Taking Your Eyes off the Objective: The Relationship between Income Sources and Satisfaction with Achieving Objectives in the UK Third Sector

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The final publication is available at Springer via http://dx.doi.org/10.1007/s11266-012-9326-5

Please cite as: Thompson, P. and Williams, R. (2014) ''Taking your eyes off the objective: the relationship between income sources and satisfaction with achieving objectives in the UK third sector', *Voluntas*, 25 (1), 109-137. DOI: 10.1007/s11266-012-9326-5

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Abstract

As a major funder of the Third Sector, recent cuts in UK Government spending may require Third Sector Organisations (TSOs) to turn to other sources of funding, such as trading activities and public sector contracts. It has been argued that such changes can lead to economic objectives overwhelming social ones. This study utilises data from the 2008 National Survey of Third Sector Organisations (NSTSO) to examine the relationship between the use of these alternative funding sources and organisations' perceived success in achieving their primary objectives. As predicted by theory, a negative relationship between income from trading activities and achievement of objectives is found. Interestingly public sector contracts do not show a significant link with achievement of objectives. Social enterprise should therefore not be seen as an unqualified panacea for difficulties in social welfare provision in the UK, but public sector contracts need not necessarily lead to a loss of those elements that make the Third Sector provision attractive.

Key Words

Mission; Earned income; Public sector contracts; Hybridisation

1. Introduction

The Third Sector and social enterprise have been seen as increasingly attractive for a number of years for governments looking to reduce the burden of the welfare state (Austin et al., 2006; Amin, 2009). The Third Sector's embedded nature within those communities that they serve has also been suggested to make it an appropriate and efficient delivery mechanism for public sector provision (HM Treasury, 2007). This has led to the public sector being the single largest funder of the Third Sector, contributing £13.9 billion of a total income of £36.7 billion in 2009/10 (Clifford et al., 2010; Clarke et al., 2012). However, cuts in UK Government spending have threatened the provision of many social welfare programmes within both the public and third sectors (Diochon and Anderson, 2009). In addition, a desire for greater accountability has seen a move from grant funding to that based on contracts (Kerlin, 2006; Wei-Skillern and Marciano, 2008). One potential solution to this probable short fall in funding is that the Third Sector should derive more of its income from trading activities (Dart, 2004).

Although social entrepreneurship appears an attractive option there has been criticism that those organisations that embrace such an approach can struggle to handle the need to generate income whilst at the same time fulfilling their social objectives. Considerable skill is required to handle the double bottom line that this creates (Oster et al., 2004; Tracy and Phillips, 2007). In order to utilise these sources of finance it seems that Third Sector Organisations (TSOs) may have to lose or compromise some of their key attributes and values (Haugh and Kitson, 2007). There is also a danger that the economic imperative can lead to organisations concentrating on certain activities that have income generating potential and forgoing those that may have a greater social benefit (Bull and Crompton, 2006; Kong, 2010). In other words there is a danger that TSOs may suffer from mission drift (McBrearty, 2007). To examine whether such dangers exist from the greater use of public sector contracts and social enterprise techniques within the Third Sector, this study examines whether there is a negative relationship with the achievement of primary social objectives. In order to investigate these questions the study utilises data from the 2008 UK National Survey of Third Sector Organisations (NSTSO). This large data of UK TSOs is used to examine whether there are any link between the source of income adopted and the organisations' satisfaction at meeting their objectives in the past and also their confidence in meeting them in the future. A multiple regression approach is adopted to control for other factors that may increase or decrease the likelihood that objectives will be met.

The remainder of the paper is structured as follows. Section 2 provides a brief overview of the literature relating to the funding of the Third Sector and the links between social entrepreneurship and social welfare provision. The NSTSO data and methods utilised in this study are introduced in section 3. The results are presented in section 4. Section 5 summarises the findings of the study and provides conclusions in relation to the implications for future policy development with regard to the Third Sector's funding arrangements and role in social welfare provision.

2. Funding the Third Sector

The Third Sector is seen as having an important role in providing a variety of different goods and services ranging from those associated with social capital development to advocacy roles and capacity building (Putnam, 1993; Bolton, 2003;

Pearce, 2003; Ridley-Duff and Bull, 2011). Its greater engagement with communities allows a better understanding of needs and aids access to difficult to reach groups within society. This gives it a significant advantage over the public and private sectors in delivering these goods and services where they are most needed (Wainwright, 2002). Understandably, this has seen the Third Sector in the UK and other countries as being viewed and promoted as an attractive method of delivering social services efficiently and effectively (Giddens, 1998; Pearce, 2003; Proulx et al., 2007). One development has been the embracement of social entrepreneurship when viewed in its wider form as the use of trading activities to provide funding and in some cases deliver the goods themselves (Thompson et al., 2011). This has the potential to further reduce the strain on public sector finances at a time when government deficits need to be cut, and potentially provides a more sustainable source of funding (Dart, 2004). What constitutes enterprise in TSOs, however, is disputed by organisations themselves, with the term often used to refer to quite different activities (Seanor et al., 2011).

Although income from trading activities and fees for services provided have become more common, this is not the complete story (Wilding et al., 2006; Reichart et al., 2008; Teasdale, 2010). Both in the UK and internationally, the Third Sector is heavily reliant on the public sector for funding (Salamon and Anheier, 1998). One of the criticisms levelled at existing social enterprises is their over reliance on grants, without which they would not survive (Chell et al., 2005; Chell, 2007). However, with demands for greater accountability and sustainability there has been a shift from public funding in the form of grants to that of contracts (Kerlin, 2006; Wei-Skillern and Marciano, 2008).

These changes might have undesirable consequences if they interfere with the extent to which organisations can focus purely on achieving their social objectives (Weisbrod, 1998a), particularly where organisations attempt to adapt to changes during a transition phase (Seanor et al., 2011). For many social enterprises it is difficult to balance the achievement of the organisation’s primary social objectives with the commercial aims of the entrepreneurial venture, which supports these objectives (Adamson, 2003; Pearce, 2003; Pharoah et al., 2004; Nicholls, 2006). The extent to which there is tension between these two sets of objectives varies (Dart, 2004; Westall, 2009b; Bielefeld, 2009), and some organisations are more successful in developing strategies to overcome this phenomena (Jäger and Beyes, 2010). However, their drive for economic efficiency, could prove destructive in terms of making profits at the expense of meeting community needs (Goerke, 2003). The degree of alignment between social and economic objectives is in part determined by the choice of goods supplied by the TSO. Weisbrod (1998b) splits goods into: preferred collective goods, for which no user fee can be charged; preferred private goods; and nonpreferred private goods. User fees can be charged for both nonpreferred and preferred private goods. There is some degree of alignment between social and economic objectives with preferred private goods, and its provision is a key method of achieving their social objectives (Alter, 2006). This would, for example, include those organisation's that attempt to provide a bridge to the world of work through placements for the long-term unemployed. Economic success may be sacrificed to gain the added value of developing employment skills of those marginalised from the world of work, but there is also a lot of cross over. However, there is no such alignment for nonpreferred private goods. These are sold purely to subsidise the provision of preferred collective or preferred private goods, although connections may still exist to the extent that common inputs are used to achieve both missions (Weisbrod, 1998a). In general TSOs are unlikely to undertake profit maximising activities in their commercial activities as distributional objectives will provide a disutility from activities entirely associated with profit maximisation (Weisbrod, 1998a; Steinberg and Weisbrod, 1998). A further difficulty in applying the social entrepreneurship model to more deprived areas is that customers can often be indirect. Others such as the local authority may pay for these outputs (McBrearty, 2007), which means such activities are more akin to public service provision rather than social entrepreneurship.

The need to commit to the organisation's commercial goals can put their core values under strain (Wei-Skillern and Marciano, 2008; Seanor et al., 2011). In part this relates to what Billis (2010b) describes as the hybridisation of the organisation. This reflects the tendency for organisations to exhibit the characteristics of more than one sector rather than those of a pure third, private or public sector organisation. It is argued that the political climate has been partly responsible for many TSOs having to adopt the characteristics of either the private or public sectors (Billis, 2010a; Harris, 2010). In fact McBrearty (2007) found that changing the organisational culture was a critical success factor in moving to a social enterprise model. Some of the Third Sector's recent success in attracting extra government resources comes from the perception that it has characteristics which make it an attractive mechanism for transforming the delivery of public services (Home Office, 1998; Cabinet Office Strategy Unit, 2002; HM Treasury, 2007), but some have argued that this is a double edged sword (Jones, 2010). Although the characteristics of the Third Sector are attractive to governments, in order to take advantage of these extra resources it seems impossible to retain the original pure Third Sector culture and some degree of hybridisation must occur. This is an international concern with studies in Québec (Proulx et al., 2007) and Sweden (Chartrand, 2004), for example, noting fears about instrumentation of the Third Sector and loss of autonomy due to government intervention. A broadening of activities in recent years might be seen as what Billis (2010b) describes as shallow hybridisation, where the basic Third Sector identity remains in place. The change associated with accessing new finance sources it seems leads instead to entrenched hybridisation where the core identity of the Third Sector begins to change. In other words, although the Third Sector has gained resources and influence, in doing so it can be argued that it has had to compromise on some of its core values (Haugh and Kitson, 2007). Haugh and Kitson (2007) suggest there is a danger that TSOs could be used to marketise the welfare state by the government, and where economically successful get drawn into becoming fully privatised. Others, such as Evers (2005) and Harris (2010), note the pressure for TSOs to hybridise as governments reconceptualise what constitutes public services. This means that TSOs are exposed to isomorphic pressures and increased interaction from the markets (Reid and Griffith, 2006; Leiter, 2008; Mason, 2012). In a Swedish context, Åberg (forthcoming) also highlights the need for particular organisational structures to be adopted in order to gain state funding. However, it can be argued that there is no reason for TSOs to enter a Faustian pact when accessing new sources of finance, and these greater resources may even allow more of those that traditionally benefited from Third Sector goods and services to benefit (Billis, 2010a). Alternatively the Third Sector can be seen as occupying an intermediate space between the state, community and market economies (Evers and Laville, 2004; Westall, 2009b). In this manner hybridisation once completed is not likely to diminish the organisation’s role as they are adapting to fulfil the changing needs of this intermediary role. Seanor et al. (2011) find organisation's actually develop multiple identities for dealing with differing stakeholders, so the new relationships and sources of finance do not necessarily result in hybridisation of the organisation. However, it is unclear whether language relating to retention of historical ideals is rhetoric, used purely to provide legitimacy with certain stakeholders, whilst actual activities are altered (Åberg, forthcoming).

In practical terms a social entrepreneurship model can only be adopted where the TSO's output is in the form of a tradable product or service (McBrearty, 2007), or can redesigned as such. As noted above in the case of Weisbrod's (1998b) preferred collective goods this is unlikely to be possible, as their provision through the Third Sector may often reflect a market failure in the first place (Haugh and Kitson, 2007). The temptation to concentrate on providing those goods and services which will maximise revenue raising opportunities is clearly evident (Dees, 1998; Eikenberry and Kluver, 2003; Weisbrod, 2004). Alexander et al. (1999) finds that resources are diverted away from activities such as advocacy and those associated with creating social capital. The difficulty here is that services that benefit a community as a whole will have more of a public good nature, where all members of the community will benefit regardless of whether they contribute to their provision. Intended or not, the move to a more commercial approach is found to alter the culture of the organisation, so some degree of hybridisation becomes inevitable. McBrearty (2007) for example, found that TSOs acknowledged that they have a growing awareness that everything has a cost. Resources may actually be absorbed by activities outside the organisations' core competencies, as the Third Sector is not well placed to compete with the private sector given its higher costs associated with operating in a socially responsible manner and lack of previous experience in such activities (McBrearty, 2007).

Whilst it may appear that grants and contracts with government may be preferable to earned income from trading activities, some TSOs feel that they are diverted from community development work towards the provision of public services (Cairns et al., 2006). Effectively they are forced to hybridise by taking on traits of the public sector, such as, thinking about national needs as well as those of their traditional local stakeholders (Billis, 2010b; Harris, 2010). This can include pressure to increase scale to achieve efficiency gains (Cairns et al., 2007). At the same time the greater application of market approaches within public sector provision has seen TSOs having to act in a more competitive manner in order to compete for public sector funding (Harris, 2010). Again, this is likely to distract from core principles and potentially sees these organisations operating more like private businesses attempting to respond to their customers' needs in an efficient manner (Wei-Skillern and Marciano, 2008). Harrow and Palmer (2003) suggest that this more business orientated approach may see these organisations reconsider all aspects of their activities, so that services previously freely provided may only become available at a price for those organisations adopting such an approach. However, depending on the nature of the Third Sector and government interface there may be potential of co-construction of the objectives and activities undertaken (Proulx et al., 2007).

In recent years, there has been an increase in the emphasis on accountability and transparency within the Third Sector as a whole with funders requiring more comprehensive evaluations of activities (Ellis and Gregory, 2008; Arvidson, 2009). TSOs may lack the resources and skills to undertake such activities (Ellis and Gregory, 2008). There are rarely additional resources allocated by funding providers for the purposes of conducting these evaluations (Carman and Fredericks, 2008). Understandably, the redirection of core funding to such activities is unpopular and seen as a resource drain and distraction (Wainwright, 2002; Carman and Fredericks, 2008). However, it is often hard to measure the true impact of a TSO's activities. Monitoring tends to prioritise measurement of outputs as a best available measure of impact, rather than processes (Kendall and Knapp, 2000; Shaw and Allen, 2006). Here values such as morality and ethics are secondary to outputs, such as alleviating deprivation, which can be more easily given an economic value (Westall, 2009a). Such measures can lead to a change in the activities of the organisation (Wainwright, 2002). For example, those participants that are easiest to serve and least marginalised from the workplace might be served first rather than those in greatest need (Jaffe, 2001; Theuvsen, 2004). There is a danger that some activities will be abandoned completely where outcomes are harder to measure and in the case of advocacy could even be seen as biting the hand that feeds them (Lyon, 2009; Osborne and Super, 2010). Shaw and Allen (2006), however, use the example of provincial Funding Trust in New Zealand to show this need not be the case. Here a more qualitative approach to control, with an emphasis on understanding the diversity of the Third Sector, informal communication and a better trust-control balance was adopted. Ultimately whilst there is likely to be some alignment of the public sector’s and the TSOs’ broader aims, there are also likely to be subtle, but important, differences in the detail, so that only partial alignment is present.

The need to evaluate activities to obtain access to funding may often see the organisations accept greater hybridisation through employment of more full time staff and adoption of more professional managerial approaches. Overly managerial approaches within the Third Sector can alienate volunteers, as the organisation of volunteers may improve, it can also make many feel it is too much like a job (Gaskin, 2003; Leonard et al., 2004; Milligan and Fyfe, 2005; Low et al., 2007; Ellis Paine et al., 2010). Although, TSOs may feel that public sector funds are the only source of resources available to meet growing needs of society, this potential conflict with volunteers must not be ignored as the free labour they provide is effectively an alternative type of donation (Weisbrod, 1998a), which has similar if not greater value than other resources. Using data from 40 countries, Sokolowski (forthcoming) highlights the interdependence of funding sources. Although at the aggregate level a positive relationship is found between government funding and individual donations, there are also patterns consistent with government funding of organisations providing public services resulting in philanthropic flight to those TSOs providing expressive goods such as advocacy. The need for greater accountability from public sector funders could place constraints on an organisation's activities. This means that earned income through trading activities might actually be seen as a source of unconditional funding, which allows the organisation to pursue its primary objectives in an unrestricted fashion (Cairns et al., 2006; Kelly, 2007).

Table I below summarises the main characteristics of the two sources of Third Sector funding under discussion and the main literature sources highlighting these factors. Figure 1 outlines the theoretical linkages between the choice of finance, the availability of resources, their use, and the outcomes achieved. It is not reasonable to simply attempt to sum the number of more positive aspects of each source against its negatives as the importance of the characteristics may not all be equal. It is clear that income from trading activities tends to have a number of positives in terms of the associated autonomy and potential for long term sustainability, if executed correctly. However, it tends to score poorly with regard to its average alignment to objectives and pre-existing availability of the skills required to make use of the income source, which in the face of tough competition from the private sector may make it a highly unreliable source of funding until competencies are established. Public sector contracts on the other hand are more restrictive on the Third Sector's activities, but this is offset with a greater alignment of the objectives.

Please Insert Table I About Here

Overall this perhaps suggests that both income sources could jeopardise complete achievement of objectives through some degree of hybridisation. The greater alignment of public sector objectives may ensure that primary social objectives are more likely to be at least partly met, although there is a danger that the probability of meeting them fully is also reduced, so the probability of both complete success and failure are reduced. The existing studies of social entrepreneurship, however, suggest that income from trading activities could potentially have positive effects, but could also increase the risk of complete failure if enacted poorly. Section 3 below introduces the data from the National Survey of Third Sector Organisations (NSTSO) and the methods used to investigate the relationship between income from these two sources and the extent that objectives of the Third Sector are felt to be met.

Please Insert Figure 1 About Here

3. Data and Method

The data utilised in this study is drawn from the National Survey of Third Sector Organisations (NSTSO), which was first conducted in 2008 (Cabinet Office et al. 2008). The data was originally collected by Ipsos MORI, Social Research Institute, and GuideStar UK, and funded by the Cabinet Office, Office of the Third Sector. The NSTSO was intended to provide a measurement tool for the Local Government Performance Framework, in particular capturing the extent that local government achieves the objective of providing an environment for a thriving Third Sector. As such it looked to capture the various issues that determine the Third Sector's local and general success including: funding relationships; local help, support and advice; availability of resources; and local partnerships and involvement in local decisions (Ipsos MORI and Social Research Institute, 2009). Reflecting the need to capture the environment created for all TSOs and the services they provide, particularly those relating to government objectives of alleviating disadvantage etc., the survey takes a relatively broad definition of the Third Sector (Westall, 2009b). A majority of those organisations included had the legal form of charities. As well as charities the survey also included Companies Limited by Guarantee (CLG), Industrial and Provident Societies and Community Interest Companies (CIC). Appendix 1 provides further detail on these other legal forms and their implications for operations and distribution of any surplus created. This provided a sampling frame of approximately 129,000 charities and 40,000 other organisations based in England. The sampling frame and definition of types of TSO was obtained from Guidestar UK, based on data available from Charities Commission and data directly supplied by TSOs. We retain observations for all four legal forms in the analysis as the choice of legal form may have in part been influenced by changes in funding methods utilised. As discussed below dummies are used to control for these differing legal forms in the analysis. The survey data provided just over 24,000 observations with all required information.

The NSTSO captures data on a wide range of TSOs' characteristics including: the beneficiaries of their services, the role they fulfil in the community, their employment, turnover, and legal form. However, there is also considerable detail included in relation to the sources of finance that the organisations' have sought and utilised. Given the differing uses and disputed uses of the terms social enterprise and social entrepreneurs (Seanor et al., 2011), we restrict our analysis to the influence of difference finance sources upon achievement of the main objectives of the organisation. Respondents are requested to record their use of the following finance sources:

- Donations and fundraising activities
- Membership fees/subscriptions
- Grants from non-statutory bodies
- National Lottery
- Grants or core funding (including service level agreements)
- Earned income from contracts
- Earned income from trading including retail
- Income from investments

For the purposes of this work the sources of finance that will be of the greatest interest will be those corresponding to, earned income from contracts, and earned income from trading. It is unfortunate that earned income from contracts is not split by source of these contracts, although evidence from previous studies finds that a majority of such contracts will be with the public sector (Harris, 2010). Two measures of funding sources accessed were included in the data. In the first respondents were required to identify any funding sources that had been used regardless of their importance as a source of finance. The second measure required that only the most important source of funding for the organisation was selected. This allows the impact on achievement of objectives to be examined for the different levels of overall reliance.

For the first measure, the inclusion of dummy variables to reflect the use of a funding source within a multiple regression analysis, is relatively uncomplicated, as the use of one funding source does not influence the use, or lack of use, of any other funding source. Therefore each dummy can be viewed as an independent comparator of use of the funding source against lack of use. This approach cannot be used where the dummies representing the main source of funding are used. This is because where one of the dummies takes a value of 1 for an organisation all of the other dummy variables must take a value of 0 for that same organisation. This means at least one option has to be excluded to avoid multicollinearity. Two alternative approaches are used to consider the impact of income through trading activities and income from contracts as the most important source of funding. The first approach is to consider each as the most important source of finance individually. The dummy reflects differences in the level of satisfaction in achieving objectives when using one source of finance as the main source compared to all others. For example, does using income from trading activities increase or decrease the satisfaction with achieving objectives compared to all other alternatives. The second approach is to include dummies to represent all but one main source of income. They are compared to one excluded option. The difficulty here is choosing which funding source to use as the excluded base category. Choosing a funding source, which is associated with not achieving objectives will increase the positive results for other variables and vice versa. Here we choose to compare other sources of finance to donations and fundraising activities to see if relatively satisfaction from relying on other sources is significantly higher or lower than this traditional approach.

The NSTSO provides two items that could potentially act as dependent variables in the study. One option is to analyse the extent to which organisations claim they have been successful in achieving their main objectives over the last twelve months. This backward looking measure is recorded on a four point scale consisting of: not at all successful, not very successful, fairly successful, and very successful. An alternative is to consider the confidence that the organisations indicate of being able to meet their objectives over the next twelve months. This again is recorded on a four point scale of: not at all confident, not very confident, fairly confident, and very confident. Both measures are used, as the choice of funding utilised in a period may directly influence the achievement of objectives, but it might be the extent to which the organisation accepts it has to choose which activities to undertake in the future that is where the limitations of the social organisation might be most strongly felt (McBrearty, 2007). The forward looking measure also helps to identify, which direction the relationship is likely to flow. However, as it is based on predictions of outcomes, which are yet to occur, the backward looking measure may be more accurate.

A problem with these measures is that organisations are not told what they should regard as their main objectives and how success in achieving them should be measured. Ideally objectives would be regarded in terms of the impact the organisation has on the well-being of the communities they serve (Wainwright, 2002). However, the difficulties in measuring impact may mean many consider output based measures (Carman and Fredericks, 2008). Some may even consider process based measures (Sowa et al., 2004). Where the output or process based measures are used to determine the level of success, sources of finance directly linked to these activities rather than raising auxiliary income, will tend to increase satisfaction to a greater extent, although the organisation's impact may not be any greater. This may mean that contracts are viewed more positively than trading income. This is more likely to be an issue when using the finance measure based on the main income source.

Given that both current success in meeting objectives and confidence in meeting future objectives were skewed towards the positive end of the spectrum both variables were recoded into three categories, with the less commonly selected negative responses recoded together. In the case of current success the variable became: not successful, fairly successful, and very successful. The confidence in achieving objectives over the next twelve months became: not confident, fairly confident and very confident. The ordinal rather than continuous nature of the dependent variables mean that an ordinary least squares regression approach is not appropriate. Initially ordered logit regressions were utilised. Link tests examining the relationship between the dependent variable and the estimated predicted values (Tukey, 1949; Pregibon, 1980), suggested that the dependent variable was misspecified. One explanation is that some independent variables may influence the probability of an organisation feeling it has not been successful in achieving its objectives relative to being fairly successful, but not influence the probability of perceiving itself to have been very successful rather than fairly successful. In other words the independent variables may have had non-symmetrical effects on the relative levels of success. To accommodate this possibility the specification adopted in this study is that of a multinominal logit regression.

As well as the source of funding variables the other independent variables included were intended to capture factors which may influence the degree to which a TSO may achieve its objectives. Starting with the organisations' characteristics, controls were included for: the legal form of the organisation, charity, community interest company, company limited by guarantee, industrial and provincial society; the organisations' scale measured separately by employees and volunteers; scale of operations, local, regional, national and international; main groups being served, the general public, victims of crime or drug abuse, those suffering from mental or physical disability, members of minority groups in society. Scale is likely to mean an organisation possesses or is able to gain access to resources, which can be used to achieve its objectives. However, the objectives of a large organisation may become more blurred, whereas a smaller organisation can focus clearly on a very particular outcome it wishes to achieve. The number of employees and volunteers were not strongly correlated, so both could be included as alternative measures of scale. Income, however, did appear to correlate with employment, as indicated by the variance inflation factors. Employment was preferred to income as this data was missing for fewer organisations.

The nature of the main groups using the organisations' services may influence the extent that they are able to achieve their objectives, particularly if serving harder to reach groups of the population. In order to establish the main groups serviced by each organisation, Principal Component Analysis was utilised (for details please see Appendix 2). The area in which the organisation was located was also controlled for to capture any difficulties that physical and psychic distances from the local population being served might cause. To control for physical difficulties in providing a service, the density of population, as measured by population per hectare, was allowed to enter the regressions. Psychic distance might be greater when trying to provide services to more deprived communities, as such communities often struggle from being isolated from the wider community, which can lead to a lack of trust for those attempting to provide services (HM Treasury, 2002). The level of support that an organisation might receive was captured indirectly using data from the Place Survey of England 2008 (Communities and Local Government, 2009). This data was collected in late 2008 by each local authority in England in the form of a postal survey to gather opinion relating to the quality-of-life in the local authority area, and citizens' perspectives of the area within a 15-20 minute walk of home. We use an item relating to the representative proportion of the local authority population that had provided free support for an organisation in their area in the last 12 months (Communities and Local Government, 2010). A more direct measure of support for and power of the organisation was taken from NSTSO relating to organisations' satisfaction with their perceived influence on local decisions relevant to the organisation. Although this was one of the variables with the largest number of non-responses given the potential importance that local political leverage might have on achieving objectives the variable was retained. As with the variables relating to the organisation itself no evidence of problems with collinearity were suggested by the variance inflation factors. An overall average of 1.3 or less was found for the regressions for both the previous 12 month period and the next 12 month period. To establish whether choice of finance source has any relationship with success in achieving objectives, specifications are run using firm and area characteristics without the finance variables, and then with the finance variables included. This enables the determination of whether these additional variables add to the understanding of the outcomes achieved. This nested model approach is similar to that used by Sokolowski (forthcoming) in order to identify the impact of government funding on private donations at the national level.

4. Results

Before considering the regression analysis that controls for the other characteristics of the TSOs, the simple patterns of success in achieving objectives and how these relate to the sources of finance utilised are presented (Table II). For all but two sources, membership fees and income from trading activities, use of a finance source is positively associated with being very successful in achieving the organisation's objectives (Table II Panel A). The results are consistent with most sources of finance contributing to the resources available to achieve the organisations' objectives. It is notable that earned income from trading is one of the exceptions. This is the pattern that might be expected if skills shortages drew resources away from core activities (McBrearty, 2007), into activities that are not strongly aligned with the organisation's social objectives (Weisbrod, 1998b), as is shown in the right hand side of Figure 1. Where reliance on trading activities is greater and it becomes the main source of income the proportion of organisations that are very successful in achieving their objectives falls further, and the proportion of organisations, which are not successful rises. Income from contracts on the other hand appears to have a positive relationship with success in achieving objectives. In terms of the model presented in section 2 this is consistent with the short term reliability of these funding sources (Jones, 2010), and closer alignment with organisation's objectives (Billis, 2010b), meaning that the additional resources available to the organisation, compensate for the additional regulatory burden imposed (Arvidson, 2009).

Please Insert Table II About Here

To identify whether the choice of finance has an influence over and above differences in organisational and area characteristics the regression analysis outlined in section 3 is utilised. The R^2 values suggest that relatively little deviation is explained, which is understandable given the diverse nature and activities of the Third Sector (Kendall and Knapp, 1995). However, the likelihood ratio tests indicate that the regressions outperform the null of a constant probability at the 0.1 percent level.

The Likelihood Ratio (LR) test of the finance variables finds the null hypothesis of their joint insignificance can be rejected at the 1 percent level. Thus, after controlling for other characteristics, the choice of finance is found to have an additional influence the probabilities of TSOs achieving their objectives. Individually those sources of funding with greater autonomy over their use, such as grant funding, lottery funding, and income from investments, are found to increase the likelihood of having felt the organisation was very successful in meeting its objectives. For funding from contracts, there is weak evidence that the probability of being unsuccessful is reduced, but no increase in the probability of being very successful. In terms of the model presented in section 2 this is consistent with the benefits of access to a reliable relatively sustainable source of resources to fund optimal objectives being offset by the drain on resources by the high regulatory burden and skills shortages in competing for these resources. The weak evidence of no success being less likely to occur, is compatible with the model's suggestion that moderate alignment of public and Third Sector objectives will have a positive influence on overall achievement of the organisation's objectives where contract funding is used. In comparison, earned income from trading reduces the probability of being very successful compared to the probability of being fairly successful in achieving objectives. As noted above explanations for this relate to a lack of skills and weak alignment of activities with core objectives. In the model the drain on resources to undertake activities outside the organisation's core competencies more than eliminates any benefit from the surplus created.

Please Insert Table III About Here

Other characteristics negatively related to the probabilities of successfully achieving organisational objectives include: serving harder to reach groups of the population; those legal forms linked to more business like activities; and smaller scale. Analysis undertaken using the sub-samples of charities, Companies Limited by Guarantee, and Industrial and Provincial Societies (the Community Interest Group was too small to produce meaningful results), produced similar results in terms of the estimated relative risk values, although the relationships are frequently insignificant due to the reduced sample sizes.

The choice of finance variable was found to have little impact on the relative risk values associated with the characteristics of the local area or TSO. Given this, for preservation of space, only the finance variables are reported in the tables of results below. As before, earned income from contracts produces relative risk values associated with an increased probability of very successful achievement of objectives, and decreased probability of no success relative to being fairly successful, but these are not significant (Table IV). As discussed in section 2 this would be expected where hybridisation has seen the organisation become a pseudo public sector service provider and therefore the contract will be designed to align objectives of the public sector funder and the TSO. At this point the results are consistent with the activities associated with contracts having a substantial contribution to the organisation's objectives as shown in the connection between public sector contracts and social objectives at the bottom left of Figure 1. However, as this hybridisation becomes more entrenched, this relationship may not be without conflict and resentment (Ellis Paine et al., 2010), whereby objectives are felt to be to some extent compromised (Haugh and Kitson, 2007). In section 3 it was noted that any interpretation of the organisation's objectives being perceived by respondents as referring to processes rather than outcomes may positively influence the relative risk ratio for income from contracts, particularly for the main income source measure. The similarity of results for income earned from contracts presented in Tables III and IV suggest that any bias of this type is relatively minor.

The TSOs using earned income from trading activities as their main finance source are both significantly more likely to feel they have not been successful in meeting their objectives, and less likely to feel they have been very successful in meeting their objectives. TSOs are 20 percent more likely to not successfully achieve their objectives rather than be fairly successful if they use earned income from trading as their main source of finance. As discussed in section 2 it is possible that trading activities can be developed in some cases to help to achieve the social objective of the organisation. Even where there is a weak alignment of trading activities with social objectives, this does not necessary limit success if the surplus created by auxiliary activities feeds back into resources is greater than the resources required to generate it, as shown in the top right of Figure 1. The decreased likelihood of being successful found here, suggests that neither route to achieving social objectives is present for most TSOs taking this more commercially orientated route.

Please Insert Table IV About Here

When considering the impact of finance choice on confidence of achieving future objectives, interestingly grant finance is found to decrease the likelihood that organisations will be confident that they can achieve their objectives (Table V Model 5). This may partly reflect the uncertainty associated with grant funding as an on-going source of finance (Senyard et al., 2007). There is weak evidence of a similar reduction in the probability of being confident of achieving objectives when using earned income from contracts, but this is only significant at the 10 per cent level, perhaps reflecting the longer-term nature of contracts (indicated as a medium strength flow back into resources from contract activities in Figure 1). Earned income from trading activities increases the probability of not being confident of achieving objectives and the confidence of successfully achieving objectives is reduced. The results cannot establish if this relationship is driven by a weaker alignment of activities with objectives or a drain on resources, but there is no evidence that greater autonomy over how this finance is used increases confidence in being able to achieve objectives. Understandably the source of funding most strongly associated with achievement of objectives in the future is income from investments where greater stability of flows is likely to be present, but in addition organisations also enjoy greater independence in how they utilise this source of funding. The results are similar when the main sources of finance variables are used (Table V Models 6 to 8).

Please Insert Table V About Here

Although not reported here, most relationships between confidence in successfully achieving objectives in the future and organisation or area characteristics remain the same as those for actual achievement of success in the past. Exceptions include, local volunteer engagement levels are found to reduce the probability of expecting to not achieving objectives in the future. Greater population density also increases the confidence of achieving objectives in the future, perhaps suggesting a greater density of potential clients may make achieving objectives seem easier. Unlike actual achievement of objectives scale does not seem to play a role, perhaps reflecting a lack of appreciation of the role that resource availability plays in achieving objectives.

5. Conclusions

Using theory relating to the hybridisation of TSOs with the private and public sectors, this paper examined the potential for these sources of finance to provide a sustainable funding source that still enables the Third Sector to retain its unique characteristics and qualities. The theory developed in the first part of the paper suggested that both public sector contract funding and income from trading activities were imperfect sources of funding in this regard. Although public sector contracts potentially would lead to greater entrenchment of hybridisation turning TSOs into public service providers, income from trading activities could also lead to entrenched hybridisation (Billis, 2010b; Harris, 2010), but perhaps more importantly would require the Third Sector to adopt activities outside of their core competencies (McBrearty, 2007; Ellis and Gregory, 2008). Thus, the pressure to achieve the economic objective would distract and draw resources from achievement of the core social objective (Weisbrod, 1998a). Although previous studies have theorised about the potential impact of accessing funding from contracts and earned income on achievement of objectives or even the overall mission of TSOs, less empirical work has examined the evidence for these changes taking place. This study contributes to the discussion of the overall impact of changes in Third Sector funding and the associated hybridisation using data from the National Survey of the Third Sector Organisations.

The empirical analysis found that no significant relationship was present between income from contracts and success in achieving core objectives. Given the counteracting forces outlined in the theory developed, it is likely that income from contracts will not be neutral, but rather will have positive and negative influences on the probability of successfully achieving objectives both previously and in the future. The problem is that there is only partial alignment between the third and public sectors' objectives (Harris, 2010). Combined with the burden of greater monitoring (Low et al., 2007; Carman and Fredericks, 2008; Arvidson, 2009), this study finds that the this steadier and more secure source of funding actually displays no overall benefit for the TSO. However, the study finds no evidence that as far as the organisations are concerned, accessing this finance has had a negative overall effect on their ability to achieve their objectives as certain goods and resources are no longer provided (Haugh and Kitson, 2007). The results therefore suggest that TSOs are not disadvantaged overall by a shift from traditional sources of funding to contracts, as any negative consequences appear to be balanced by the additional resources made available. Considering the Third Sector as a whole rather than individual organisations, some goods and services are much less likely to be provided through government contracts than through more traditional sources of finance. Contracts could be adjusted to ensure that these goods and services are not neglected. However, where the provision of these goods or services have traditionally been through the Third Sector rather than the public sector, such as advocacy, it is far from guaranteed that governments will create contracts to include their provision. This means that policy makers have to consider the value of those goods and services that are likely to be marginalised and the impact that their absence will have upon those communities that have traditionally gained from their provision. Although not forced to seek these sources of funding the government needs to recognise that the incentives provided are likely to have a distorting impact on the Third Sector. Ultimately this means public sector contracts need not have a negative impact overall, but any benefits achieved by using the Third Sector for public service provision need to be balanced against other social goods and services, which are lost.

Consistent with those fearing that adoption of more commercial business approaches may have a negative influence on achieving traditional Third Sector objectives (Eikenberry and Kluver, 2003; Weisbrod, 2004), a significant negative relationship is found between the use of earned income from trading and the probability of successfully achieving objectives. It appears that although providing the organisation with discretion over the use of any surplus, this is not enough to overcome the theorised resource drain and lack of alignment between activities and social objectives (Weisbrod, 1998b). The results consistency with a weak alignment between trading activities and social objectives provide evidence for those fearing that the type of goods and services provided will be as strongly influenced through hybridisation with the private sector (Dees, 1998; Eikenberry and Kluver, 2003; Weisbrod, 2004). Many social enterprises are relatively grant dependent and income from trading activities is not necessarily a sustainable source of income (Senyard et al., 2007). Where financial support is provided in the form of grants or subsidies to social enterprises, it would be preferable to target those TSOs that are best able to show that trading activities form part of the mechanism to achieve their objectives. In other words where the trading activities form an end in themselves rather than just as a means to an end.

The study has identified the relationships between different sources of funding and the perceived success of the Third Sector. The data, however, limits the detail that can be provided with regard to these relationships. Only the use of a source of funding and the main funding sources are identified, rather than the full breakdown of funding sources utilised. This means it is not possible to identify whether the particular combinations of funding have an impact on organisations' success in achieving their objectives. Knowledge of such relationships would be valuable for policy makers looking to determine the correct mixture of incentives and support to achieve maximum social benefit. Similarly the outcomes are self-assessed, which may mean that bias is present. It is also possible that different organisations will interpret what constitutes their objectives differently. Objective evaluations of the

Third Sectors' impacts are difficult if not impossible to achieve in many cases, but future studies would perhaps be well advised to examine the influence of finance choice from the perspective of both the organisation and other stakeholders to avoid the limitations noted above.

The study did control for legal form and main groups of users, but these controls are relatively crude and assume that the relationships with other organisational controls remain the same for subgroups of TSOs. As availability of funding and obstacles to successful achievement of objectives can vary considerably, future studies would be advised to consider comparisons of important subgroups of TSOs. Interfaces with government may differ considerably between sectors (Proulx et al., 2007), playing an important role in the outcomes achieved. Likewise, given the quite different nature of Third Sector and non-profit activities across countries, internationally comparative studies where public policy has followed similar agendas would be quite revealing. According to social origins theory (Salamon and Anheier, 1998), it might be expected that similar results will be found for those countries with similar historical influences driving the formation and liberal nature of the Third Sector in the UK, such as the US. Other countries may experience quite different relationships particularly where fees have traditionally played a more important role, such as 'statist' Japan, or where cooperation between the state and Third Sector is greater in 'corporatist' France or Germany. Although the results of this study were examined on the basis of the outcomes that theory suggested would be present, qualitative studies are needed to examine these mechanisms in more detail. Longitudinal studies would be of particular value where hybridisation takes place over a period of time, and pressures on the traditional values of the Third Sector may increase or be accommodated.

This study does suggest that greater hybridisation of the Third Sector is likely to have detrimental effects on the success of the Third Sector in terms of its provision of unique goods and services, particularly when taking on private sector characteristics. From these results there is a need to consider not only what is gained in terms of saved resources, but also what is lost in terms of less tangible, but often equally valuable community assets, when putting policies in place which lead to changes in the nature of the Third Sector.

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Appendix 1 – Non-charity legal forms

Companies Limited by Guarantee (CLGs) and Community Interest Companies (CICs) are private limited companies and can borrow against their assets. CLGs can produce a surplus to fund activities, but this cannot be distributed. The CLG form protects trustees of organisations from liability where they are likely to enter into contracts relating to employment or property (BIS, 2011a). CIC is the legal form developed for social enterprises. CICs do not have to be established for charitable purposes, but any lawful purpose as long as they are run clearly for the benefit of a community. They may even pay dividends in some cases, but their primary objective should not be to create wealth for owners and assets cannot be transferred (BIS, 2011a; Regulator of Community Interest Companies, 2010). Industrial and Provident Societies are run by and for the mutual benefit of their members rather than outside investors. Surpluses can be distributed to members, but are usual reinvested in the society (BIS, 2011a; 2011b).

Appendix 2 – Identification of main groups of users served by organisations

In order to control for the difficulties that might be faced when serving particular groups of the population, the main groups of users were identified. The organisations were asked to indicate up to three groups of users of their goods and services. There was a danger of correlation between user groups where separate groups suffering from similar issues were served by the same organisation. In order to overcome this problem principal components analysis was used to identify broader groups of clients. A maximum likelihood approach was adopted using the varimax orthogonal rotation to ensure that the components obtained were not correlated and ensuring easier interpretation of the individual components. The factor scores were estimated using the Anderson-Rubin approach that is suggested where non-correlated factor scores are required (Tabachnick and Fidell, 2007). Four components (the general public, victims of crime or drug abuse, those suffering from mental or physical disability, members of minority groups in society) were identified using Kaiser's (1960) criterion of eigenvalues of greater than 1. Cattell's (1966) approach of examining the scree plot's inflexion point confirms this in part, although a second inflexion point is found for seven factors. Bartlett's sphericity test rejects the null of the covariance matrix taking the form of an identity matrix, indicating that there is some correlation between the separate user groups. The Kaiser-Meyer-Olkin (MKO) measure of sampling adequacy indicating the extent that the patterns of correlation are relatively compact, so distinct separate factors are likely to be estimated exceeds the bare minimum of 0.5 (Kaiser, 1974) with a value of 0.59, but this is only in the range described as mediocre by Hutcheson and Sofroniou (1999).

Table I – Characteristics of funding sources

	Public Sector Contracts	**Income from Trading Activities**	**Sources**
Independence of use	Low	High	IVAR (2006), Kelly, (2007)
Average Alignment of objectives	Medium	Low	Weisbrod (1998b), Billis (2010b), Harris, (2010)
Presence of required skills and competencies	Medium	Low	Ellis and Gregory (2008), McBrearty (2007)
Lack of reliance on outside agencies for continuation	Medium	High	Senyard et al. (2007), IVAR (2006), Kelly, (2007)
Reliability of funding in the short/medium term	Medium	Low	Jones (2010)
Perceived sustainability of source	Medium	High	Dart (2004)
Lack of regulatory or governance burden	Low	High	Ellis and Gregory (2008), Arvidson (2009)

Table II – Satisfaction in achieving organisational objectives by funding sources

Panel A - Use as a source of funding		Not successful	Fairly successful	Very successful	chi-square	p-value
Donations and fundraising activities	Not used	9.1%	52.3%	38.6%	128.2	(0.000)
	Used	5.2%	51.9%	42.9%		
Membership fees and subscriptions	Not used	6.4%	50.5%	43.0%	27.1	(0.000)
	Used	5.6%	53.8%	40.6%		
Grants from non-statutory bodies	Not used	7.2%	52.9%	39.9%	147.7	(0.000)
	Used	3.9%	50.2%	45.8%		
National lottery	Not used	6.5%	52.5%	41.0%	77.1	(0.000)
	Used	3.6%	48.7%	47.7%		
Grants or core funding	Not used	7.1%	53.4%	39.6%	247.8	(0.000)
	Used	3.0%	47.8%	49.2%		
Earned income from contracts	Not used	6.5%	52.6%	40.9%	67.7	(0.000)
	Used	4.2%	49.4%	46.3%		
Earned trading income (inc. retail)	Not used	6.2%	51.5%	42.4%	9.8	(0.007)
	Used	5.8%	53.9%	40.3%		
Income from investments	Not used	6.9%	52.6%	40.5%	108.5	(0.000)
	Used	3.9%	50.3%	45.8%		

Panel B - Main source of funding	Not successful	Fairly successful	Very successful	chi-square	p-value
Donations and fundraising activities	6.4%	54.6%	39.0%	35.7	(0.000)
Membership fees and subscriptions	5.1%	55.3%	39.6%	28.1	(0.000)
Grants from non-statutory bodies	6.2%	50.0%	43.8%	3.4	(0.184)
National lottery	7.4%	51.7%	40.9%	2.3	(0.310)
Grants or core funding	3.5%	47.0%	49.5%	117.2	(0.000)
Earned income from contracts	5.1%	50.6%	44.3%	7.0	(0.030)
Earned income from trading including retail	8.2%	54.6%	37.1%	30.6	(0.000)
Income from investments	5.8%	53.3%	40.9%	0.7	(0.695)
All	6.1%	52.0%	41.9%		

Table III – Multinominal logits of extent the organisation has been successful in meeting its objectives over the past 12 months

	Model 0		Model 1	
	Not Successful	Very Successful	Not Successful	Very Successful
<u>Sources of Finance</u>				
Donations and fundraising activities (*N* = 18,435)			**0.8227** (0.005)	1.0247 (0.503)
Membership fees and subscriptions (*N* = 10,714)			**0.8436** (0.006)	**0.9241** (0.006)
Grants from non-statutory bodies (*N* = 8280)			**0.7909** (0.001)	**1.0694** (0.036)
National lottery (*N* = 3353)			0.8450 (0.113)	**1.1101** (0.013)
Grants or core funding (*N* = 5911)			**0.7812** (0.008)	**1.1508** (0.000)
Earned income from contracts (*N* = 4705)			0.8389 (0.053)	1.0434 (0.274)
Earned income from trading including retail (*N* = 5158)			1.0472 (0.547)	**0.8481** (0.000)
Income from investments (*N* = 6485)			**0.7502** (0.000)	**1.0950** (0.004)
Organisation Level Controls				
<u>Main Groups of Users</u>				
General Population	1.0069 (0.805)	0.9932 (0.623)	1.0046 (0.869)	1.0027 (0.846)
Victims or involved in crime or drugs	1.0071 (0.762)	0.9987 (0.919)	1.0074 (0.750)	0.9917 (0.512)
Physically or mentally disabled	0.9777 (0.440)	**1.0578** (0.000)	0.9916 (0.774)	**1.0480** (0.000)
Minority groups	**1.0964** (0.000)	**0.9048** (0.000)	**1.0932** (0.000)	**0.9010** (0.000)
<u>Legal Form (b.c. Charity *N* = 19,796)</u>				
Community Interest Company (*N* = 182)	**1.6999** (0.033)	0.8092 (0.201)	1.5015 (0.107)	0.8418 (0.302)
Company Ltd by Guarantee (*N* = 2883)	**1.5344** (0.000)	**0.7861** (0.000)	**1.4005** (0.000)	**0.8266** (0.000)
Industrial and Provincial Societies (*N* = 1273)	**2.4025** (0.000)	**0.5554** (0.000)	**2.0975** (0.000)	**0.6234** (0.000)

Notes: odds ratios represent the probabilities of achieving the relevant outcome relative to the base outcome of ‘fairly satisfied’; p-values in parentheses; emboldened figures significant at the 5 per cent level

Table III - Continued

	Model 0		Model 1	
	Not Successful	Very Successful	Not Successful	Very Successful
Organisation Level Controls - continued				
Geographical scope of operations (b.c. local operations *N* = 18,484)				
International Operations (*N* = 699)	**1.8564** (0.000)	**0.8160** (0.018)	**1.7376** (0.000)	**0.8436** (0.048)
National Operations (*N* = 1713)	**1.3543** (0.003)	**0.8025** (0.000)	**1.3352** (0.005)	**0.8308** (0.001)
Regional Operations (*N* = 3238)	**1.1770** (0.048)	0.9374 (0.118)	**1.1969** (0.031)	0.9467 (0.188)
Employment (b.c. 1 to 10 Employees *N* = 8542)				
No Employees (*N* = 12,611)	**1.3634** (0.001)	1.0067 (0.890)	**1.3448** (0.002)	1.0053 (0.914)
11 to 30 Employees (*N* = 1706)	**1.9867** (0.000)	**0.7599** (0.000)	**1.7931** (0.000)	**0.8038** (0.000)
31 or more Employees (*N* = 1275)	**0.6569** (0.008)	**1.2820** (0.000)	**0.7099** (0.033)	**1.2347** (0.000)
Volunteers (b.c. 1 to 10 volunteers *N* = 9515)				
No Volunteers (*N* = 830)	1.2345 (0.116)	1.1091 (0.192)	1.1180 (0.413)	1.1315 (0.123)
11 to 20 Volunteers (*N* = 7018)	**0.5499** (0.000)	**1.0817** (0.019)	**0.5915** (0.000)	**1.0813** (0.021)
21 or more Volunteers (*N* = 6771)	**0.4388** (0.000)	**1.1924** (0.000)	**0.4881** (0.000)	**1.1877** (0.000)
Satisfaction with influence of local decision makers (b.c. neither satisfied or dissatisfied *N* = 8289)				
Very satisfied with local influence (*N* = 655)	0.9553 (0.865)	**3.4771** (0.000)	0.9034 (0.707)	**3.4223** (0.000)
Fairly satisfied with local influence (*N* = 5074)	0.8602 (0.126)	**1.3134** (0.000)	0.8607 (0.128)	**1.2958** (0.000)
Fairly dissatisfied with local influence (*N* = 6177)	**1.6112** (0.000)	**0.8914** (0.001)	**1.6347** (0.000)	**0.8864** (0.001)
Very dissatisfied with local influence (*N* = 3939)	**2.7905** (0.000)	0.9990 (0.981)	**2.7260** (0.000)	1.0141 (0.740)

Notes: odds ratios represent the probabilities of achieving the relevant outcome relative to the base outcome of ‘fairly satisfied’; p-values in parentheses; emboldened figures significant at the 5 per cent level

Table III - Continued

	Model 0		Model 1	
	Not Successful	Very Successful	Not Successful	Very Successful
Area Level Controls				
Engagement with Volunteer Groups	0.9892 (0.170)	1.0059 (0.117)	0.9909 (0.250)	1.0056 (0.137)
Index of Multiple Deprivation of area (b.c. 5 to 10 *N* = 4695)				
IMD 0.1 to 5 (*N* = 4695)	1.0016 (0.991)	**1.1233** (0.039)	0.9985 (0.991)	**1.1253** (0.037)
IMD 10 to 15 (*N* = 4407)	1.0084 (0.935)	0.9921 (0.857)	0.9959 (0.968)	0.9868 (0.762)
IMD 15 to 25 (*N* = 5385)	**1.2229** (0.030)	0.9265 (0.071)	1.2051 (0.045)	0.9153 (0.037)
IMD 25 to 50 (*N* = 5601)	**1.2660** (0.014)	**0.8219** (0.000)	**1.2608** (0.017)	**0.7958** (0.000)
IMD 50 to 65 (*N* = 1546)	**1.6456** (0.000)	**0.8185** (0.002)	**1.6688** (0.000)	**0.7771** (0.000)
IMD 65 or more (*N* = 563)	**1.4742** (0.047)	1.0044 (0.964)	**1.4697** (0.050)	0.9552 (0.639)
Population density (b.c. 21 to 40 people *N* = 4925)				
Less than 4 people per hectare (*N* = 4679)	1.0203 (0.840)	1.0255 (0.570)	1.0049 (0.961)	1.0261 (0.563)
4 to 20 people per hectare (*N* = 6183)	1.0299 (0.743)	1.0546 (0.186)	1.0367 (0.689)	1.0495 (0.231)
41 to 70 people per hectare (*N* = 4753)	1.1344 (0.165)	0.9984 (0.971)	1.1307 (0.177)	1.0019 (0.965)
More than 71 people per hectare (*N* = 3594)	1.0203 (0.840)	1.0255 (0.570)	1.0049 (0.961)	1.0261 (0.563)
N	24134		24134	
Likelihood Ratio Test against constant probability	1990.4 [62] (0.000)		2152.6 [78] (0.000)	
R^2	0.047		0.051	
AIC	40371.7		40241.5	
Likelihood Ratio Test collective significance of finance variables			162.2 [16] (0.000)	

Notes: odds ratios represent the probabilities of achieving the relevant outcome relative to the base outcome of ‘fairly satisfied’; p-values in parentheses; emboldened figures significant at the 5 per cent level

Table IV – Multinominal logit of extent the organisation has been successful in meeting its objectives over the past 12 months influence of main sources of finance

	Model 2		Model 3		Model 4[a]	
	Not Successful	Very Successful	Not Successful	Very Successful	Not Successful	Very Successful
Membership fees and subscriptions (*N* = 4455)					**0.6668** (0.000)	0.9437 (0.122)
Grants from non-statutory bodies (*N* = 1885)					0.9658 (0.747)	**1.1272** (0.021)
National lottery (*N* = 729)					0.9841 (0.918)	1.0232 (0.777)
Grants or core funding (*N* = 3403)					**0.8056** (0.046)	**1.1766** (0.000)
Earned income from contracts (*N* = 1942)	0.8391 (0.136)	1.0151 (0.774)			**0.7913** (0.050)	1.0345 (0.524)
Earned income from trading including retail (*N* = 1940)			**1.2269** (0.039)	**0.8857** (0.022)	1.1013 (0.346)	0.9054 (0.066)
Income from investments (*N* = 934)					0.8323 (0.224)	0.9628 (0.597)
N	24134		24134		24134	
Likelihood Ratio Test against constant probability	1993.0 [64] (0.0000)		2001.9 [64] (0.000)		2056.9 [76] (0.000)	
R^2	0.047		0.047		0.0487	
AIC	40373.1		40364.2		40333.2	
Likelihood Ratio Test against joint insignificance of finance sources	2.62 [2] (0.270)		11.53 [2] (0.003)		66.47 [14] (0.000)	

Notes: odds ratios represent the probabilities of achieving the relevant outcome relative to the base outcome of ‘fairly satisfied’; p-values in parentheses; emboldened figures significant at the 5 per cent level; (a) where multiple main sources of funding enter these are compared to ‘donations and fund raising’ *N* = 7122

Table V – Multinominal logits of extent the organisation is confident that it will be able to meet its objectives over the next 12 months, influence of sources of finance and main sources of finance

	Model 5		Model 6		Model 7		Model 8	
	Not Successful	Very Successful	Not Successful	Very Successful	Not Successful	Very Successful	Not Successful	Very Successful
Donations and fundraising activities	0.9066 (0.065)	**0.8621** (0.000)						
Membership fees and subscriptions	0.9772 (0.607)	**0.9374** (0.046)					**0.8334** (0.002)	1.0514 (0.223)
Grants from non-statutory bodies	1.0123 (0.805)	**0.8682** (0.000)					1.0008 (0.992)	**0.7408** (0.000)
National lottery	1.1033 (0.127)	1.0280 (0.565)					**1.3606** (0.004)	0.9452 (0.551)
Grants or core funding	1.0261 (0.656)	**0.8948** (0.008)					**1.1643** (0.020)	**0.8627** (0.003)
Earned income from contracts	0.9998 (0.997)	0.9251 (0.078)	1.0959 (0.235)	0.9480 (0.369)			1.1144 (0.167)	0.9128 (0.134)
Earned income from trading including retail	**1.1124** (0.046)	**0.8078** (0.000)			**1.2140** (0.008)	0.8901 (0.056)	**1.2196** (0.008)	**0.8641** (0.019)
Income from investments	**0.7759** (0.000)	**1.1244** (0.001)					0.8186 (0.099)	**1.2509** (0.003)
N	24134		24134		24134		24134	
Likelihood Ratio Test against constant probability	2134.0 [64] (0.000)		1990.3 [64] (0.000)		2000.8 [64] (0.000)		2088.7 [76] (0.000)	
R^2	0.047		0.045		0.046		0.048	
AIC	41963.8		42079.5		42069.0		42005.1	
Likelihood Ratio Test joint insignificance of finance sources	146.4 [16] (0.000)		2.7 [2] (0.254)		13.3 [2] (0.001)		101.1 [14] (0.000)	

Notes: odds ratios represent the probabilities of achieving the relevant outcome relative to the base outcome of ‘quite successful; p-values in parentheses; degrees of freedom in squared brackets; emboldened figures significant at the 5 per cent level; Model 5 funding sources refer to use of these sources; Models 6 to 8 funding sources refer to use only as the main source of finance.

Figure 1 – Influences on desirability of funding sources