

Department of Management
Information Systems and Innovation Group
London School of Economics and Political Science



Working Paper Series

184

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July 2011

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From the Third Sector to the Big Society: how changing UK government policies have eroded third sector trust

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Abstract

This paper draws on concepts of trust to analyse recent policies affecting the management of public/third sector relationships, examining the parallel policy strands of competition, 'command and control' mechanisms and the community turn in shaping recent changes and associated cultures of relationships. The paper draws on examples from two empirical studies in English inner-city areas to explore ways in which power and regulatory frameworks exerted through dominant organisational cultures and arrangements undermine the independent approaches to communication and action, necessary to develop innovative work and organisational learning within and across sectors. We argue that market cultures and the increase in regulatory frameworks have encouraged distrust in cross-sector relationships, promoting divisive competitive interests and risk-averse behaviours, restricting autonomy and innovation. If aspirations towards effective cross-sector working, community partnerships, and the presumption of community action in the Big Society agenda are to achieve meaningful outcomes, attention needs to be focused on the processes and relational spaces which will enable positive alternatives.

State bodies have behaved as though trust in their actions is a given, while increasingly shifting responsibilities for service delivery and risks of failure to others. Our research identifies ways in which trust has been damaged in such transitions; and consequently we highlight issues that need to be addressed to ensure the development of innovative and effective services in collaboration with community-based providers in the future.

Keywords: Trust; control; innovation; risk; voluntary and community organisations; performance audit; new public management; Big Society

This paper was presented to Critical Management Studies Conference 7 Stream 14 - Shaping the Spaces Between State and Market: Critical Perspectives on the 'Third Sector', Naples, Italy, 11-13 July 2011

Introduction

Third sector organisations¹ (TSOs), in the UK and internationally, have taken on a growing share of services previously delivered through statutory agencies. Simultaneously, debates about their changing roles and relationships with the state, and the related effects of outsourcing and partnership work have grown. Issues of trust in state-third sector relationships and those between small, often community-based, third sector organisations have, however, had limited study. A growing literature has considered the effects of changes in public services on third sector agencies, highlighting the increased emphasis on competitive allocation of funding, regulatory and performance frameworks, and consequent shifts in inter-sector boundaries and relationships (Macmillan, 2010). As pressures on public sector spending and competition for funding grow, there is also a shifting dynamic between ‘old’ and ‘new’ values, as the distinctive character of third sector agencies gives way to activities which have acquired legitimacy through dominant managerial cultures (Milbourne, 2009) and more recent entrepreneurial approaches (Alcock, 2010). Consequently, trust, which formerly underpinned varied relationships between public and third sector agencies, has been widely displaced by a variety of formalised arrangements which control and manage meanings, re-shaping and normalising an asymmetry of relationships between state and third sectors.

TSO relationships with public funders have, for some time, maintained a tension between autonomy and accountability. Autonomy is necessary to sustain the goals and actions mandated by community members and service users, and to create new approaches to activities and changing conditions.

Autonomy also enables individual and organisational learning and the sharing of that learning with funding bodies and other TSOs. Accountability is necessary to maintain trust that public resources are being used honestly and for activities that contribute to the public good. Over 13 years, New Labour showed courage in substantially increasing the resources allocated to TSOs but timidity in trusting TSOs to use the resources wisely; an ambivalence also shown towards statutory professionals.

Conversely, the Coalition Government’s Big Society agenda promises more autonomy while drastically reducing financial and organisational support. The issue for both public funders and TSOs is whether there must always be a trade-off between autonomy and accountability or whether both can be sustained and enhanced.

This paper considers challenges to inter-organisational relationships as changes in the third sector environment have accelerated, with increasing emphasis placed on community organisations - whether to reform welfare provision; to promote community engagement, cohesion and civil renewal; or more recently, to tackle the effects of economic recession, drawing on civil society and voluntary interventions (Cabinet Office, 2010). The paper initially maps some of the changes affecting the third

¹ We have retained the term *third sector* because of its international currency despite recent political changes in the UK, whereby the Office for the Third Sector has been renamed the Office for Civil Society. Civil Society encompasses wider associational and individual actions in society, where this paper concentrates on charities, voluntary and community (non-governmental or not-for-profit) organisations which are formally constituted.

sector, in parallel with previous Government policies (HM Treasury and UK Cabinet Office 2007) which highlight the co-production of targets between state agencies and TSOs. It then examines examples of inter-organisational relationships using concepts of trust to frame and analyse research data. We draw on data from studies of TSOs in two English inner city areas to show how the ideological privileging of market-style relationships and the imposition of burdensome and inappropriate performance measurement impair trust and inhibit the successful operation of the TSOs. Rather than the co-production of targets, we observed disappointment for staff, management and TSO users, in some cases generating resistance to change.

The paper contrasts the limited and positivist notion of trust contained in the commonly used ABI – ability, benevolence, integrity – framework (Mayer et al. 1995) with the critical theory based approach of Hardy et al (1998). The latter focuses on power relationships and draws attention to how power masquerades as trust and suborns the less powerful into the priorities and interests of the more powerful through control of the discourse.

The multiple policy pressures on TSOs to engage with other agencies and individuals, within and across sectors, and to draw on civil society actors and volunteers have intensified, often with funding as a key driver; and both complexity and formality in relationships has correspondingly grown. The growth of widespread service contracts, with associated regulatory controls and risk management has produced an asymmetry of power in relationships played out through the management of performance outcomes and transfer of risks in contracts.

Research on outsourcing in other fields illustrates the benefits of long term-relationships and of risk-sharing, trust-based approaches (e.g. Weeks and Feeny 2008; Lacity and Willcocks 2009), contrasting with the short-term funding and projectitis (Harries et al. 1998; Geddes et al. 2000) that has often characterised the experiences of TSOs.

The fieldwork for the empirical studies included in this paper was completed during the New Labour administration but the paper also reflects on continuities and changes induced by the Coalition Government's 'Big Society' agenda. The rhetoric of Big Society suggests greater freedom for organisations to set their own objectives (Cabinet Office, 2010), yet the accelerated marketisation of public services, increasingly large contracts and encouragement to large private providers is leading to a growth in corporatisation of services and diminution of accountability to state agencies.

In devolving greater responsibility to 'communities', 'Big Society' also rests on the notion of a consensual society where the aims of local individuals, organisations, government and other powerful actors are unproblematically in alignment. As Brent (2009) underlines, community is essentially conflictual, and occluding such conflict has implications for TSOs that adopt an advocacy role in the interests of the powerless and excluded. Analysis of Big Society rhetoric suggests that the future for community organisations whose goals challenge those of government is fragile: compliance and

possession of greater social and cultural capital will determine winners in competitions for future funding (Coote, 2011).

By examining different approaches to understanding trust, the paper offers insights into the dynamics of changing inter-organisational relationships, suggesting implications for more successful cross-sector relationships and learning.

Framing trust relationships: moving from trust to control

Building and sustaining trust in inter-organisational relationships, as Bachmann (2001) identifies, may be challenging and more complex than often acknowledged in literature. Much research conceptualises trust as resulting from benevolence of the trustee to the trustor (Mayer et al. 1995), or argues, as Grey and Garsten (2001: 233) do, that trust and predictable behaviour are mutually reinforcing. However, these understandings overlook power inequalities and the importance of communicative action in underpinning organisational relationships and motivation in service delivery. Many organisational relationships encompass goodwill but far fewer involve participants on an equal basis or offer space for exploring significant differences of approach which could lead to more creative approaches; the latter may depend on the extension of trust and involve considerable risk (Bachmann et al. 2001). More commonly, hierarchical arrangements and specified transactions underpin cross-sector relationships, controlling risk but undermining trust and motivation for mutual learning.

Hardy et al. (1998) explore the difference between trust relationships, and power relationships masquerading as trust. They suggest (:79) two forms of trust: spontaneous and generated; and two forms of power based masquerade: manipulation (where dominant actors manage meanings), and capitulation (where subordinate actors surrender to dominant arrangements). Trust and masquerade are distinguished by differing processes of construction of meaning and the allocation of risk. In trust relationships meaning is co-created and 'trust results from a communicative process in which shared meanings either exist, or are created through a reciprocal relationship,' (Hardy et al. 1998: 71). This necessarily involves all participants and necessitates forms of communication which make space for examining differences and conflicts, not only for assuming harmony.

As Bachmann (2001) elaborates, patterns of power and trust operate at both inter-personal and structural levels. When what appears to be trust is a facade for power, meaning is managed, distorted or imposed by the dominant participant. In this masquerade, speech is strategic and agreement is suborned by the dominant organisational partner. Predictable but imbalanced relationships may be maintained based on assumed cultures or sets of arrangements; however managed meanings often exclude or marginalise those with limited power, who may increasingly mistrust, or become disillusioned with the process. Power within communicative processes needs to be recognised and addressed, if shared meanings are to emerge, rather than meanings being managed in ways that

maintain or increase power differentials. It is only when trust is present, either spontaneous or generated trust, that speech approaches emancipatory discourse (Habermas 1984). In trust-based relationships risk is shared; in masquerades, risk is passed by the more powerful to the subordinate.

If partners learn to communicate in a way that produces shared meanings, trust-building can be successful. Governance through targets and performance indicators could be trust based, if these are co-developed and agreed. In recent strategy on the third sector the previous UK government asserted a similar perspective.

The Government therefore wants to continue to ensure that the third sector remains at the heart of measures to improve public services including as contractors...as advisers influencing the design of services and as innovators from which the public sector can learn. (HM Treasury 2007: 49)

While the discourse adopted differs somewhat, the Coalition government's (Cabinet Office, 2010) position is markedly analogous though the emphasis is on locality and individuals rather than organisations. Despite this political stance, recent experience in the UK and elsewhere (Burnley et al. 2005, Moxham and Boaden 2007, Shaw and Allen 2006) indicates that targets continue to be centrally defined with only marginal room for negotiation and are therefore an exercise in power. In her assessment of TS experiences, Ellis (2009) argues that the intensification of monitoring and evaluation regimes imposed by funders have stifled flexibility and organisational learning.

Walgenbach's (2001) research on the spread of standards and performance certification demonstrates that highly specified regulatory and performance frameworks have failed to fulfil the purpose intended of improving cross-institutional trust. As Shaw and Allen (2006) argue, where trust based relationships are dominant, narratives around activities and achievements often guide funders' assessment of the value of services more than measurable indicators. Targets do more than require a level of performance: they powerfully structure discourse and define the categories of what is meaningful and marginal. Targets are constitutive of the 'rules of the game' (Clegg 1989: 200) through which power is exercised within organisational relationships.

Trust between public and third sectors: multi-layered relationships

Relationships between TSOs and state agencies are not neat, bounded or homogenous; they are multi-layered and dynamic, influenced both by horizontal and vertical policy environments (Kendall, 2003). Historically, many TSOs - both service providers and campaign organisations - were, either wholly or partly, grant funded through public bodies; and service provision was often co-constructed with local government. With the decline of grant funding, increasingly TSOs have been contracted to provide diverse services and projects on behalf of public agencies, often displacing co-production, with a hierarchical dependence on outsourced funding. As Muehlberger (2007) describes in the private sector, despite provision being outsourced, arrangements have been subject to progressively greater control, limiting activities and approaches.

Organisations from state, third sector and private agencies may also participate in joint cross-sector work to bring about mutually desired change in a locality or for a particular sector of the community. This context demonstrates the continuity of strategy between previous and current governments. In the UK this collaborative work has often been initiated through formally constituted joint boards, such as Local Strategic Partnerships or neighbourhood Councils, although levels of power and influence between members of partnerships have differed widely (Taylor 2006). Alongside joint planning work, cross-sector collaborations also involve multi-agency projects and joint service delivery (Milbourne et al. 2003; Edwards 2007). TSOs have also carried an ongoing historic role as advocates for individuals or communities, representing their interests to a statutory agency perceived as failing to provide adequate services: a relationship that potentially conflicts with other arrangements. While new community organisers (for the Big Society) will pursue elements of this community work, the closure and withdrawal of funding for a plethora of projects, means the loss of expertise and many existing community workers (NCIA 2011; Taylor 2011).

TSOs and public bodies may be simultaneously engaged in several different types of relationships, and constructive relationships that start to build trust at one level, for example, when a public agency involves a TSO in identifying needs for local services, are disrupted by interactions at another, when competitive contracts for services are introduced. Examples in later parts of this paper focus on the implications for trust of moving from grant-based to contractual relationships, also exploring examples of cross-sector planning and delivery work. Like Carmel and Harlock (2008), we consider ways that the devolution of service delivery, growth in TS providers and partnership work, has effectively extended the governable terrain, undermining trust-based relationships and professional autonomies.

As Hardy et al. (1998) note, in trust relationships risk is shared, while in masquerades, risk is disproportionately carried by the subordinate participant. Joint enterprise and joint service provision are typically characterised by trust relationships, though these may take time to build; and trust is assumed to emerge from equal, though distinct, contributions. In contrast, while contracted service provision *may* be governed by trust, procurement and contracting more frequently involve hierarchical power relationships (Scott and Russell, 2001; O'Brien 2006; Shaw and Allen 2006; Moxham and Boaden 2007). These may appropriate the language of trust but often coerce consensus and restrict alternative approaches, generating 'a new brutalism' in intra- and inter-sector relationships (Hoggett et al. 2009:157).

In contracted services, the trust basis has moved from that between partners towards that of client/contractor relationships, often derived from private sector models (see e.g. Lacity and Willcocks 2009) but these may translate poorly into public service delivery settings. Increasingly larger contracts have encouraged the *Tesco-isation* of TSOs in the developing marketplace (Alcock,

2010), leading to a plethora of mergers and potential mission drift as TSOs adopt more entrepreneurial behaviours.

Lessons from other sectors are valuable here. In their review of outsourcing, Weeks and Feeny (2008: 140-1) identify three types of project trust: personal, competence-based and motivational. Personal trust is based on a belief in the personal integrity of project partners which may be undermined by mission drift; while competence-based trust rests on a belief in the other's professionalism which may be eroded through operational problems. Motivational trust is based on joint opportunities for reward from success and joint exposure to penalties from failure – appropriate risk and reward sharing mechanisms can underpin such trust. Comparing these definitions with the commonly used ABI-ability, benevolence, integrity – framework applied to understanding trust (Mayer et al. 1995), personal trust parallels integrity and competence-based, ability. However motivational trust differs from Mayer et al.'s concept of benevolence: while benevolence is individual, often voluntaristic, and carries no obligation, motivational-based trust reflects a notion of joint endeavour and a two-way relationship.

It may be assumed, as in Hardy et al.'s (1998) discussion of generated trust that trust develops with experience of the other. However McKnight et al. (1998) argue that people frequently start by trusting but that this initial trust can be cemented or dissipated depending on subsequent actions. Disposition to trust (Mayer et al. 1995) varies depending on local context and cultural factors (Hofstede 1980). The Labour government proposals in 1998, for national and local Compacts heralded a future in which the third sector would become valued partners (Deakin 2001) but initial third sector trust and optimism visibly declined, as promises around independence and equal partnership were not borne out in practice (Cairns et al, 2006). Despite the high profile given to charities and community organisations in the Big Society agenda (Maude, 2010), the early welcome accorded to strategies concerned with localism and devolution of power has been short lived, as projects and services across many fields delivered by third sector providers lose funding and face closure (Cassidy 2011; Toynbee 2011a).

Grey and Garston (2001: 246) highlight the fragile nature of 'all forms of trust' and argue that significant (post-bureaucratic) organizational changes demand a re-casting of shared social practices from which to construct trust-based relationships. In changed or innovative environments the security of shared rules, discourse and values and the communal bases of predictable practices are interrupted, producing a precarious environment for trust. Arguably this offers a poor forecast for hoped-for growth in community engagement. McKnight et al. (1998: 480) focus on more specific conditions for developing fragile into robust trust. Their construct of *unit grouping* which places 'the other person in the same category as oneself' identifies initial trust as secured at an interpersonal and group level by tending 'to share common goals'. This unit grouping would be present where a TSO and public agency come together in a common endeavour. However to maintain trust, both parties must exhibit

trusting and trust-worthy behaviour and the conditions for motivational trust must be present. The poor record of Compacts in building good relationships and fair contracting practices (Zimmeck 2010) illustrates a failed joint enterprise between public and third sector agencies. Both the previous and current governments (HM Treasury 2007; Cabinet Office 2010) have emphasised the role of TSOs in building reciprocal trust with communities to further projects of community engagement but both have undermined third sector trust in government through parallel and conflicting priorities.

There are, however, key differences: whereas previously the need to develop better relationships between the third sector and different levels of government, including in reducing excessive regulation and targets were latterly acknowledged (Cabinet Office 2009), now, responsibility for effectiveness and responsiveness of services is devolved either to local community organisations and individuals or to market forces. State agencies can then retreat from the need to improve inter-organisational relationships; and forms of democratic accountability are also lost. Consequently there is a failure to address the problematic facets of the relationship between the state, service providers and service users: a crucial element in the development of improved services and citizen engagement.

The rhetoric of joined-up services, partnerships and new localism (Aspden and Birch 2005; now echoed in the Coalition's Big Society agenda and the Localism Bill reflects aims for collaborative endeavours at local levels but arrangements are now focused on local volunteers and entrepreneurial activities, coupled with cross-agency delivery of public services. Labour's preference for outsourcing to third sector providers who secure a level of public trust as acting in the public good (Neville 2010) has now been superseded by an open market where price and size are displacing intrinsic value.

Where markets are rationalised as driving down costs, trust in services and providers may be lost; and where much public money has been withdrawn from local projects, the relationships and tasks of new community organisers will require a challenging rebuilding of trust with user groups or their representatives. As Taylor (2001; 2006) and Powell and Dowling (2006) have shown, cross-agency planning and delivery are often undermined by discontinuities in funding and policy, and power differentials, which negate the inclusive rhetoric surrounding local partnerships and mutualism.

Aspirations to localism and the desire to secure the lowest prices by bundling services into giant contracts for which only the largest organisations can tender, illustrate the unresolved contradictions in recent government strategies, as Toynbee (2011b) highlights:

The head of Capita, the outsourcing company, told the Financial Times he had been assured by Francis Maude that the "big society" would not get in the way of large firms taking the lion's share of contracts.

Trust, risk and innovation

Both the previous and new governments have recognised 'the value of the diversity of organisations... in promoting enterprising solutions to social and environmental challenges.' (CLG

2009). Similarly, guidance on funding TSOs (HM Treasury 2006:10) recommended that funding bodies should not be ‘overly “risk averse” in making funding decisions.’ Similarly, recent government strategy (OCS 2010) argues against uniform and heavily specified frameworks of control, yet apparently ignores that the spread of public sector outsourcing has accelerated such frameworks.’ Therefore, while aspirations towards trust-based relationships are visible, whether with or without government agencies involved, the willingness of funders to adopt this advice, to extend trust, share risks and welcome alternatives is little evident in the construction of contracts for services or community projects (Milbourne, 2009). This question is examined further through the studies which follow.

Government agencies carry significant risks for threats to quality of provision, such as through lack of innovation jeopardising new policy delivery; poor service quality threatening success; and inadequate co-operation and information sharing, leaving gaps in provision (Kurunmäki and Miller 2004). However, they have sought to control, or alternatively abdicate responsibility, rather than sharing or mitigating such risks. TSOs delivering services, however, carry the risks to organisational viability and survival, which are exacerbated, the smaller the size of the TSO. Large national TSOs are exposed to containable financial risk but unlimited reputational risk; smaller community-based organisations carry both reputational risk (Power et al. 2009) and potentially fatal financial risk.

While Grey and Garsten (2001: 232) claim that trust comes from exercising control through ensuring predictability, Ghoshal and Moran (1996: 24) argue that risk management through detailed regulatory frameworks, and trust, are inversely related. Rigorous specification signals that controllees are neither trusted nor trustworthy; and ‘surveillance ...perceived as controlling threatens the controllee's personal autonomy and decreases his or her intrinsic motivation.’ Similarly, at the organisational level, audit surveillance, far from deterring opportunistic behaviour, may actively encourage it so that moral hazard is not reduced but enhanced.

In analysing alliances between firms, de Man and Roijackers (2009: 77) drawing on the work of Das and Teng argue that ‘two elements of risk are particularly important: relational risk (that partners will deceive each other) and performance risk (that the alliance will not deliver the expected results)’. They identify a low relational risk coupled with a high performance risk as likely to be best managed through trust-based governance. As public agencies are increasingly concerned with ‘value for money’ it is reasonable to infer that their priorities are performance risks. However, research here suggests that they would gain better results from trust-based rather than command and control relationships.

The UK public sector, as elsewhere, has operated with a growing focus on audit and performance measurement, an aspect of the dominant managerial cultures in public agencies (Clarke et al. 2000), which have similarly transformed management practices in third sector work. The demands and

escalation of data collection can readily erode autonomy without ensuring accountability, providing 'rituals of verification' (Power 1997:145), exacerbating the inevitable tension between accountability and autonomy. Many TSOs experience data collection as intrusive and time consuming surveillance (Milbourne, 2009) and as a marker of a lack of trust (Hoecht 2006), creating an atmosphere where concealment is a rational response. The development of stronger trust allows an environment that moves from blaming to learning, and supports innovation (Willcocks and Craig, 2009).

The scope of the studies

The paper draws on data from two studies in different English inner-city areas which focused on changing relationships between the local state and TSOs. The first study in Rushley², involved research with three small community-based organisations providing education for disengaged young people, based on in-depth case studies. All three organisations had more than twenty years' experience. 112 individuals contributed to the study which involved some 50 interviews, 30 observations and additional focus groups over nearly four years. The study included management committee members, staff, volunteers and young people, and key local government managers.

The second study was commissioned by a large local authority, Wharton, and undertaken in 2006-7, with interviews taking place in a relatively short time span. This had the advantage of providing a snapshot of participants' perceptions, as they faced funding changes towards the end of the financial year. It involved some 50 interviews in TSOs providing services for children and young people, also including some local government service managers.

Both studies were located in relatively deprived English inner-city areas with diverse populations, including significant numbers of recent refugees. Several neighbourhoods in both areas are ranked high in Indices of Local Deprivation (DETR 2000; Price Waterhouse 2005) and the areas overall have been involved in social inclusion and community participation initiatives. As a result, new agencies and cross-sector partnerships have emerged, with new organisations gaining contracts to deliver services alongside longstanding community organisations with successful local track records.

The studies examined relationships between TSOs and local government, exploring ways in which changes to funding arrangements and cross-sector relationships were experienced. In the first case, the study observed the TSOs' experiences of negotiating formal contracts for previously grant-funded services. In the second, the study was conducted as new arrangements for commissioning services (Local Area Agreements) were being implemented.

Both studies examined respondents' perceptions and experiences of communications and relationships with local government officers; their experiences of service commissioning, contracting and monitoring relationships; the effects of changes on their services; and any changes in role in relation

² All names and organisations are pseudonyms.

to their user groups. The studies used qualitative coding methods to analyse and compare data from different sources (Glaser 1992), employing perspectives of critical social research (Harvey 1990) to examine the data generated and to question the consequences of changes in specific localities. While the second study was of limited duration, data drawn from two studies has enriched insights into the effects of recent changes on inter-agency and cross-sector relationships.

In what follows, examples are organised thematically. This paper explores only some aspects of the research and other themes arising from the data are considered elsewhere (Milbourne 2009).

Findings

In analysing data from these studies, there was little evidence of spontaneous trust situations (Hardy et al. 1998); and the focus here is on examples where trust is generated from mutual efforts; or where trust can be identified as a masquerade, with cross-sector relationships determined by power. The discussion also considers how trust has been eroded or is subject to threat through the actions or inactions of one of the parties, and using models above, explores the basis for trust or mistrust in the relationships and factors affecting its fragility.

Moving away from joint endeavour: from trust to control

Initially we examine situations where joint endeavours have shifted to contractually based relationships, considering the effects on trust between the parties. In Rushley, key informants – both longstanding staff and management body members from the three case study TSOs - discussed the transition in relationships with the local education authority (LEA), as they moved from receiving grant funding for providing services for young people excluded or truanting from school, to one of becoming service contractors. One significant change was that most TSO staff had been employed by the LEA and seconded to the organisations, with the LEA carrying employment risks, such as for, sickness and redundancy. In the proposed contracts, the staff were to be employed directly by the TSOs, with consequent risks and costs. A second key change was that the LEA liaison officer, Claire, who was familiar with the three TSOs' work and had established a mutual trust relationship, became redundant and was replaced by a contracts' link officer who had little knowledge of their work. The TSOs' relationship with Claire illustrates all three types of trust: personal, motivational and competence-based. A TSO management committee (MC) member described Claire as someone who,

understands and values what we do. She wants us to succeed with young people as much as we do. She shares our concerns, knows what it's like ...she has that background and knowledge, she can support staff when the going's tough. (Anna, TSO 1)

Trust was generated through a willingness to explore difficulties and share expertise, facilitating learning and innovation. A joint language of what constitutes success was generated; and Claire visited the organisations and monitored achievements through narrative and observation, as much as

through reports on measured outcomes - which the LEA increasingly required. Good personal relationships were developed over some 5 years; and there was positive motivation for improving services through joint endeavour, sharing difficulties as well as achievements. Mutual trust in the competence of the other was established through valuing, and knowledge of, the other's work; shared understandings of services; and jointly constructed contexts for meaningful communications.

With the introduction of more formal contractual relationships, the lines of communication changed. Not surprisingly, the decision to remove Claire's role provoked personal antipathy towards the new contracts link officer. Visits to the organisations became rare and TSO workers identified an emphasis that had moved away from value placed on local knowledge and achievements, to a need to conform to new arrangements and meet terms inscribed in the proposed new contract. Instead of mutually created meanings, the TSOs were increasingly asked to take on hierarchically defined discourse and meanings. Rather than jointly created purposes and meanings (Weick 1995), parallel streams of communication were operating.

In the process of negotiating service contracts, members of TSOs perceived that their achievements and efforts with extremely difficult young people were being discounted. 'All that matters to them is adopting their approach,' (Anna, TSO1). TSO members became anxious about future funding. Cora, MC chair of TSO 2 described: 'Getting nowhere, never being listened to... no replies to calls.' Such reflections highlighted the personal level of relationship breakdown with local government officers, symbolised in a perceived lack of respect.

Debates about student attendance targets were a major concern in the proposed contracts. Birgit (TSO 3) explained that the proposed targets were the same as those set for general school attendance nationally.

So, we raise a particular problem ... but do these officers see it? They don't... So it's [the attendance target] now 87% - but for each child... they don't see how different children's histories are. Some will never manage to come more than say, 60% but it's what they do achieve from nothing – not participating.

However, the new LEA link officer interpreted the difficulties quite differently and asserted the view that TSOs should comply with dominant managerial arrangements.

I mean... they're living in the past I know these projects have been running a long time. As individuals, I'm sure they mean well, but...things need planning, targets, outcomes, it has to be more focused now.

His comments represented a wider shift in culture, which the TSO managements were seen as resisting. 'It's a new regime now ... we want accountability...we need clear ways of showing

we're delivering... to disassociate ourselves from the past.' (Elected LEA member's commentary).

Over a ten month period of contract negotiation, disagreements arising from conflicting assumptions about meanings, purposes and appropriate specification and targets grew; and mistrust dominated discussions, entrenching differences. During briefing meetings and debriefing discussions, the TSO committee members increasingly referred to the deficiencies of Rushley officers as professional managers. There was no sense of jointly shared service outcomes to support motivational trust, and considerable damage to belief in the individual integrity or competence of the other.

As mistrust and frustrated communications grew, the level of coercion in the relationship increased, with the LEA asserting rights to impose terms. With a number of issues pending from earlier meetings and legal information on the transfer of staff still outstanding, each TSO received the 'final Service Level Agreement and Terms and Conditions of Contract for signature' requiring a response by return with,

Confirmation that you will sign the agreements ... [within 7 days], or that you do not intend to sign, so that we can develop alternative providers. (letter, LEA contract link officer)

Shocked by the shift to ultimatum, the TSOs MC chairs appealed to elected members by letter.

The new documents, unilaterally impose unreasonable attendance targets and other unsought amendments... contain 14 extra pages mainly in legal 'jargon', unseen by us before. These extend the terms of the contract and produce significant inconsistencies... ..officers' refusal to entertain further discussion is... outside the normal codes of conduct in negotiations and demonstrates a derisory attitude towards... organizations as partners in delivery.

Performance measures, integral to the mode of operation of a professional managerial system, may be couched in a language and codes which detach them from any meaningful evaluation (Cochrane 2000). The example quoted above went further. Standards and benchmarks designed to monitor production line quality had been added to the contract conditions, possibly as a consequence of inexperience among officers under pressure to conclude this relationship in a way satisfactory to their superiors. However, attempts to coerce did not, in this case, generate capitulation to the more powerful agent, although the loss of trust at all three levels was acute. Instead, pressure induced resistance from the three TSOs alongside disillusionment.

This example illustrates ways in which coercive pressures from powerful organisational cultures can destabilise meaningful communications, devaluing locally defined goals and destroying trust. While the ultimatum demonstrates LEA officers' managerial assumptions about their right to control meanings and arrangements (Clarke and Newman 1997), it is also indicative of mistrust in non-

specified arrangements and the competence of the other. Non-compliance on the part of the TSOs exacerbated officers' perceptions of them as untrustworthy partners, unwilling to conform.

The TSOs expected to be trusted because of their history of success, while the LEA assumed any trustworthy provider would share their managerial discourse or at least accede to the new arrangements. Neither party identified the need to build better understanding and relationships in the new environment. Better exploration or discussion of differences, might have helped to build mutual understanding, allowing for more meaningful communication. Instead, diverse prior assumptions and subsequent actions cemented distrust in relationships.

This case reflects the importance of exploring power within inter-organisational relationships and shows the transition from co-created meanings to different forms of power-based masquerade - first persuasive, then coercive - as the LEA and three TSOs moved from joint service endeavours to contractually based arrangements for funding and delivery. Deviating from Hardy et al.'s (1998) models, however, this case offers few examples of predictable behaviours which are identified as sustaining adequate surrogates for trust within masquerades.

Sustaining trust in cross-sector work: competence and motivation

In contrast to experiences in Rushley, most Wharton interviewees considered that their local government had recently shown a genuine commitment to improving services in disadvantaged neighbourhoods and to supporting community organisations. They discussed progress, for example, in relation to young people's projects established through the Children's Fund, Sure Start, Teenage Pregnancy services and other programmes. However, in some cases fragile trust was able to grow; in others, different approaches and cultures were inimical to trust based relations. Examples that follow suggest that trust in the integrity of individuals and trust in their competence are inter-dependent. A TSO's ability to share the funder's managerial language was identified as contributing to winning a contract; and boundary-spanners and larger organisations possessing the resources to network with funders or regularly attend consultation meetings were seen to have significant advantages in influencing outcomes for services and funding. This is borne out in other recent cases (Macmillan, 2010).

There were many criticisms from research participants concerned with top-down aspects of planning and change processes, inadequate information and communications, poor conduct of meetings and obscure documentation. Short-term funding and constant changes, with consequent effects on organisational and staffing stability, workloads and time were also heavily criticised. Thus initial goodwill and trust towards public agencies had declined through their failure to show respect in communicating with community partners. Smaller, less experienced organisations generally experienced these issues more keenly, and often felt excluded from discussions, regarding themselves as outsiders in arrangements constructed by more powerful organisations. In effect, there was a gap

between perceived intentions and practice; between espoused theory and theory-in-action (Argyris and Schön 1978).

The fear of an influx of outsiders lacking local knowledge who would ultimately impoverish provision was repeatedly voiced, signalling a loss of local trust in the project of increased local and user participation. However, commissioning also placed organisations in competition with each other, and potentially with SMEs and larger providers, creating an environment increasingly characterised by mistrust. A frontline TSO worker supporting family services expressed her view on inappropriate and ill-judged criteria being used to assess services and ways in which smaller organisations felt excluded from planning consultations, illustrating her mistrust in the fairness of these networks and processes.

You can be smart, show you meet the criteria, I mean, if you're big enough to have someone dedicated to networking and fundraising, but we need to be judged on local knowledge and reputation, show we can do the real work, day in, day out, not whether we can get to the meetings.

These apprehensions were exacerbated by poor communication and failure of officers to visit the smaller TSOs and 'really know... what we do, gain that professional understanding' (TSO worker). If contract officers had visited or engaged in more meaningful communications, they might have engendered a level of individual, as well as competence-based trust, perhaps mitigating distrust in the new mechanisms for allocating funding.

A further example in Wharton illustrates the development of collaborative work and suggests that where agencies genuinely work together on project delivery, rather than simply engaging in formalised partnership (committee) working, motivation towards trust-based relationships is more likely to be generated. A small TSO, Family Links, worked alongside members of the Children and Adolescents Mental Health Service (CAMHS) to provide home-school support for vulnerable young people and parents. Family Links' staff identified the access to the CAMHS infrastructure as assisting in some time-consuming burdens, such as funding bids and monitoring reports. By contrast, other community projects cited mistrust from statutory agencies as a barrier to their work.

However, Family Links' staff felt that co-constructing the project and resolving complementary roles relied heavily on individual attitudes: 'it has a lot to do with trust between individuals that makes the project work or not.' For CAMHS staff, project work with a non-statutory partner allowed them to operate more flexibly than if they were bound by normal department regulations, enabling partners to 'combine different strengths'. Thus, the more powerful agency recognised and valued the expertise of the other, rather than prescribing its own norms and protocols as more legitimate approaches.

As other research shows (Edwards 2007), key individuals with good local networks and a willingness to set aside organisational hierarchies are important factors in effective inter-organisational work,

whether within or outside contracts. Such willingness opens discussion to more meaningful communication and is more likely to generate motivational trust as a basis for mutual service learning. The example illustrates benefits from co-constructing a project but also highlights costs that need recognition, including the investment of time and energy needed to establish trust in joint working from fragile roots; and the potential risks of greater openness and innovation.

Transfer of risks

Most organisations in our studies were small, and there was a high probability that they had inadequate resources to carry risks, such as high rates of employee sickness or accident, and faced excessive costs for insuring against these. Some, such as in the Rushley cases, also faced stringent funding penalties for failure to meet performance targets, providing examples of failure to share risks for services. The Rushley contract link officer had initially argued that demanding targets 'sets standards to aim towards ...to encourage improvement'. However, penalties imposed later in the process further undermined trust in negotiations. In maximising funding penalties, all risk is transferred from public agencies to TSOs. Here, as elsewhere, TSOs are providing services in fields where the state has failed, in this case, young people out of school. The marginalisation of contextual information about the service, in favour of numeric indicators, with attached financial penalties, emphasises poor understanding of the challenging nature of the service activities, exacerbating damage to trust.

In Wharton, a youth centre worker identified how competitive funding cultures and a technicist approach to managing and monitoring activities damages openness and trust between different youth centres and with local government officers, and instead of learning from service difficulties and failures, encourage their concealment.

It's got worse, time was our YO [area youth officer] knew us, now it's like numbers, membership targets, attendance numbers, how many accredited activities... and same time, it's meant to be informal... so there's issues about ...groups sharing problems, like because... competing for funding, that's the bottom line, and it creates dishonesty. ... people have to make the pretence of meeting targets ...to survive now, so we lose that chance of working together.

Many community based TSOs, as in these examples, have been recognised for their experience in working with hard to reach groups of people. Establishing unattainable targets for services working with challenging user groups is irrational, especially when state services have previously failed these groups. As Cora from TSO 2 in Rushley indicates,

We provide education for disturbed and vulnerable young people; outcomes are extremely hard to predict or measure. This insistence on unrealistic targets provides no basis for us to feel confident about any future partnership with [Rushley] Council.

Anna, from TSO 1, illustrates this point more blatantly:

Maybe if the student who was deaf and had a history of arson, they placed with us, had set fire to The Place, they'd have woken up to the real world...what would be a successful outcome for him?

The prescription of targets is argued as necessary for public authorities to manage risks and to demonstrate accountability for public funds (Glennerster 2003). However, over-specified contracts highlight limited trust by the purchaser in the professional abilities of the service providers and in turn, erode their trust in the competence of the public agency. In cases above, services had a good track record, which could have enabled some broad expectations about levels of achievement based on situated knowledge. However, in new projects and services intended to be innovative, the prescription of specific outcomes is neither logical nor fair since performance in new developments is notoriously hard to predict (Van de Ven 1999).

Our last example of a neighbourhood Sure Start project involving multi-agency delivery highlights the damage to organisational relationships posed by disruptive policy changes: a further way in which trust between public agencies and TSOs is eroded, and where the state appears to take little responsibility for risks or for seeking to mitigate the damage wreaked. Sure Start projects have relied on generating neighbourhood trust and participation in developmental work to engage hard-to-reach groups. However, factors, such as fixed-term funding, associated with such projects undermine the fragile trust developed among participants in public support for neighbourhood work. In the words of the co-ordinator, the success of this Sure Start project which had 'engaged some parents ...from two generations without jobs' was 'short-lived with the end of Sure Start funding and the decision to mainstream developments into new wider area based Children's Centres.' Another worker commented, 'In 2 months local parents whose hopes have been raised will lose jobs and the children's projects. We're letting them down all over again.'

Involving hard-to-reach, low income families alongside different agencies and workers in designing self-help projects, which increase local employment and improve facilities for children and parents, generates motivational trust in joint and supported endeavour. This trust is hard to build but easily eroded in the absence of visible means of continuity. The loss of trust in individual professional workers, local and national governments will be difficult to repair where people see their efforts discounted. In this case, the emotional and financial risks for the project failing to survive are carried by those who are the most vulnerable but paradoxically, in policy terms, were the intended project beneficiaries.

Trust, risk and control: continuity and change in inter-organisational relationships

As our examples demonstrate, traditional grant-based relationships have increasingly shifted to contractual and commissioning arrangements, in which differential power relations have undermined communications and trust. All too often, compliance has been read as consensus but masks a lack of trust between participants. Some trust literature endorses rigorous structures and predictability as creating positive conditions for inter-organisational trust but this misses the element of power.

Research considered here indicates that the power to determine norms of behaviour, discourse and arrangements, associated with dominant managerial cultures in public agencies, and heavily specified contracts has, in many cases, pervaded and damaged trust-based relationships in cross-sector work. Smaller organisations, furthest removed from these cultures, are excluded from information and influence, and experience devaluation; consequently, their trust in public agencies' commitment to working with them on developmental service outcomes is lost.

Our studies demonstrate an organisational environment, dominating recent public-third sector relationships, often hostile to developing or sustaining cross-sector trust: an environment where, increasingly, relationships are governed by competitive interests and high levels of control through contractual frameworks and audit, with little attention given to relational damage or relationship building. Such frameworks serve to manage reputational and financial risks for funding agencies but impose new meanings and arrangements which, to avoid exacerbating distrust, need re-negotiation between participating organisations and individuals. In the current environment, where large corporations are increasingly competing for contracts, the distance between providers and purchasers generates services that are poorly understood, defined and evaluated, and the relational space in which alternative approaches can be valued is declining. Small community groups are being relegated to roles as sub-contractors or, disillusioned, are withdrawing, taking valuable local knowledge with them.

Our research shows discontinuity and superimposed changes in the funding and policy environments as frequently responsible for eroding initial trust in state actions: where grant funding moved to contracting arrangements (Rushley); and where TSOs became casualties of new directions (Sure Start) or saw their specialist work open to new competitors (Wharton). Failures to communicate or to seek to mutually reconstruct the terms and practices of these environments aggravate the conditions of distrust, weakening opportunities for meaningful inter-organisational exchange. Despite the promises of greater empowerment of local service users and mutual control of services emerging from Coalition localism policies, many local areas are seeing services lost and contracts awarded to corporate 'outsiders'. The message from the examples above is clear: that with the influx of a wider range of bidders, community organisations anticipate that their local expertise and commitment to genuinely responsive services will be lost, resulting in longer term impoverishment of services and the further marginalisation of groups in their communities.

Further, the codification of services into contracts potentially removes both commissioners and providers from the need for effective communication about services so that the fairness of, or rationale for, specific performance indicators becomes lost. Since providers carry both reputational and financial risks for meeting targets and future funding success, they are pressured to maximise their appearance of meeting targets, even if this means not publicising service failures from which other TSOs or public agencies might learn.

Moving from more than a decade of New Labour to Coalition government policies, these kinds of changes have accelerated, with a serious impact on TS mistrust in the state. TS infrastructure organisations are rapidly disappearing alongside many longstanding small community-based projects; in their stead, a handful of newly trained Big Society community organisers are promised. TSOs' special roles as valued 'partners' in service delivery have increasingly been displaced by an open market favouring large corporations. Not all this is new, and continuities are visible in the progressively larger contracts through which public bodies hope to minimise transaction costs. However, the state's retreat, not only from service delivery, but also from responsibility and accountability for welfare provision, is a massive ideological shift. This has generated multiple and accelerated changes in policy, infrastructure and funding, prompting protest campaigns from vulnerable community organisations (NCIA 2011).

The increased transfer of risk to TSOs emerged as a significant factor in the deterioration of trust relationships and illustrates a further failure in cross-sector understanding. The studies demonstrate the contradiction between a policy rhetoric which promotes empowerment, risk-sharing and innovation and TSOs' experiences of practice. Escalating contracts, an increasingly risk averse public sector environment and the rapid turnover of policy initiatives have all contributed to this growth of overt and covert shifts in the transfer of risks to TSOs, including the growth of payment by results. Rather than a risk- and benefits-sharing model, these studies indicate that commissioning has privileged costs over quality or efficacy of services, and is increasingly circumscribed by regulatory controls. This too, is an arena which is worsening as new contracts attract large corporations and reducing public finances and responsibilities for welfare have become central driving forces in public decision-making.

How risks are addressed in contracts between public and third sector agencies has received little research consideration. Yet our data suggest an inverse relationship between the transfer of risks and trust in relationships, showing how tightly managed contractual risk damages communication between purchaser and provider, ultimately impacting on service activities and the potential for organisational learning. TSOs have been increasingly used to provide services where conventional approaches have failed, with the aim of devising new ways of delivering services for the 'hardest to reach' groups in society (Milbourne, 2009). Logically, a prior specification is impossible, if innovative provision is intended to overcome past mainstream failures. Fostering innovation conflicts with a regime

dependent on managing outcomes and risks through the achievement of measurable targets. Market mechanisms thus serve a dual role: as risk management devices for powerful funding bodies; and as means to transfer risk from the more powerful to the less powerful – from state body to TSO. Not only do these shifts and mechanisms generate negative consequences for organisational learning and innovation but they exert pressure on organisational identities and local accountabilities, imposing others' interests, values and 'ways of doing things' (Hoggett, 2004:119), creating barriers to building open, co-operative, cross-sector work.

Many of the research examples raise questions of how competence and knowledge are judged or legitimised, highlighting growing differences in sector identities and understandings. Whereas public agency professionals liaising between sectors used to be domain experts, able to enjoy competence-based trust, their responsibility has become managerial: audit and contract management. This shift in what counts as expertise erodes common ground for competence-based trust in cross-sector relationships. In an audit system meaning is anchored in unilaterally and hierarchically defined targets instead of being co-produced; and legitimate understandings and narratives of service activities, important to service providers are marginalised. Most of our respondents reported non-negotiable targets, resulting, as one youth centre worker described, in a conspiracy of over-optimistic reporting to manage the risks associated with unrealistic performance expectations in extremely challenging service areas. Data reporting, according to pre-defined targets and in the language of the funder, has displaced narrative based reporting where activities might be described though locally generated meanings. The strong emphasis on data rather than meaningful communication about quality is seen to generate unanticipated consequences, which themselves pose risks to longer-term service efficacy. This legitimisation of some approaches over others demonstrates how powerful agencies can define the rules of the game (Clegg, 1989) in cross-sector and contractual contexts to the detriment of trust and the kind of openness which could lead to improvements in relations and services. The nature of client-contractor relationships often implies a hierarchical imbalance of power that undermines real trust. However, if funding agencies adopt a more flexible stance to communications, to understanding and defining service activities, there is potential for mutual organisational learning. Otherwise, as the contractual environment accelerates, the consequences of mistrust may be inimical to future provision and the kind of innovation that politicians have argued is necessary for wider public confidence in local services.

Many examples discussed offer negative insights into cross-sector work but there were exceptions in projects which involved a joint approach to inter-agency work, where a common endeavour in frontline service delivery overrode norms embedded in dominant management and audit cultures. These cases show that cross-sector trust can be generated and sustained in situations where time and effort are jointly invested to understanding and learning from different approaches. However, this demands significant investment in communication and co-creating purposes, meanings and shared

values in the project. It also demands the kinds of projects and infrastructural investment which are currently being eroded. While trust in these settings can be fragile, often depending on individual dispositions, and the willingness of representatives from large statutory agencies to relinquish customary levels of control, the benefits for services from the kind of inter-organisational exchange that would not be feasible from any one organisation alone (Huxham and Vangen, 2004), are significant. If conventional modes of operation are replaced by shared knowledge and approaches, these can cement rather than erode trust and developments in inter-organisational work.

Conclusion

Public bodies have often behaved as though trust in their actions is a given, whereas all too often, trust is a masquerade. This paper identifies ways in which trust between sectors has been eroded in a changing cross-sector environment, exposing challenges to confidence in public agencies. It has consequently highlighted approaches that might be more effective in developing inter-organisational relationships and building better trust-based services with community providers.

In the wake of recent public funding cuts, TS optimism fostered by localism and Big Society strategies has been short lived (Coote, 2011). From initial celebration of the importance of the third sector's role, it is now evident that many TSOs and their services will not survive cuts in funding and infrastructural support, and the acceleration of new contracting arrangements favouring large corporate providers. Futures based upon the emergence of an army of volunteers are illusory, particularly in deprived areas, undermining trust in new state projects. The rapid decline in public funding for both statutory and voluntary services offers little optimism through which to stimulate cross-sector trust, yet this is needed if the third sector, as a part of wider civil society, is to carry increasing responsibility for social welfare and well-being. Similarly, the extent to which the regulatory controls and data-based performance frameworks of new public management practices will be diminished as accountability for services is devolved contractually remains to be seen.

Concern about trust as a means to improve effectiveness in service relationships; the efficacy of services; the professional values of providers; or to achieve goals of social equity and social cohesion is barely visible. In the current economic environment, competition and conflict over resources can hardly be removed from state-third-private sector relationships and replaced by relationships built around trust, nor can risks in inter-agency work be removed or easily shared. However, any commissioning or partnership framework needs to recognise the problems posed by competitive funding and associated command and control approaches to regulation and monitoring, and to appreciate the potential benefits of meaningful communication, sharing organisational knowledge and exploring trust-based collaboration. The consequences for improving services and renewing the eroded trust of smaller third sector providers and their service users are significant in any renewed emphasis on community engagement and wider social participation.

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