northern rock foundation
Third Sector Trends Study

Journeys and destinations:

the impact of change on third sector organisations

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1 Introduction

The aim of the Northern Rock Foundation Third Sector Trends Study is to understand the structure and dynamics of the Third Sector in North East England and Cumbria. After four years work we now have a clearer picture of the sector. We now know how many staff and volunteers work in the sector; how different kinds of organisations are funded; how they allocate their resources; which groups of beneficiaries they serve; and how they work with other organisations and with different sectors.[1]

The first phase of the research included a detailed statistical analysis of the sector undertaken by Southampton University in association with NCVO and Guidestar. This provided a good foundation for our work and subsequent development of the longitudinal aspect of the study.

Our contribution to the study, which brings together researchers from Durham and Teesside Universities, initially included a series of interviews with infrastructure organisations and open discussions with key informants from the sector. Building on that, the core of our work has been an in-depth qualitative study of 50 Third Sector Organisations (the 'TSO50'), together with a major questionnaire based survey (the TSO1000).

Both these exercises have been designed to be repeated in order to track change over time. This report presents some of the initial findings from the *second* phase of the TSO50 element of the study. It focuses on responses to change, drawing out concepts that help to understand organisational behaviour and its consequences.

About the TSO50

The intention of the TSO50 study was to follow the fortunes of 50 Third Sector organisations (TSOs) which, to some extent at least, can be said to be representative of the sector in the North East and Cumbria. The sample was

[1] See: Kane and Mohan (2010a, 2010b); Mohan *et al*. (2011a, 2011b).

selected using three dimensions: the area within which the organisations operate; the size of the organisations; and the beneficiary groups which they serve.

To cover at least some of the varied economic, geographical, cultural and social characteristics of the North East and Cumbria, we sought to identify samples of 10 organisations in each of the five sub-regions, and in each of these sub-regional samples we focused on a particular beneficiary theme, as follows:

- County Durham: arts, heritage and environmental organisations
- Cumbria: organisations working in predominantly rural areas
- Northumberland: organisations working with older people
- Tees Valley: organisations working with young people
- Tyne and Wear: mental health organisations

We also sought to include organisations of different sizes. Hence, in each of these sub-regions, organisations were selected in four main size categories:

- Large national organisations: with headquarters/head offices based outside our study region**.**
- Larger regional / sub-regional organisations: with more than 24 employees and an annual turnover of at least £1 million
- Medium sized organisations: those with between 5 and 24 staff, and a turnover of more than £200,000, but less than £1 million.
- Smaller organisations: with a turnover of less than £200,000 and having fewer than 5 employees.

The first phase of the TSO50 interviews was carried out in 2009. Together with data from the first phase of the TSO1000 survey, these interviews provided us with a snapshot of the Third Sector at that time. Now, in this second phase of the study, we can start to look at how the sector is managing change.

The second phase of the TSO50 study was undertaken between November 2011 and April 2012. Out of the 50 organisations we had started with, we found that one had shut down, one could not be contacted, and one was unable to meet with us, so we were able to interview 47 organisations. The majority of the interviews involved the same interviewer and interviewee as in 2009.

In this second phase of our TSO50 interviews we have been finding out how organisations have been getting on since we last met with them, exploring particularly how they balance external and internal factors and influences, and how they respond to challenges and opportunities.

2 Drivers of change

In the early phases of our work we had a sense that TSOs were very much at the mercy of forces beyond their control.[2] That is what we were told -- and it was a point of view that seemed to be widely accepted. Subsequently, we realised that organisations had much more control over their own destiny: they had choices even if their room for manoeuvre might be quite limited.

It is clear that TSOs are subject to external and internal influences. How they respond to these influences can shape their development and future prospects. These influences, with some examples, are sketched out in Figure 1.

Figure 1 **External and internal influences on TSOs**

External Constraint ⟷ Organisational Control

Structural factors	Situational factors	Relational factors	Organisational factors
Global economy Government policy Legal framework Market conditions National political climate Cultural conditions	Local economy Local social and cultural factors Local politics, economic and social priorities Local public sector service ethos Local private sector approach to philanthropy	Relationships with local public sector, private sector and Third Sector Relationships with communities of interest or place	Extent of organisational independence Organisational assets and resilience Organisational mission and competence

[2] Chapman, T., Robinson, F., Brown, J., Shaw, S., Ford, C., Crow, R. and Bailey, E. (2009) A *mosaic, jigsaw or an abstract? Getting a big picture perspective on the Third Sector in North East England and Cumbria,* Newcastle: Northern Rock Foundation Third Sector Trends Study Working Paper.

There are clearly **structural factors** on a national or global scale which affect TSOs' wellbeing. A key example of an overarching global factor can be characterised as the transformation of the world economy following the credit crunch in 2008. National policy and politics also have a very important impact upon the operation of TSOs through changes in the fiscal, legal and policy environment. In recent years, the dominant policy issue has been the effort to rescue the banks, bolster the flagging economy and reduce the public spending deficit, especially by cutting expenditure. Market conditions may also affect the potential of business to engage in philanthropy, while levels of unemployment, for example, can affect patterns of public volunteering and giving. The national political climate and, more broadly, cultural conditions can also have a big influence on which causes are supported and the priority accorded to different concerns. This in turn can have a significant effect on the prospects for different TSOs.

Situational factors include the local economy and the local social and political context. In some places, and certainly in the North East, the public sector is a dominant feature of the local economy. In other areas, such as the South East of England, there may be a stronger private sector able to support TSOs. Changes in governance structures, notably the abolition of the regional tier and reconfiguration of the NHS, can also have a big impact on TSOs. Local TSOs may work to shape this environment through their involvement in, for example, partnership bodies and through lobbying and campaigning.

Relational factors concern the way that TSOs work with each other and how they work with their communities of interest or place, the local public sector and local businesses. Relationships may be formalised and be subject to contractual obligations, such as payment by results. Or they may be less formal, embracing a wide range of partnership or collaborative relationships. New arrangements for the provision of public services -- through personalisation for example -- are also developing new and different kinds of relationships. TSOs have much more control over these factors – they can choose who they wish to form relationships with (although they might not necessarily be successful in doing so). Relationships are about much more than pragmatic partnerships or collaborative working arrangements, however; they are also about the social glue which positions TSOs within their communities of interest or place.

Finally, **organisational factors** refer to the way a TSO chooses to operate. As independent organisations, this is a matter for them and under their control. Organisational potential is limited by the strength of their asset base (of people in the organisation and the financial and intellectual resources) and the ability of the organisation to govern itself successfully, evolve and be resilient.

Hence, both external constraints and organisational control can both influence how and why a TSO responds to challenges and opportunities.

3 TSO perspectives on change

Different organisations perceive change in different ways: some embrace new opportunities, whilst others are less willing or less able to respond. We are not making a judgement here about what might be the ‘right’ course of action; we are pointing out that there are different perspectives with particular consequences. Our initial analysis of the second phase of TSO50 interviews suggests that there are – very broadly - three main perspectives on change.

Some TSOs do not feel that they need to do things differently and **resist change.** These organisations do not alter what they do, even if significant external change occurs around them (or even if, in some cases, it impacts directly upon them). Some really do not need to alter their practices – they can sustain themselves almost irrespective of what is going on around them. Others simply cannot or will not respond to external change – which may potentially lead to disastrous results.

Another group of TSOs are those which actively **prepare for change**. These organisations are good at anticipating what might happen and can make plans to tackle the challenges of the future and prepare contingency plans in case things run in a different direction. They know how to make difficult decisions; they can implement change and may be able to do so without causing undue damage to organisational morale. This group of organisations includes those which we previously identified as entrepreneurial, business-like and professional.

The final perspective is of those TSOs which are **reactive to change.** These organisations tend to operate in a responsive way – sometimes only waking up to the realities of change when it has happened. They may fail to anticipate the consequences of change and may not be so good at making difficult decisions in a timely way - leaving them in a vulnerable position. Some of these would be organisations which grew or emerged in the ‘boom years’ and did not anticipate that times would change and the funding sources that they had relied on would disappear.

So, some organisations stay as they are; some embrace change, and others are forced to change. But whatever the impetus for change, how can they negotiate it successfully? Our view is that much depends on organisational factors which to a large extent are under their control.

In the first phase of the TSO50 we looked at 20 organisational practices based around the concepts of Foresight, Enterprise, Capability and Impact. Under the heading of Enterprise, for example, the following activities were considered: knowing how to assess and spot opportunities; knowing when to compete or cooperate with others; using innovation to meet beneficiary needs; having an organisational culture that is responsive to change; and, maintaining useful relationships with stakeholders to help achieve aims.

When the scores TSOs achieved in relation to each of these organisational practices were produced[3], however, we chose not to make any judgements about whether these practices would necessarily benefit or damage organisations. Intuitively, it was felt that having 'an organisational culture that is responsive to change' seemed like an obvious and good thing for organisations to have. But we could not know whether this was true or not until the study had been repeated at least once, and preferably, twice over the planned period of six years of study.

The next report we publish will make observations on that analysis – in light of the findings which are presented here. Certainly, the current phase of work has enhanced our understanding of what makes a difference to organisational success and this has grown from previous work scoring TSOs against twenty criteria of organisational practice. But what we now recognise is that there is a set of 'critical success factors' which make a *fundamental* difference to the success of TSOs.

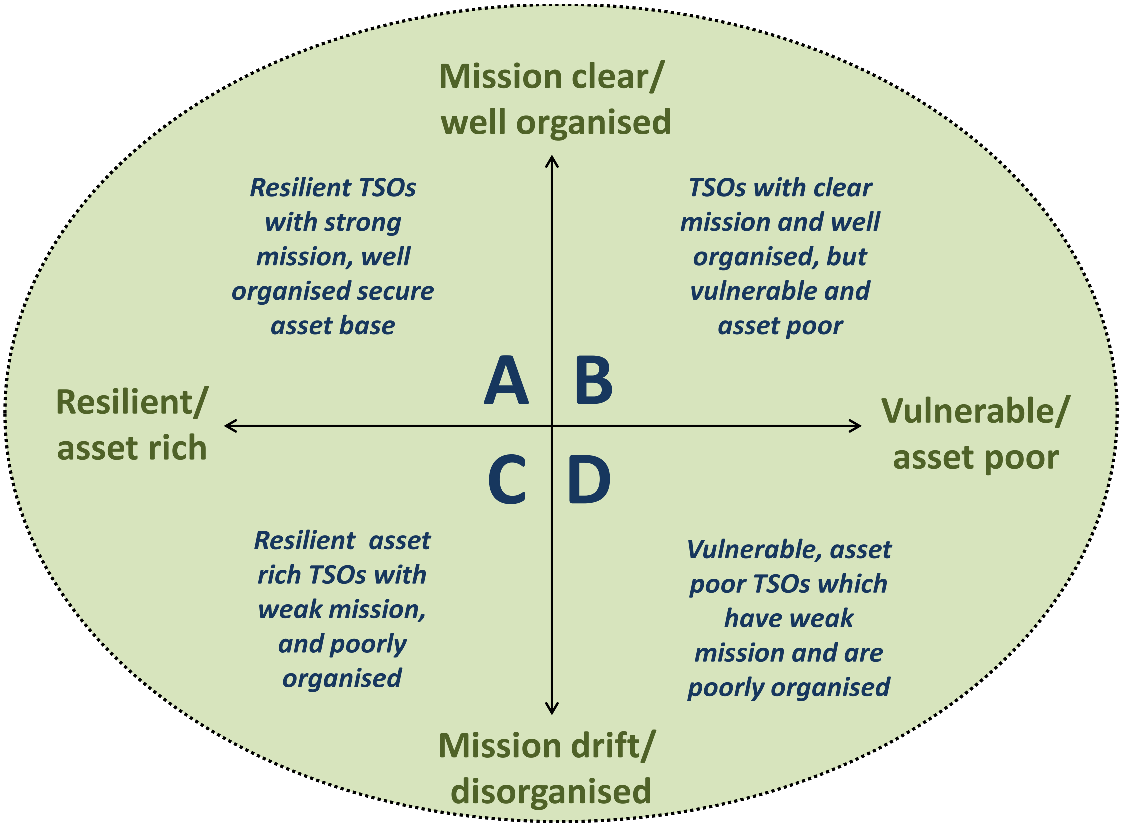
We now feel able to identify four overarching critical success factors, as follows:

- ***Resilience***: means that the organisation has the strength of character to get through difficult times and to prosper when times are good without losing sight of mission. Such TSOs have a strong sense of identity which is shared by leaders, managers, staff and volunteers.
- ***Assets***: includes a range of 'tangible resources' (such as property, investments, contracts, reserves, etc.), 'people resources' (commitment, skills, motivation, values, etc.) and 'ideas' (the intellectual property to produce practices that lead to good solutions).
- ***Mission***: means that the TSO knows who it is there to serve and knows what it wants to achieve.
- ***Competence***: means that the TSO can marshal its assets to work efficiently and effectively: they are, in short, well organised.

[3] Chapman, T., Robinson, F., Brown, J., Crow, R., Bell, V. and Bailey, E. (2010a) *What makes Third Sector organisations tick? Interactions of foresight, enterprise, capability and impact*, Newcastle: Northern Rock Foundation Third Sector Trends Study Working Paper.

We can conceive of the interaction of these four factors diagrammatically (see Figure 2). This helps to reveal, albeit in a simplified way, the different situations of organisations and has provided us with a way of thinking about how the TSO50 organisations are negotiating change.

Figure 2 **Interactions between mission/organisation and resilience/assets**



TSOs in **position A** have a clear mission and are well organised to achieve that mission. They have a strong asset base of resources, people and ideas which makes them more resilient to internal or external change.

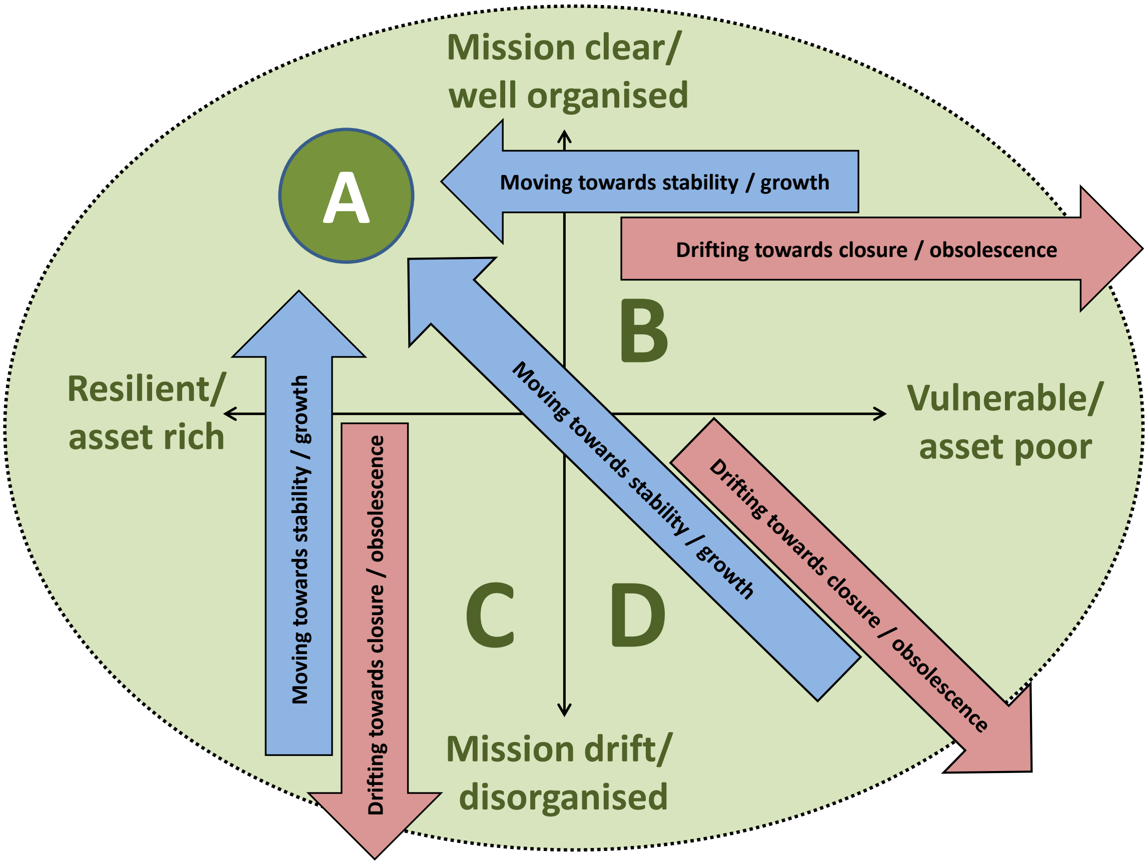
Those TSOs in **position B** have a clear mission and they are well organised to achieve that mission. However, they have a weak asset base of resources, people and ideas. They are vulnerable to the impact of internal or external change.

Position C refers to TSOs that have a strong asset base of resources, people and ideas and are resilient to internal or external change. But they are not particularly well organised and do not have a clear mission.

TSOs in **position D** are not particularly well organised and do not have a clear mission. They have a weak asset base of resources, people and ideas. They are vulnerable to internal or external change.

On the basis of our first phase of the TSO50 study, we can see how organisations were positioned. Following the second phase, we can see whether they have stayed in the same situation or have moved. Figure 3 illustrates the principal directions of travel.

Figure 3 **Principal TSO movements between quadrants**



This diagram shows that TSOs can remain where they are, in the same situation, over time; they can move into a better position (towards A); or into a worse position (towards D or out of the circle – that is, closure). Through analysis of the TSO50 data, we have made informed judgements about where organisations were situated when we first went to see them in 2009 and where they are placed now, in 2012.

Figure 4 **Directions of travel 2009-2012**

Direction of travel	Number of TSOs
Successful and sustainable (position A + A)	27
Becoming more stable and sustainable (moved from B,C, or D to A)	4
Stable but struggling to be sustainable (remained in B,C or D)	11
Becoming less stable and sustainable (moved from A to B,C or D)	4
Closed (no longer operating – moved out of the shaded circle of the diagram)	2
Not known (not able to categorise)	2

Half of the TSOs in the study have at least maintained or even *strengthened* their position as secure organisations (by remaining in A over time). Four more organisations have strengthened their position significantly and have moved into a stronger position (into A). Twelve organisations have been relatively insecure throughout the period of study and continue to struggle to survive (they have not moved from B, C or D). Only six TSOs have clearly shifted in a negative direction and have become significantly less secure (they have moved to D). Two organisations have closed.

This is a more positive picture than might have been expected. It is often claimed that the sector is in deep trouble; that organisations are collapsing and funding cuts are decimating the sector.[4] What we find is a much more resilient sector, with organisations that are managing to maintain a degree of stability whilst they negotiate change.

[4] See: Bell, V., Robinson, F., Chapman, T., van der Graaf, P., Shaw, S., Brown, J. and Chinaka, G. (2010) *Forearmed with Foresight: speculations on the future development of the third sector in North East England and Cumbria,* Newcastle: Northern Rock Foundation Third Sector Trends Study Working Paper .

4 Organisational ethos

In the TSO1000 survey, we asserted that it was not possible to produce 'typologies' of TSOs by factors such as size, beneficiary orientation, legal status and so on. Instead, it was argued that it was more fruitful to think about the position that TSOs occupied in relation to other sectors: the state, the market and the community.[5] At that stage we were able to comment on the direction that TSOs faced in relation to other sectors. Now we feel it may be less revealing to think about which direction they face and more valuable to look at their cultural orientation: who they think they are.

The second round of interviews with the TSO50 has enabled us to get a better understanding of organisational ethos. By the term 'ethos' we refer here to the cultural orientation of the organisation in relation to the market, state or community. What we emphatically do not mean, in conceptual terms, is the extent of *dependence* of the TSO on market, state or community (although it is acknowledged that the two things can go hand in hand).

For example, some TSOs clearly have a very strong market orientation in the sense that they think and behave in much the same way that private sector businesses do (whilst maintaining their value position) - but the marketplace within which they work may be driven by the public sector. If a TSO has a market orientation – or is what might be called a 'social enterprise' – it does not really matter where they get their contracts from in conceptual terms – although the likelihood is, in the case of TSOs, that funding for their activities will largely come from the state. Figure 5 provides a conceptual map of organisational ethos.

Organisations with a market-driven ethos

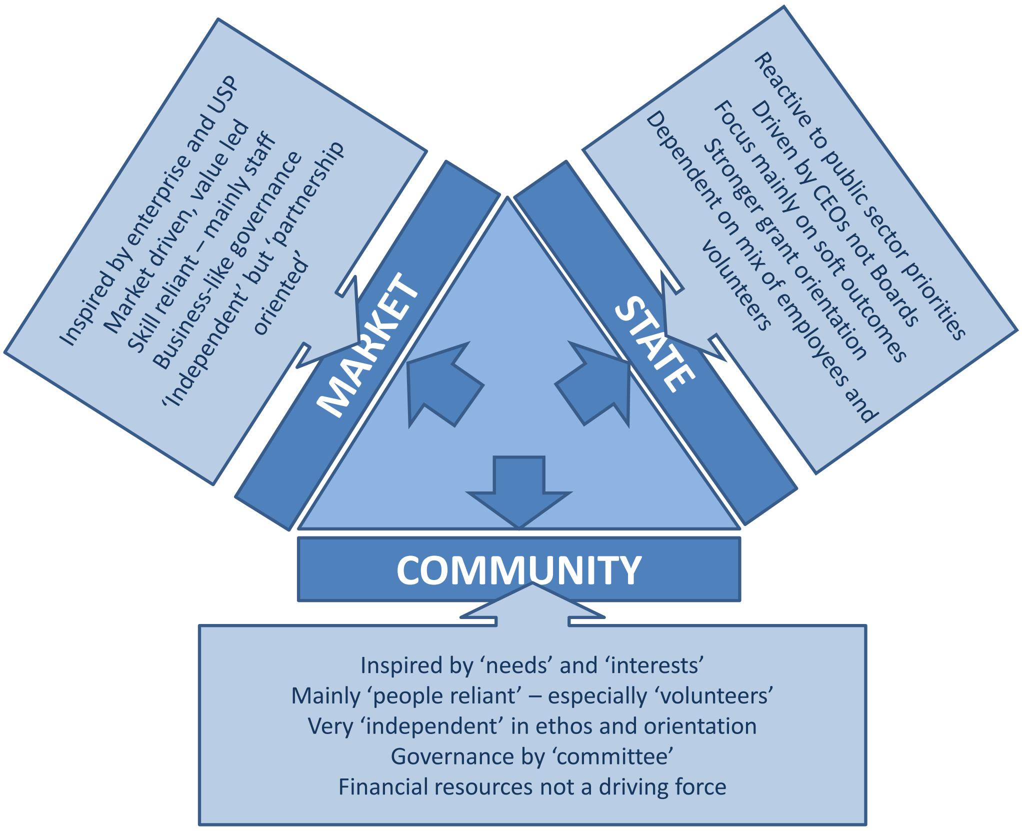
The TSOs which have a market-driven ethos are 'business-like' in their practice. By business-like, we mean that they operate in such a way as to present a clear product or service that they want to offer to the social marketplace. That service might be, for example, the provision of accommodation for homeless young

[5] See: Chapman, T., van der Graaf, P. Bell, V., Robinson, F. and Crow, R. (2010b) *Keeping the show on the road: a survey of dynamics and change amongst third sector organisations in North East England and Cumbria,* Newcastle: Northern Rock Foundation Third Sector Trends Study Working Paper.

people, the delivery of transport services to people in rural areas, or the creation of employment opportunities for people in deprived areas.

Organisations can be business-like in their practices, but remain strongly attached to their values – to values which are not simply those of the market. Hence, such organisations are often described, or may describe themselves, as social enterprises, meaning that they are both 'value led' and 'market driven'.[6] They reinvest any surpluses back into the organisation to build reserves, invest in development and also in subsidising other things they want to do for their beneficiaries.

Figure 5 **TSO 'ethos' positioned in relation to other sectors**



Like all TSOs, those with a market-driven ethos need to be well governed. Trustees or directors need to understand the business as well as being committed to the values of the organisation and share a belief in what they want it to achieve for its beneficiaries. Governance needs to be undertaken, therefore, with

[6]Westall, A. (2001) *Value Led Market Driven*, London: IPPR.

the support of people who are knowledgeable about business practice and organisational management – as well as understanding social issues.[7]

Organisations with a community-driven ethos

Many TSOs are closely involved with their communities of interest or place. But that does not necessarily mean that they have a community-driven ethos. When we say that a TSO has a community-driven ethos, we mean here that it is not just *for* the community, but is *of* the community. Such TSOs are completely embedded in and fundamentally reliant upon the support of the community to survive as organisations.

Often, community-driven organisations are run by the people who benefit from them. Some can be inward-looking, while others are more inclusive and draw people in. Such organisations tend to be quite small, they serve relatively few beneficiaries and they are not generally professionalised in the sense that they have full or even part-time staff to manage organisational functions. They are generally heavily reliant, therefore, on volunteers to achieve their objectives. Governance tends to be less formal than in TSOs with a market-driven ethos. Even if they are fully constituted organisations, they are often led by a 'committee' (as they will call it) rather than a formalised or professionalised board.

Most of these organisations do not need much money to keep going and they tend to be able to endure over time, drawing on their strong people assets. If such organisations develop and grow, their character may change significantly as, typically, their reliance on public sector funding increases and they need to become more 'professional'. This does not *necessarily* result in them losing their community-driven ethos. But if it does, they can take on a market-driven or public sector-driven ethos.

Organisations with a public sector-driven ethos

Over the last few years, many community-driven organisations have expanded, or new organisations have been created as a result of public sector initiatives and investment, such as the Single Regeneration Budget and the Neighbourhood Renewal Fund.

Many organisations which grew or emerged in response to public sector priorities developed objectives which were, to a large extent, defined by others. These TSOs may find they have to shift their objectives as funding priorities change. That may mean that they have to be pragmatic if they are to continue to prosper and they need to be prepared to re-shape their mission.

The way these organisations view change – their perspective on change – really matters. Those that respond to change in a reactive way are more likely to find

[7] See: Robinson, F., Chapman, T. and Bell, V. (2011) *Building better boards, what's the problem?*, Newcastle , Northern Rock Foundation Third Sector Trends Study Working Paper.

themselves in a vulnerable position as they are unable to keep up with the changes happening around them. So, amongst these organisations, there are those that may be marooned, desperately trying to find funding for causes that are no longer a government priority – or trying to re-invent themselves, too late in the day.

5 Journeys and destinations

We can now develop our analysis of the TSO50 by commenting on the relationship between organisational ethos (in relation to the market, state and community) and their journeys over the last three years.

Our analysis shows that the strongest organisations (in quadrant A) tend to have a market- or community-driven ethos (see Figure 6). Indeed, 14 out of 18 (78%) of TSOs with a market-driven ethos were located in this quadrant in 2009 and were still there in 2012. Additionally, three out of four of the other market-driven organisations had successfully moved from weaker quadrants to quadrant A. Only one of the TSOs with a market-driven ethos remained in difficulty.

Figure 6 **Journeys and destinations of TSOs 2009-2012**

Direction of travel	Market-driven ethos	Community-driven ethos	Public sector-driven ethos	All TSOs
Remained successful and sustainable (position A + A)	14	12	1	27
Becoming more stable and sustainable (moved from B, C or D to A)	3	1	0	4
Stable but struggling to be sustainable (remained in B, C or D)	0	1	10	11
Becoming less stable and sustainable	1	2	1	4
Closed	0	0	2	2
Unknown (not able to categorise)				2
Total	18	16	14	50

In the case of TSOs with a community-driven ethos, 12 out of 16 (75%) of them retained their position in quadrant A. This suggests that they are stable, sustainable and largely unaffected by recent change. Of the other four TSOs in this category, one has become stronger; one is struggling to survive; and two have become less secure.

Those TSOs with a public sector-driven ethos are doing much less well. Only one out of 15 of them has managed to maintain their position in quadrant A and none of them have become more stable and sustainable. 10 out of 15 of these TSOs have remained in a weaker quadrant over time – suggesting that they were struggling in 2009 and that they are still struggling now. One has become weaker than in 2009 and has dropped into quadrant D and two have closed. In sum, those which appear to be most at risk are TSOs with a public sector-driven ethos.

We are clear that organisational ethos has an influence on the potential for sustainability. But there is still a lot more work to do in understanding the interactions between organisational governance, practices and ethos. Using the TSO50 data, we will compare these factors in order to get a more finely tuned understanding of how organisations successfully negotiate change. We will also be able to test out hypotheses drawing on a much larger data set derived from the TSO1000 study.

6 Summary and next steps

This short working paper has covered a lot of conceptual ground which, we hope, will provide a useful framework upon which to continue our analysis of the TSO50 and also to help analyse the TSO1000 data which we have recently collected. Before the priorities for the next stage of work are considered, it is useful briefly to summarise the main points of this paper:

- All TSOs work in an environment where external forces shape their opportunities. While TSOs must respond to these forces in some way, we recognise that they only have very limited scope to influence the environment within which they work in some respects, and much more scope in others:
    - ***Structural change***: the global or national economic and political environment is outside the control or influence of TSOs
    - ***Situational change***: the local economic and political environment may be influenced to some extent by the actions of TSOs.
    - ***Relational change***: the way that people work with each other, beyond the boundaries of the individual TSO, can be strongly affected by the actions of TSOs.
    - ***Organisational change***: a TSO manages its own affairs as an independent organisation; this is under its own control.
- The extent to which TSOs are willing and able to *embrace, ignore* or *avoid* change can impact upon their organisational wellbeing, depending on their position in relation to the community, the state and the social market place.
    - TSOs which operate at a very local level and are embedded in their communities are generally more able successfully to ***resist*** change.
    - TSOs which are socially enterprising and business-like in their practice tend to be good at ***anticipating, embracing and capitalising*** on change.
    - Those TSOs which fail to anticipate change and merely ***respond*** to it tend to be amongst the most vulnerable.

- A number of 'critical success factors' have been identified which affect TSOs' potential to remain successful or to become more successful. These factors include:
    - ***Organisational assets***: including 'tangible resources' (such as property, investments, contracts, reserves, etc.); 'people resources' (commitment, skills, motivation, values, etc.); and, 'ideas' (the intellectual property to produce practices that lead to good solutions).
    - ***Organisational resilience***: means that an organisation has the strength of character to get through difficult times (and good times) without losing sight of its mission. Resilient TSOs have a strong sense of identity which is shared by leaders, managers, staff and volunteers and is valued by beneficiaries.
    - ***Mission***: means that the TSO knows who it is there to serve and knows what it wants to achieve.
    - ***Competence***: means that the TSO can marshal its assets to work efficiently: they are, in short, well organised.
- The most effective organisations have a culture where they expect to take full responsibility and control of their own destiny – no matter what external forces are playing upon them. They can do this because they understand the strengths and limits of their assets; they have the resilience to develop and hold to their mission; and they have the competence to maximise the impact of their activity through effective deployment of their assets.
- Rather than focusing on 'types' of TSOs, we concentrate on where they are positioned in relation to the market, the state and community life. These positions tend to affect the organisational culture or 'ethos' of TSOs.
    - TSOs which are ***close to their community*** of interest or place tend to be smaller; they are run mainly by volunteers and employ few, if any, staff; and, they tend to endure over long periods of time.
    - TSOs which are ***closer to the market*** tend to be bigger; they employ more staff than they have volunteers; they operate in a business like way; and, they are socially enterprising.
    - TSOs which are ***closer to the state*** come in variable shapes and sizes; they tend to be more responsive to the agendas of public sector bodies to shape their mission and destiny rather than defining mission on their own terms.
- The research demonstrates that the 'ethos' of an organisation has a significant impact upon their potential to succeed over time.

- 18 TSOs in the study had a 'market driven ethos', of which 94 per cent had maintained or improved their position as successful and sustainable organisations between 2008 and 2012.
- 16 TSOs in the study had a 'community driven ethos', of which 82 per cent had maintained or improved their position as successful and sustainable organisations between 2008 and 2012.
- 14 TSO in the study had a 'public sector driven ethos', of which only 7 per cent had maintained or improved their position as successful and sustainable organisations over time; 71 per cent struggled to remain sustainable, the remainder had become less stable or closed.

The implications of these findings have yet fully to be explored using a wealth of qualitative data which is already available from the first and second round of the TSO50 study. We will also have data from a second round of the TSO1000 in summer 2012 which will provide quantitative evidence to explore a wide range of issues surrounding change.

Next steps in the research

Drawing upon evidence from the first and second wave of data from the TSO50 and TSO1000 we will explore the following issues.

The first step is to score each organisation in the TSO50 against the twenty criteria of organisational practice under the four broad headings of *foresight, enterprise, capability* and *impact* which were developed in the first phase of work. It is not assumed that each of these organisational practices will benefit all TSOs equally. Our expectation is that the position TSOs occupy in relation to the market, state and community will have an important bearing upon where they should invest energy in particular practices. This analysis will also involve 'mapping' scores on organisational practice against critical success factors. We will do this to examine the profiles of organisations which have enjoyed continuing success over the last two and a half years and find out what less successful organisations may need to do in future.

The second step is to interrogate the qualitative data from the TSO50 in considerable depth. This work will concentrate on the way that organisations have responded to change and analyse those factors that led organisations to make decisions. This analysis will allow us to deepen our understanding of the importance of leadership and good governance in running successful TSOs, together with a consideration of the role that collaboration, cooperation and partnership can play in helping or hindering TSOs from securing a successful future.

The third step is to assess the extent to which the Third Sector as a whole has changed over the last two years once data from the TSO1000 is available for analysis in late summer 2012. Drawing upon quantitative data, it will be possible to explore the following in considerable detail:

- The extent to which changes in the funding environment have affected organisational attitudes about beneficiary demand and financial wellbeing and whether they expect that the future funding mix will affect their future prospects.
- Whether organisational employee and volunteer profiles have significantly changed over the last two years and whether patterns of investment in training and staff development have altered.
- Explore which TSOs have become more reliant on earned income in the last two years and whether these organisations have changed their practices significantly.
- Find out how attitudes towards and patterns of collaboration, cooperation and partnership working have changed within the Third Sector and between TSOs and public and private sector organisations.
- Consider the extent to which TSOs need support to achieve their objectives and what kind of help differently positioned organisations want.
- Examine whether TSOs have focused more attention on measuring the impact of what they do than we found in the previous round of research.
- Finally, we want to know whether the strategic orientation of the Third Sector as a whole has changed. It is also important to find out if individual TSOs, which are positioned differently in relation to community, state and market, have adopted similar or different strategic priorities.

The fourth step, which will result in the publication of the concluding report of this phase of work, is to bring together the key findings from the qualitative and quantitative analyses. The purpose of this work will be:

- Firstly, to make general statements on the changing structure and dynamics of the Third Sector in a period of significant change.
- Secondly, to make an assessment of the strengths and weaknesses of the Third Sector as we find it, and to make observations on where investment might best be made and by whom to develop the sector’s potential.
- Thirdly, observations will be made on the pivotal role of TSOs themselves in building a successful Third Sector and recommendations will be offered on how individual organisations can benefit themselves and others by changing their practices and their outlook.

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