have *facilitated* the development of private sector internal governance techniques within NPOs seeking public funding, has also increased organisational conformity. Finally, mimetic isomorphism, originating from uncertainty and involving organisations *actively mimicking* each other's governance structures to gain advantage, is similarly evident as NPOs themselves have been active agents in the isomorphic process. It is to this that we can now briefly turn.

The intention has not been to construct the NPS as 'passive victim'. Whilst we have seen a growth in the state's control over the sector, the extent to which that is embraced or challenged, imposed or negotiated, reinterpreted and responded to, is crucial. As Deakin (2001:29) notes, the sector "*is not simply a spectator of change*". NPOs do not *have* to acquiesce to institutional pressure; they can try to negotiate compromise, avoid conformity, defy or manipulate institutional pressure (Oliver, 1991) and use "*proactive strategies*" to offset their potential impotence on the face of external forces (Jaffee, 2001). Notwithstanding that, in general, acquiescence is less likely to occur in organisations that have a stronger sense of identity and mission, anchoring the organisation and making it less susceptible to external influence (Kraatz and Block, 2008:258), we must acknowledge that NPS actors are not "*necessarily passive transmitters of narrowly construed business values, helpless in the face of neo-liberal pressures*" (Kendall, 2010:250). Indeed, NPOs have Boards that are accountable for the organisation's activities, the implementation and integrity of its mission and building legitimacy in the eyes of internal and external stakeholders. As such their role is crucial in terms of steering and guiding the organisation and its managerial hierarchy and,

crucially, negotiating over particular government agendas. This requires them to demonstrate a commitment to actively protecting their organisational culture and welfare philosophy through processes of self-regulation that balance competing demands and thus maintain organisational integrity, even if that risks them being labelled as 'troublesome' by state actors (Chapman et al, 2010). Internal democratic arrangements are arguably key to achieving this.

So, whilst there is *potential* for NPOs to deliver on community empowerment and active citizenship agendas, this cannot be realised simply by increasing their service provision role (Fyfe and Milligan, 2003). These organisations must *work* to maintain their own ethos and principles at one and the same time and not simply be subsumed into the agendas of government and state agencies. Moreover, as Scott and Russell (2001:61) argue, if the government will not or cannot play its part, even where there are important benefits in terms of ensuring service effectiveness and quality, discussed in more detail below, it is "*important that voluntary organisations re-evaluate whether the contract culture is compatible with social values, public service, flexibility and reciprocity; and whether it is possible to reconcile the managerialist approaches associated with contracting with broad-based governance and community participation*". An unwillingness to do this makes them culpable in their own transformation, and under such circumstances "*Short-term organisational growth may be achieved at the expense of long-term survival as an independent third sector organisation*" (Harris, 2001:219; see also Eikenberry and Kluver, 2004).

Having outlined the main changes in the political and policy context of non-profit activity in the UK and highlighted some of the key consequences for those NPOs seeking to participate, it is important to note that we are *not* arguing that all NPOs have

“passed through the process to the same point”, nor that all are starting from the same place or moving at the same rate (Leiter, 2008:85). On the contrary, there are significant variables of environmental complexity that differ from organization to organization and influence the extent of isomorphic institutional influence across the sector (Scott, 2008:159-69; Saxon-Harrold, 1990). Nevertheless, the processes outlined so far represent a significant threat to the role of the NPS in delivering high quality and effective public services, reducing the opportunities for democratic governance, and, consequently, legitimacy, and accountability. This leads us to the point where we must make more explicit the case for democracy in the NPS, before we can examine how democratization might be facilitated.

THE CASE FOR DEMOCRACY IN THE NON-PROFIT SECTOR

A central argument here is that the democratisation of the NPS is key to enhancing legitimacy, accountability *and* service quality and effectiveness. Whilst democracy is an ‘essentially contested concept’ (Gallie, 1955-6), a general definition that acknowledges its scalar orientation is provided by Beethem (1993:40): *“Democracy is a model of decision-making about collectively binding rules and policies over which people exercise control”* and the most democratic arrangement is *“that where all members of the collectivity enjoy effective equal rights to take part in such decision-making directly”*. In this paper, democracy is likewise interpreted procedurally and reflexively (Saward, 2003), meaning a gamut of decision-making arrangements *could* make claims to being democratic while acknowledging that some are *more* democratic than others.

Firstly, democratic decision-making within the NPS is considered here to be integral to the development of political legitimacy, defined as *“democratic*

representativeness, participation, transparency and accountability to constituencies for which third sector organisations speak and act" (Brown, cited in Taylor and Warburton, 2003:324). Moreover, as Chaskin (2003) suggests, within the NPS, it is argued that the more members who participate, the more equally they participate and the more they do so in the decision-making process itself, the more legitimate it will be. Without internal democratic arrangements within NPOs, the danger is that services will be provided in the interests of group oligarchs (Cohen and Rogers, 1995; Day, 1999) and NPO elites will not be fully aware of the interests and preferences of their membership, increasing the risk of them becoming agents of social control. And, as Taylor and Warburton (2003:324) argue, if the NPS wants to effectively promote legitimacy, inclusion, equality, justice and democracy in society, then it must embody these principles within its own organisations.

Secondly, it is contended that NPOs delivering welfare services must be democratic to ensure accountability. Defined by Chaskin (2003:182) as "*the extent to which organisations that speak for or act on behalf of a community are fulfilling their stated goals and can be held responsible for their actions*", NPOs use variable forms of regulation to achieve accountability and must be accountable to a number of different agents including governors, members, service users, staff, government and taxpayers (Leat, 1996; Powell and Guerin, 1997). This raises the issue of to whom NPOs should be *primarily* accountable. Of course, where they are funded by the state, requiring government to account for how taxes are spent to taxpayers, it may seem that the *principle* line of accountability lay here – and this is certainly where emphasis has been placed up until now. However, the move from government to governance, which includes this increased role for NPOs in public affairs, means, inevitably, that citizens are too far removed to hold them to account via electing the government. Therefore a

better strategy is to democratise the NPOs and enable service users to hold them accountable directly. Barry (2001) suggests that civil society associations should not have to conform to the same liberal democratic principles that are used to regulate public bodies in order to preserve freedom of association. However, as the NPS increases its role in public service delivery, they do become 'quasi-public' bodies and become 'governable terrain' and therefore we maintain *should* be regulated by the same principles (Carmerl and Harlock, 2008). Moreover, we would argue that even governments driven to contract NPOs as potentially the cheapest option (and the one most capable of enabling governments to distance themselves from service provision) cannot easily ignore questions of effectiveness. For example, if services do not deliver on key priorities, governments themselves will ultimately be called to account by those very same taxpayers, as the impact of service failure hits home. This is particularly well illustrated by the examples of 'hard to reach' would-be service users who are not effectively engaged *and* those whose behaviour profoundly impacts on local communities, even where they are only small in number. Arguably, both of these groups require an intensive investment of skill, time and hence material resources for service effectiveness to be discernible (see for example Rosenman et al, 1999, on "*weeding out*" the "*difficult to serve*" in a context of resource dependency in market-orientated organisations). In these circumstances, 'value for money' and cost efficiency arguments are actually *dependent* on demonstrating service *effectiveness*. Of course, there is no end to the outcome measures that can be used to *suggest* success here, but if this seems to be at odds with the lived realities of those individuals deeply affected by significant, perhaps chronic, social problems in their communities, political legitimacy is lost with significant consequences for trust, democratic engagement and participation - something UK politicians of all persuasions are currently grappling with. In short,

effectiveness also matters. Indeed, it is intrinsic to accountability and legitimacy, as well as arguments about cost efficiency given that service failure can *never* be seen as cost efficient. Crucially, our argument here is that just as democratic governance arrangements are best placed to deliver increased accountability and legitimacy, they are also key in facilitating service quality improvements and hence increased effectiveness, which themselves enhance levels of accountability and legitimacy in their turn. This is because democratic NPOs foster better personal relationships between service users and staff and are more innovative as change tends to be more easily negotiated if those affected have participated in shaping it. Furthermore, involving a greater range of participants in decision-making produces a more critical view of current services and can also generate more ideas for change and a greater impetus for advocacy. Indeed, for Hadley and Hatch (1981:147) the participation of service users, staff and other stakeholders in the NPS is indispensable for the maximisation of resources and recognition of “*variations in need/demand*”. Hula and Jackson-Elmoore (2001:332) go further, suggesting that policy is more successful when “*grounded in the mechanics of the field*”. Moreover, democratic NPOs are also more likely to take users’ views as valid performance indicators, alongside the more ‘objective’ and ‘concrete’ performance targets set by state agents and ‘experts’ (see also Chaskin, 2003). This increases the probability that more difficult to measure, service quality and effectiveness outcomes are captured and analysed, generating the potential for service delivery improvements that is often lost where organisations rely on market-focused, managerialist-driven outcome measures with an eye on efficiency. Here we see that democratised NPOs are best placed to identify what is needed and what works as well as where the weaknesses are in policy and practice terms – they are steered by more than short-term economic or political interests, for example.

The argument here is *not* that democratic arrangements within NPOs are a panacea for all the problems that they face. Rather, they are seen as *tools* for delivering on the agendas of legitimacy, accountability, service quality and effectiveness. Of course, it is crucial that the decision-making arrangements are efficient too given the use of public money and the need to persuade politicians of the value of democratisation, even where there are cost implications, for example in reaching the “hard to reach”. But as Heinelt (2010:66) notes, efficiency is “*the rational use of resources to reach a societally binding decision and to achieve a particular policy objective*” – it is not *only* about keeping costs down.

It is certainly the case that currently most UK NPOs do not have a democratic structure *and* have low levels of membership participation (Taylor 1996; Moyser and Parry, 1997; Fyfe and Milligan, 2003). Indeed, there are significant barriers to engaging service users and staff in NPO decision-making processes, including socio-economic, voice and power inequalities, apathy, the logic of collective action and empirical restrictions of size, time, and disparity of membership. Unfortunately, space precludes any detailed discussion of these. Nevertheless, there are significant obstacles to overcome if NPOs are to be internally democratic, and the larger, more contract-finance reliant, hierarchical and bureaucratic the NPO, the more significant those obstacles. This is crucial as successive UK government strategies, as we have already seen, have facilitated a normative, coercive and mimetic isomorphism amongst contract-seeking NPOs with profound consequences.

Such an outcome was perhaps to be expected of Conservative governments with no discernible interest in the democratic potential of the NPS, only its ability to approximate a market, reduce service costs, and enable the government to distance

itself from 'public' service delivery. However, the rhetoric of successive Labour administrations implied a more democratic, communitarian and participatory governance framework and, if taken on face value, seemed to suggest a renewed focus on service quality and effectiveness *in addition* to the cost efficiency agendas of their predecessors. Yet we have argued that their policies also failed to facilitate NPS democratization. The current Coalition Government is similarly claiming to be interested in the potential for increasing accountability, effectiveness and efficiency in public services, with reference to democracy and democratisation, perhaps all the more pressing given the current economic climate. Of course, this might simply be a rhetorical device with little real substance behind it, which may also have been the case with the New Labour government, (Haugh and Kitson, 2007; Smith, 2010; Taylor et al, 2010:161), but should the current government be genuine, then it must learn the lessons of past failures.

Even if it is just rhetoric, that does not negate the argument presented here. If the rhetoric of democracy and legitimacy is just being invoked to justify the public service contracting of NPOs when they have other motivations for this, then logically these governments must believe 'democracy' to be more popular and persuasive with the public than their 'real' motives. Moreover, we are making a normative argument and have already highlighted the relationship between legitimacy, accountability, efficiency and effective, good quality service provision, arguing that even those governments less than committed to public services in principle cannot 'sell' the idea of cheaper services that do not deliver effectiveness forever, either to the local communities affected, taxpayers or the electorate more generally - at least not without a significant impact on political engagement and, potentially, social stability. To ignore the dynamic relationship between both efficiency and effectiveness, and legitimacy, accountability and service

quality, by *not* seeking out ways to deliver a meaningful democratisation of the service-providing NPS, is to threaten the very principles of a democratic society. Halting the processes of political disengagement and cynicism is what is at stake here, for all those involved in governing the country. It is simply no longer *sufficient* to engage in the rhetoric of democracy.

It is beyond the remit of this paper to advocate the type of democratic arrangements that could operate in NPOs (although see Hirst, 1994; Smith and Teasdale, 2012). Instead, given our focus on the state/NPS relationship, we now consider how this could be reconfigured, with specific reference to funding arrangements, in order to be more conducive to democratising NPOs.

TOWARDS A DEMOCRATICALLY CONDUCTIVE STATE-NPS RELATIONSHIP

Whilst it is essential not to construct a blueprint for an alternative state-NPS relationship - something that would be in tension with the very principles of (reflexively defined) democracy *and* the objectives of this paper - it is useful to selectively examine those typologies that have been developed as tools for theorizing more constructive relationship forms in order to identify the key principles, organizational characteristics and processes that may be involved. Particularly informative is Coston's (1998) work which identifies eight possible relationship forms. These are distinguished with reference to variations in the degree of institutional pluralism, balance of power between the state and NPS and formal linkages between the two. *Three* of these relationships do not concern us here and include strategies from states that seek to 'repress', 'rival' and 'compete' with civil society. These are clearly not conducive to the NPS delivering publicly funded services at all, let alone democratically.

However, the other *five* are more useful for our purposes. The *first* is 'contracting' which captures most accurately the state-NPS relationship characteristic of the post-1979 Conservative period with its provider pluralism, moderate to high state-NPS linkages and a balance of power that favoured the state. As noted earlier, such a relationship increased the barriers to NPS democratisation. Post-1997, the state-NPS relationship remained very similar, with Compacts returning very little autonomy to NPOs in reality. Whilst this relationship was *distinctive* insofar as other formalized implements *in addition* to contracts were used to 'steer' the NPS, hence the term 'third party government' (Coston, 1998:369), this *second* of our remaining five relationship forms can be discarded as it too fed into isomorphic processes and hence it too proved non-conducive to democratic arrangements.

Providing that Coston's typology is exhaustive, this leaves *three* remaining possible state-NPS relationship types to consider, namely 'collaboration', 'co-operation', and 'complimentarity'. Collaborative relationships are based on 'co-production', where service delivery and responsibility is shared with the NPS and service user participation in NPO decision-making is an essential element. Here NPOs participate in the making and not just delivering of policy, so are steerers, not just rowers. Here pluralism is accepted, the balance of power between the state and NPS should be fairly equal and there is a high linkage between the two (Coston, 1998:362). It is possible that the Labour government thought they were pursuing such a 'collaborative' relationship (Young, 2000:160). However, Kramer (1981 cited in Coston, 1998:375) argues that state-NPS collaboration is never an equal partnership anyway due to the superior resources, size, scope, complexity and accountability of the former and research from the UK indicates that neither the state nor NPOs perceived it as a sufficiently equal relationship for effective collaboration (Chapman et al, 2010). Ultimately the NPS is co-

opted into such close and integral partnerships with the state, that it is still implementing government-determined policy, and therefore the NPS loses its autonomy, the critical edge of civil society is blunted, and the close proximity to and interaction with the state means isomorphism in the NPS is likely and opportunities for internal democratic governance arrangements scarce.

A co-operative state-NPS relationship involves free-flowing information and resource sharing, together with joint action, where there is an *“unconstrained co-existence of the two sectors’ operations”* (Coston, 1998:370). This seems fairly attractive, providing no obvious barriers to the development of democratic governance arrangements. However, a relationship characterised by ‘complimentarity’ is perhaps *even more* conducive to democratisation. Gronbjerg (1987, cited in Coston, 1998:371) defines complimentarity as *“coexisting to mutual advantage, sometimes to the point of mutual exploitation”*. It acknowledges the sectors’ increasing mutual dependence in an ever-complex world. Consequently, of vital importance to the relationship are the mutual benefits that can be gleaned from a situation whereby each sector involved in delivering qualitatively different services can exploit the specialization and diversity of the other. Due to the requirement that the relationship be mutually advantageous, the preservation of NPS autonomy is implicit. Pluralism is accepted, there is moderate to high linkage between state and NPS, but, vitally, there is a ‘symmetrical power relationship’ (Coston, 1998:361). Coston further distinguishes between three different types of complimentarity, based on the *source* of the NPS funds - philanthropization, intermediation, and assisted self-reliance. Philanthropization involves the NPS being permitted to deliver charitable and privately funded services. Intermediation involves the NPS delivering services supported by, often informal, government subsidies. Assisted self-reliance is also based on relatively informal sources of government funding, but the

emphasis is very much on the autonomy of the NPO to determine its own needs and how best to meet them. Despite these distinctions “*each relationship develops according to the context and needs of each sector, often resulting in a unique hybrid of the various types of complementarity*” (Coston, 1998:373).

Of course, there are tensions here too. In particular, the issue of funding moves centre stage. In essence, assisted self-reliance complementarity (ASRC), as Coston conceives it, tends to employ fairly informal funding mechanisms. If the UK NPS is to continue delivering essential publicly funded services, then such mechanisms would be unsatisfactory as NPOs would need guaranteed sources of income to ensure consistency and service quality (Saxon-Harrold, 1990). However, given we have argued here that both contract- and Compact-driven approaches seriously compromised NPO autonomy, caused isomorphism and crushed the fragile opportunities for internal democratic governance that already existed within those organisations, a key issue is whether it is *possible* to have a *formally* publicly financed NPS that has a *relationship* of ASRC with the state.

Kuhnle and Selle’s (1990) work suggests that state funding and controls inevitably go hand in hand, a premise the UK experience certainly lends support to. But is this actually *inevitable*? Given that Kuhnle and Selle’s typology draws on a narrow, diminished view of autonomy which effectively equates it with negative freedom – in essence, the less the NPO is interfered with by the state the more autonomous it is – then acknowledging a more positive approach to freedom and autonomy, whereby an NPO having more resources from the state could *enable* it to achieve more of its self-defined goals, it *may* be possible to square the circle. Research suggests that the *source* of finance is crucial as the more reliant an NPO is on state funding, the more

likely it will be held accountable by the state, implying fewer opportunities for participation in decision-making being made available to staff/service users/members (Bryman et al, 1992; Chaskin, 2003; Taylor and Warburton, 2003). Therefore, if NPOs were to access state-raised funding through non-state distributors, and if the state genuinely devolved power to NPOs to deliver services as they themselves determined democratically, not only would NPOs be less likely to adopt the hierarchical structures favoured by the state, but the level of state control over these NPOs would be drastically reduced whilst NPO-delivered services continued to be publicly financed.

Furthermore, following DiMaggio and Powell's (1983:154) argument that "*coercive pressures are built into exchange relationships*" and the greater an organisation's dependence on another, the more similar its organisational structure become, the regulation of these structures, as well as the provision of funding, should perhaps come from agencies other than the state, even if the government actually raises the money through taxation. If these NPS-funders respected the autonomy of the NPOs and their internal democratic procedures, such a relationship would then be compatible with ASRC. If an ASRC state-NPS relationship could be secured, and democratic processes increased in participating NPOs, then movement could be made towards Selznick's 'ideal' of an organisation that responds to external plural demands, while being responsible to its own distinctive commitments (Kraatz and Block, 2008:259), especially if the state provide funding through a diverse range of agencies. Resource dependency theory (RDT) is also useful here. Saxon-Harrold's (1990:130) UK study indicates that NPOs are "*obliged to co-operate*" with state funders and that "*as dependence on a single funding source continues to increase so the discretion of the donor also increases*". Furthermore, NPOs are less constrained when there are multiple funding sources. This conclusion is supported by research from the USA on RDT and

the NPS which concludes that formality and bureaucracy will increase in NPOs when they have access to fewer funding streams (Guo and Acar, 2005). Moreover, pluralising the range of external actors an organisation deals with can enhance an organisation's ability to be self-directing, and at the very least highlights the importance of internal governance processes, as multiple influences and logics interact around the organisation (Kraatz and Block, 2008). Furthermore, the *state's* regulatory control of NPOs could well be reduced through such a model - certainly there would be less need for such intense NPO regulation compared to for-profit firms, the former being intrinsically more trustworthy given they have fewer incentives to 'cheat' service users, cut service quality in the interests of increased profits, homogenize services or to fail to meet service agreements, particularly if they are increasingly democratized giving staff and service users a contributory role in *self*-regulation (Chaskin, 2003).

Organizational change from one archetype to another is relatively rare (Greenwood and Hinings, 1993), albeit more likely in plural environments indicating that it could be more attainable in the circumstances described above (Kraatz and Block, 2008:262). Therefore, the final issue considered here is whether the NPS *can* be transformed, in part by the activities of the state. On the one hand, Cohen and Rogers (1995) believe that civil society associations are artificial because their dispositions and structures are not based upon the natural character of citizens who enter and form them. They argue that the nature of both associations and their members are influenced and affected by their environment, which includes many factors such as the structure of political institutions, the economy and prevailing cultural norms, and that governments can alter this environment through public policy, meaning the structure of associations can also be changed.

On the other hand, commentators such as Hirst (1995) reject the conclusion that civil society associations can necessarily be reformed by public policy (see also Offe, 1995; Rosenblum, 1998). Therefore, in stark contrast, Hirst (1995:11) *“advocates a process of rebuilding associations from below, by political campaigning and voluntary action in civil society”*. The concern here is that if NPOs are left alone to determine their own governance structures then few will fulfil the democratic functions ascribed to them, with many retaining, developing and fostering undemocratic processes (Warren, 2001). Perczyski (2000:169 citing Bader, 1998b) argues that perhaps *“what is needed is a skilful combination of the state approach and the societal approach towards associations”*, with the state playing a greater role in the initial stage, creating suitable conditions for the formation of democratic associations, but a decreasing role as these democratic associations start to establish themselves, to guard against them losing *“their natural character, which...is their biggest asset and the basis of their robustness”* (2000:169).

As discussed above, both the state and the NPS itself have to take responsibility for the absence of democratic arrangements *and* for any future democratisation. Crucially, for this to happen, both must also appreciate the importance of democratic structures for achieving policy goals. However, Scott (2008:154-6) argues that normative influences on organizational structures are at their greatest when supported by professional associations, the media, and community organisations. Evidence suggests that, because archetypes that determine organizational structures are interpretive, if values and beliefs can be changed, movement between organizational archetypes *is possible* (Greenwood and Hinings, 1993:1075). Kraatz and Block (2008:260) sum up this opportunity succinctly: *“organization is a relational entity which can become whatever its constituents make it into”*. Although it is vital to acknowledge

the uncontrolled flux of organisational change and the associated unintended consequences that increase in pluralised environments (Kraatz and Block, 2008), just as new public management and private sector normative arguments and archetypes contributed to an isomorphism in the UK NPS that increased barriers to democratization, there is also the potential for *democratic* normative arguments and archetypes to have a similar isomorphic influence, providing the state, professionals, media and NPOs themselves can be persuaded of the importance of democracy. This paper should be seen as a contribution to this normative argument.

CONCLUSION

The initial normative premise of this paper is that given the significant public service delivery role the NPS now fulfils, NPOs must meet some standards of democratic governance if the services are to be legitimate, accountable and of optimum quality and effectiveness. However, it has been argued that there are significant barriers to achieving this, barriers that have been strengthened by a normative, coercive and mimetic isomorphic state-NPS relationship.

Like governments before them, the current Coalition Government claims to be interested in the democratic potential of the NPS, wanting to increase its role in service delivery. However, if it genuinely wants to work towards a democratization of the sector, which we believe it *should*, then it must be willing to explore the potential of a state-NPS relationship underpinned by ASRC principles. The pluralisation of state funding sources and fiscal incentives for democratic NPOs would perhaps be a good place to start. However, early indications suggest that although the Coalition Government seem

interested in 'small-scale' NPOs that are subject to 'low regulation' which can enhance opportunities for internal democratic governance and reduce isomorphic pressures on the NPS, the quasi-market discourse still dominates, and a reduction of public funding to the NPS is also now underway (Kendall, 2010:256). Thus, currently, the potential for a state-NPS ASRC relationship seems, at best, mixed. However, the lessons here should not be restricted to the UK context. The NPS is heavily involved in delivering publicly funded services in many countries - the need for democratic governance in these NPOs is therefore just as pertinent there. Both the state and NPSs in these countries should therefore also heed the lessons from the UK regarding the necessity of an appropriate state-NPS relationship in providing a fertile environment for democratic governance to develop, and our recommendations on how to move towards this.

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