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TOWARDS AN ECOSYSTEM VIEW OF LEGITIMACY OF THIRD SECTOR ORGANISATIONS

THE UNIVERSITY OF EDINBURGH

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ABSTRACT

The study aims to provide a better understanding of the legitimacy and legitimation of third sector organisations (TSOs). It does so by integrating insights from contemporary legitimacy literature and public administration management literature into the context of Scottish-based TSOs that deliver services to young people.

Legitimacy can support the resource acquisition and long-term survival of TSOs. Therefore, legitimacy should not be taken for granted and must be actively managed to gain endorsement, support, and resources from the legitimating environment. However, much of the previous non-profit literature has tended to focus on the study of dyads, where the funder is often viewed as the main constituency who grants legitimacy to TSOs. TSOs are complex organisations because they have multiple constituent groups who may have different interests. The non-profit underpinnings of TSOs, the multiplicity of funding mechanisms and the presence of multiple constituents require expanding the focus to embrace these characteristics into the study of TSO legitimacy.

The study employed a qualitative multiple case study approach to explore legitimacy of four TSOs with different funding structures. Major data collection tools included semi-structured interviews with selected organisations and their funding institutions, observations and site visits, and analysis of relevant documents. The data was thematically analysed. The research study was guided by abductive reasoning which allowed for the exploration of the appropriate theoretical framework during the research and identified the relevance of the ecosystem approach in the study of the phenomena.

The application of the ecosystem approached has allowed to account for the complexity of TSOs and uncover a range of interlinked processes that contribute to TSO legitimacy. By embracing a holistic view on legitimacy, the study has provided an empirical demonstration that in the TSO context, legitimation of TSOs does not occur in dyadic relationships between the organisation and the funder but requires ongoing interactions with other elements in the wider ecosystem, the role of which becomes apparent only after the whole ecosystem has been explored and understood. Accordingly, the study has proposed a framework of the legitimacy ecosystem of TSOs and offered three different approaches to legitimation based on the core element, which has more legitimising potential than others when viewed within the whole ecosystem.
LAY SUMMARY

Third sector organisations (TSOs) play an important role in the society supporting vulnerable groups and communities. They, however, rely on funding support of others – funding institutions, state and state agencies, individual donors, and the general public. To gain financial support, TSOs should be legitimate and credible in the eyes of the funders. Because of this dependency, much attention was paid to how TSOs may distort their missions when seeking to ensure financial sustainability, assuming that funders are the primary sources of organisational legitimacy.

Organisational legitimacy shows that the profile, actions, and aims of an organisation are desirable, proper, or appropriate with respect to a system of norms, values, and beliefs. It is granted by others who may endorse and support that organisation and provide it with resources. This research has shown that TSOs are complex organisations and legitimacy is a complex concept, and focusing on one or two elements of organisational legitimacy may risk omitting other important factors.

The study has adopted an ecosystem view of legitimacy, which is simultaneously a theoretical framework and an operational tool in the studies of a complex phenomenon. The framework has allowed considering how the organisational processes and norms, networks, organisational and individual actors, values and beliefs and wider societal systems impact and shape legitimacy of TSOs in various ways. It has shown that the funder is only one dimension in the legitimacy ecosystem of a TSO and a “total” of TSO legitimacy is a result of the interplay between legitimising processes with the funders, communities, users, partners, regulators, and other organisations and how these interactions are framed by the environment and the values of individuals involved. It is how these different legitimising processes interact that is important for TSO legitimacy, and if they support each other, it will strengthen legitimacy at all levels for them. The study thus offers a novel lens through which to explore and understand TSO legitimacy.
ACKNOWLEDGMENTS

When working on my thesis, I could not help but draw parallels between my doctoral research and the topic that I was studying because like legitimacy, my thesis would not have been possible without the support of others.

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<td>APT</td>
<td>Animal and Play Therapy</td>
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<tr>
<td>CAMHS</td>
<td>Child and Adolescent Mental Health Services</td>
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<td>DST</td>
<td>Dance Sport and Tech</td>
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<td>EAL</td>
<td>Equine Assisted Learning</td>
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<td>ETR</td>
<td>Employment Training and Recreation</td>
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<td>ICT</td>
<td>Investment Charity Trust</td>
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<td>MA</td>
<td>Modern Apprenticeship</td>
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<td>NCVO</td>
<td>National Council for Voluntary Organisations</td>
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<td>NPG</td>
<td>New Public Governance</td>
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<tr>
<td>NPM</td>
<td>New Public Management</td>
</tr>
<tr>
<td>OSCR</td>
<td>Office of the Scottish Charity Regulator</td>
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<td>PAM</td>
<td>Public Administration and Management</td>
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<td>PSE</td>
<td>Public Service Ecosystem</td>
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<tr>
<td>SCVO</td>
<td>Scottish Council for Voluntary Organisations</td>
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<tr>
<td>SDS</td>
<td>Skills Development Scotland</td>
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<td>SE</td>
<td>Social Enterprise</td>
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<td>SQA</td>
<td>Scottish Qualifications Authority</td>
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<td>TSO</td>
<td>Third Sector Organisation</td>
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<tr>
<td>VR</td>
<td>Virtual Reality</td>
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CHAPTER 1: INTRODUCTION

1.1 Research aims

Government responsibilities in the UK devolved to local levels and more general downsizing have had profound effects on the funding environment in the third sector (Hazenberg et al., 2016; Macmillan et al., 2014). In many cases third sector organisations (TSOs) - broadly defined as non-profit and non-governmental organisations operating in and around civil society (Alcock, 2010) - face increasing competition for diminishing funding from grant-makers and in tendering processes (Kelly, 2007). Studying legitimacy of TSOs in the context of the unstable funding environment becomes important because legitimacy helps obtain necessary resources, reduce uncertainty, and ultimately enhance organisational survivability (Aldrich and Fiol, 1994; DiMaggio and Powell, 1983; Harris et al., 2009) because legitimate organisations are “more meaningful, more predictable, and more trustworthy” (Suchman, 1995, p. 575).

The aim of the present thesis is to advance an understanding of TSO legitimacy by shifting the locus of attention from narrow, dyadic models of legitimacy to a more holistic framework that recognises the complexity of the concept. This thesis argues for the application of the ecosystem approach in the study of TSO legitimacy supported by the insights from the contemporary ecosystems thinking in the Public Administration and Management (PAM) literature. The study aims to show that legitimation of TSOs does not occur in dyadic interactions between the organisation and the funder but requires ongoing interactions with other elements in the wider ecosystem, the role of which becomes apparent only after the whole ecosystem has been explored and understood.

1.2 Policy context

TSOs have always played a prominent role in the welfare provision in the UK (Dacombe and Bach, 2009; Wilson et al., 2012), however the public services reform has brought the work of TSOs to the spotlight. The new public governance (NPG) paradigm characterised by a broader range of delivery actors in the realisation of societal goals and a greater emphasis on co-producing services with citizens, has grown the public profile and role of TSOs in the delivery of public services (Osborne et al., 2013). In practice, however, political support for the third sector does not necessarily translate into increased funding (Bingham and Walters, 2013;
Sinclair et al., 2018). Despite their critical role, there are concerns regarding the long-term sustainability of these organisations (Charities Aid Foundation, 2017; Clifford, 2017; Jones et al., 2015). TSOs continue to operate under the conditions of prolonged public spending cuts, emphasis on performance-oriented management practices, a shift from grants to service contracts, and a growing competition for the support of charitable donors, i.e., foundations and individuals (Anheier and Krlev, 2014; Buckingham, 2012; Egdell and Dutton, 2017; Milbourne and Cushman, 2015). Thus, the existing literature on non-profit funding has suggested that a multiplicity of changes in the expectations of funders have created new rules for organisational survival (Cookingham Bailey, 2023; Harlock, 2019; Rees and Mullins, 2016).

The present research draws upon evidence from the third sector in Scotland to contribute to a better understanding of TSO legitimacy. There are several compelling reasons for choosing Scotland as a context for the study to analyse the legitimisation processes of TSOs. Different localities have different politics, socio-economic structures, and demography, which shape the way TSOs engage in public service delivery (Di Domenico et al., 2009). This devolution of social policies allows local political agents promote distinctive political identities and forms of provision (Sinclair et al., 2018). Consideration needs to be given to the implications of devolution on third sector experiences (Edgell and Dutton, 2017), and generalising third sector experiences across the whole of the UK is flawed (Chaney, 2014; Woolvin et al., 2015). Scotland has sought to establish a different social policy, following principles of social integration, inclusion, fairness, and solidarity (Mooney and Scott, 2012). Important differences exist between England and Scotland in terms of funding relationships in the third sector. The policy regime in Scotland offers most support for TSOs through local government with more of a local focus for funding and activity while in England the focus is placed on promoting TSOs as providers within a mixed economy (Hazenberg et al., 2016). These crucial differences impact the interactions within the PSEs and shape distinct experiences of the TSOs with the funders.

1.3 Addressing the literature gap

Legitimacy is “a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574). Legitimacy is a social evaluation made by
others (Ruef and Scott, 1998), and is granted by internal and external audiences who may endorse and support an organisation’s goals and activities (Pfeffer and Salancik, 1978). In the third sector context the ability of organisations to acquire resources is often used as a proxy measure to indicate perceived organisational effectiveness and legitimacy by resource suppliers (Stone et al., 1999). There is therefore an implicit assumption that legitimacy is associated with suppliers of resources. Linked with this, critical accounts in the non-profit literature have appeared that in their quest for legitimacy TSOs replace their purpose with outcomes determined by the funding body (Buckingham, 2012; Kelly, 2007; Milbourne and Cushman, 2015; Zaidi, 1999). A parallel stream of literature studying the phenomenon of non-profit commercialisation has raised concerns that the growing reliance of TSOs on commercial income streams makes TSOs more business-like (Kerlin and Pollak, 2011; Wicker et al., 2012).

Writers in the institutional school suggest that to legitimise organisations will conform to the norms set by the dominant actors (DiMaggio and Powell, 1983), but as Stone et al. (1999, p. 410) have eloquently put it, “Does this mean that, in reality, most non-profits consider funders rather than clients to be their true customers?” In other words, they do not consider the need of TSOs to accommodate divergent norms of their constituents or the ability of TSOs to respond strategically (Oliver, 1991; Suchman, 1995). Lister (2003) criticised the literature on TSO legitimacy for adopting the implicit gaze of funders, state, and other actors with power and authority rather than that of the local community. Yet, the consent or representation of service users whose interests TSOs claim to represent is one of the key dimensions of TSO legitimacy (Nevile, 2009; Vedder, 2007) while the alignment with the donors and funders can neither guarantee the achievement of the organisational goals nor facilitate the satisfaction and consequent approval of other constituents (Costa, 2011). Moreover, deeply held beliefs about organisational mission, values, and core practices can be firmly embedded in organisations and transmitted across generations of members (Salipante and Golden-Biddle, 1995). In other words, in the non-profit context, legitimacy is based on a number of different key elements working together (Brown et al., 2001; Lister, 2003) and is not solely a product of the funder-fundee relationships.

Legitimacy is a concept relational in nature (Leardini et al., 2019) because legitimacy is subjectively created and socially constructed (Suchman, 1995). An appreciation that legitimacy judgements have origins in multiple sources highlights the possibility that
legitimacy criteria may emerge interactively, in the interplay between the various sources and the organisation itself. Moreover, legitimacy is context-dependent (Drori and Honig, 2013; Kostova and Zaheer, 1999; Ruef and Scott, 1998). Therefore, we cannot assume that existing understandings of legitimacy hold across contexts, and a central issue for legitimacy research is identifying who has collective authority over legitimation in any given setting (Deephouse and Suchman, 2008). Maintaining the narrow focus on legitimacy as a product of dyadic relationships between the funder and the TSO risks disregarding the multiple other interactions and contextual differences that shape organisational legitimacy. An analysis of the constructs within an organisation’s environment may reveal a more nuanced understanding of TSOs legitimacy (Lister, 2003).

Despite the calls to examine legitimacy and legitimation at multiple levels – within organisations, among organisations, and within organisational fields (Suddaby et al., 2017), the holistic models that would allow a deeper exploration of both the context and structure of the environment in which legitimacy occurs have been largely missing in the wider literature on legitimacy. This thesis argues for the application of the public service ecosystem (PSE) framework from the public administration literature in the study of organisational legitimacy of TSOs.

The ecosystem perspective has received considerable attention and development in the PAM literature where it has been increasingly recognised that contemporary public services are not delivered in isolation by a single actor, but these services are situated within a network of multiple actors whose direct and indirect interactions form an integral part of a wider ecosystem (Hodgkinson et al., 2017). Osborne et al. (2015, p. 425) emphasise, “Public service organisations are now part of complex public service delivery systems where their mission-critical objectives require the successful negotiation of relationships within these systems – with policy makers, other public service organisations, service users, citizens, and indeed a range of service system elements and stakeholders”. The PSE is a comprehensive framework that helps understand the complexities of public service delivery, which provides a comprehensive, “360-degree view of all the individuals, technologies, and institutions involved in the creation and delivery of value” (Petrescu, 2019, p. 1734). The ecosystem perspective thus can help reveal how legitimacy is contingent on broader interactive service ecosystems beyond the organisation and shift the focus away from dyadic models of
legitimacy, typical of extant studies on third sector legitimacy. It will provide the tools to explore the whole ecosystem of TSOs to identify the elements that play an important role in the legitimation process.

The review of existing studies has shown that there is a need to address the complexity of organisational legitimacy in the third sector. The present study aims to address this and contribute to the literature on TSO legitimacy by applying the key theoretical underpinnings of the ecosystem framework from the PAM literature to the non-profit setting. The following overarching research question is proposed:

*What constitutes the legitimating environment of third sector organisations (TSOs) with different funding structures? What are the contingencies of a TSO’s legitimacy within this environment?*

To address the overarching research question, the following research sub-questions were developed:

1. How do TSOs seek to legitimise within their environment and how do they seek to use their legitimacy to secure financial resources?
2. How do the funders define and determine legitimacy of the TSOs?
3. What are the factors influencing organisational legitimacy of the TSOs?

### 1.4 Contributions

The study aims to contribute to the non-profit literature on organisational legitimacy of TSOs and address the call of researchers to embrace the complexity of the concept in future studies (Lister, 2003; Deephouse and Suchman, 2008; Suddaby et al., 2017). It does so through the application and subsequent adaptation of the ecosystem framework from the PAM literature to the non-profit context. The framework has allowed to uncover important relationships and interactions in increasingly complex environments in which TSOs operate characterised by a multiplicity of constituents and norms, a mix of funding streams, and their growing embeddedness in a complex network of public service delivery. The ecosystem approach has allowed conceptualising third sector legitimacy as a multi-constituent, multi-level construct by moving the focus away from dyadic models of organisational legitimacy. It has also
extended the application of the PSE framework to TSOs rather than public sector organisations.

Empirically and theoretically, the study aims to show that legitimacy is underpinned by a core element in the ecosystem. Accordingly, the study proposes three distinct approaches of how TSOs can enact their legitimacy with funders and secure financial resources. The core argument of this research study is that to identify the core elements and how they can support organisational legitimacy one must explore the whole ecosystem.

Finally, the thesis offers practical recommendations for TSOs to explore their institutional environments and develop a better understanding of how they can legitimise to support their organisational aims and sustain operations.

It should be noted that the present study was carried out during the Covid-19 pandemic which had a significant impact on the study. In particular, the author had to change the focus of the research and carry out a large part of the empirical study in the context of lasting lockdowns, self-isolation requirements and travel restrictions. Further details of the implications of Covid-19 for the thesis will be dealt with in the methodology chapter.

1.5 Overview of the following chapters

The thesis is organised into seven chapters. Chapter two provides the review of key literature informing this study. It commences by defining the third sector followed by a contextual overview of the policy context. It then continues to present the key features of the Scottish third sector, making the case for the study of the Scottish TSOs, and highlighting the key institutions, policies, and initiatives in the third sector in Scotland. It then proceeds to outlining the core concepts of the study. The review covers and compares the different definitions, typologies, and sources of legitimacy. It then presents current debates in the literature on TSO legitimacy, comparing different viewpoints and providing a critical reflection on the existing studies with the purpose of identifying the gap in the literature. The final part of the chapter presents an overview of how the concept of ecosystems has been approached in the public management literature, and how it can be applied to the non-profit context.

Chapter three sets out the methodological underpinnings of the present study and the rationale behind the methodological choices made. The chapter commences with describing
the context in which the study was undertaken and includes the author’s reflection on the influence of the Covid-19 pandemic on the development of the thesis and how it interfered with some of the methodological choices made previously. The chapter then proceeds with the outline of the philosophical position of the author explaining how it was reflected in the development of the thesis and sets out the principles of abductive reasoning adopted in the study. Because the research is exploratory in nature, a qualitative research strategy and a case study research design were deemed most appropriate, with four case studies being the unit of analysis. The chapter then outlines the details of the empirical study, and the key decisions made with respect to sampling and the selection of case studies. Insights from each case study were collected through a combination of semi-structured interviews, the observation of service settings and the analysis of documents. The interviews were conducted with the Chief Executives, managers, trustees, and project staff of each case study organisation and their funders. The chapter then presents the approach to data analysis and concludes with the discussion of generalisability, reliability, and validity of the study.

Chapter four and chapter five present the findings of the empirical study. Chapter four provides an historical account of the cases study organisations, and the key events in their organisational history. It then presents the evidence collected from each case study organisation. Chapter five concerns the outline of key themes that emerged in relation to their funders.

Chapter six concerns the discussion of the findings and provides an aggregate analysis of the main patterns and particularities identified across case studies. The chapter discusses the ecosystems of the case study organisations with reference to the theoretical framework and compares these with current debates in the literature on legitimacy and public management. The chapter concludes with the presentation of the main theoretical model with which to understand organisational legitimacy using the ecosystem approach.

Finally, chapter seven concludes the thesis by presenting its key contributions to theory and practice and suggesting topics for future research.
Chapter overview

This chapter presents an overview of the relevant literature that informed the theoretical development of the study. The chapter is divided into four sections. It commences with outlining the definition of the third sector and setting the boundaries of the study. The definition of the third sector will also be compared with another much-debated concept of social enterprise. The chapter will then proceed to setting the context for the functioning of the third sector in the United Kingdom (UK) and identifying the mainstream trends in the sector. It will provide the policy background and cover prevailing discourses about the role of the sector in public service delivery. An emphasis will be made on the Scottish third sector and the key distinguishing characteristics of the Scottish TSOs. The key statistics on the third sector will be provided. The second section will be dedicated to the concept of legitimacy. As well as definitions, the different typologies and sources of legitimacy will be discussed. In the third sections attention will turn towards TSO legitimacy. It will summarise different dimensions of TSO legitimacy to identify the gaps in the existing scholarship and discuss how the current conceptualisation of TSO legitimacy compares with the mainstream literature on legitimacy. The final section presents the main theoretical framework of the study, the public service ecosystem lens and provides arguments for the application of the framework in the study of TSO legitimacy. This chapter concludes by summarising the gaps identified in the literature on legitimacy, informing the design of this research.

2.1 Third sector

2.1.1 Third sector: definitions and debates

In the non-profit literature, debates exist around the definition of the term “third sector” with some commentators claiming that talk of a sector is unhelpful (Grotz, 2009) and that imposing homogeneity on the sector may lead to the exclusion of some potentially important dimensions (Halfpenny and Reid, 2002). The diversity and variety which characterise it has led some commentators to label it ‘a loose and baggy monster’ (Kendall and Knapp, 1997) as research has increasingly demonstrated the extent to which these organisations cross the boundaries which characterise the field (Brandsen et al., 2005). The organisations are
variously attributed to being part of the voluntary sector, charitable sector, voluntary and community sector, non-profit sector, civil society, social economy, and social enterprise sector (Billis and Harris, 1996; Deakin, 2001; Enjolras et al. 2018; HM Treasury, 2004; Kendall, 2000; Teasdale 2010; NCVO, 2022). The definition of the third sector has been further complicated by the growing literature on hybrid organisational types, and a significant academic and practitioner interest in social enterprises (Doherty et al., 2014).

Recognising that there is no “one size fits all” definition of the sector (Kendall, 2012), this study follows the structural operational definition most commonly adopted in research on the third sector (e.g., Clifford, 2017; Dacombe, 2011; Kendall and Knapp, 1997; Lindsay et al., 2014). In this study, the third sector is viewed as formally organised entities which are legally separate from the state, not profit distributing, and demonstrably benefitting from meaningful contributions of philanthropic donations and/or voluntary work (Salamon and Anheier, 1997). This study has a narrow interest in the non-profit organisations registered as charities in Scotland. Subsequently, third sector organisations and non-profit organisations are used interchangeably in the study.

Because earned income constitutes over half of the total charitable income (NCVO, 2022; SCVO, 2022), further clarification of the term social enterprise (SE) is needed. Although the fact that non-profit organisations have engaged in commercial activities is not new (Teasdale, 2010), the term has gained much traction in the academic literature and received much policy attention in the UK. As with the third sector, there is no commonly accepted definition of SE. It is part of a large family of inter-related concepts (Billis, 2010; Czischke et al., 2012; Mullins and Pawson, 2010). SEs are broadly defined as organisations that combine a social mission with market engagement to provide services or goods (Defourny et al., 2021; Kerlin, 2013; Peattie and Morley, 2008). SE is differentially conceptualised across the world where political, cultural, and historical differences shape the development of social sectors and influence social enterprise institutional forms and practices (Kerlin 2011; 2013; Defourny and Nyssens, 2010; Teasdale 2012; Galera and Borzaga, 2009). Dees (1996) offered a continuum of SEs stretching from purely commercial to purely philanthropic entities, and similarly Kerlin (2006) suggested that SEs fall along a continuum from profit-oriented businesses engaged in socially beneficial activities to non-profits organisations. In the UK, government reframing of SE has changed over time to include “private companies with loosely defined social objectives” (Roy
et al., 2021, p.7). This suggests that definitions and forms of SEs abound. Spear et al. (2009) suggested four types of SE in the UK according to their origins and development paths: mutuals, public sector spin-offs, SEs set up as businesses by social entrepreneurs, and trading charities, which use commercial activities to support charitable mission or as a secondary activity to raise funds. It is this latter interpretation of SE that is adopted in the thesis, i.e., as a SE activity performed by a registered charity. It is estimated that that 72% of Scotland’s 6,025 SEs are regulated Scottish charities and that 18% of registered Scottish charities are carrying out SE activity (Community Enterprise in Scotland, 2019).

### 2.1.2 From NPM to NPG: policy background to the financing of the third sector in the UK

The way social services are funded and how the performance of these services is measured has been subject to continuous development in the UK. In the last 40 years the funding mix of TSOs has been largely influenced by the logic of New Public Management (NPM), which is based on the belief that markets and market competition promote effectiveness and deliver better outcomes (Kelly, 2007). In the UK quasi-markets have been created (Le Grand, 2003) where public services are contracted out and delivered by a variety of providers of public services including the third sector as well as the private sector (Bruce and Chew, 2011). This also involved the introduction of performance measures and significantly for the voluntary sector, the growth of contracts as the main form of relationship between actors in public services (Lewis, 1999; 2005).

Within this model, the role of the third sector was limited to that of a service agent who provided public services while the state continued to control and set policies (Kendall, 2004). With the election of the Labour government in 1997 the role of the third sector has changed (Osborne and McLaughlin, 2004). While still retaining much of its commitment to NPM ideas (Dacombe, 2011), the policy field in which TSOs operate has been characterised by a move to a new paradigm of partnership (Alcock and Kendall, 2011; Lewis, 2005) and a complementary relationship between the government and the sector (Osborne and McLaughlin, 2004). TSOs continued to formally contract to deliver specific services with the state authorities but were accorded an expanded role in the shaping, commissioning, and delivery of public services (Blackmore, 2004) and became a core element of public services provision and reform across
the UK and the devolved nations within it (Osborne, 2012). The enhanced role for the third sector was driven by a new policy paradigm known as New Public Governance (NPG) characterised by the inclusion of a broader range of actors in the delivery of public services, the use of diverse processes of service delivery and a greater emphasis on co-producing services with end users (Lindsay et al., 2014).

The rationale for the increasing engagement of the third sector in the delivery of welfare services rested on the beliefs in the relative strengths of the TSOs over private and public sector counterparts. They were viewed to be better embedded in the community and have a better understanding of societal needs (Haugh and Kitson, 2007; Nicholls and Teasdale, 2017). The sector was praised for their specialist knowledge and skills; independence and ability to innovate; user- and community-led approaches; responsiveness to local people; and ability to reach the most disadvantaged segments of users (Borzaga and Fazzi, 2014; Dickinson et al., 2012; Macmillan et al., 2014; Wilson et al., 2012). The pursuit of joint responses to solving social and economic issues became the cornerstone of the new policy paradigm of community governance and offered the potential for TSOs to expand their role and participation in the delivery of local community services (Osborne and McLaughlin, 2004). This coincided with an increasing policy focus on the concept of “co-production”, an arrangement where citizens are involved, at least in part, in the production of their own services (Brandsen and Pestoff, 2006), which justified the participation of the third sector in co-production arrangements for its perceived ability to effectively represent the views of service users.

To support this new relationship with the third sector and expand the functions of these organisations in providing public services the government sought to improve the infrastructure of these organisations (McKay et al., 2015). The Labour administration supported major capacity building programs such as Futurebuilders and Capacitybuilders (Wiggan, 2018) and the creation of umbrella bodies to support TSOs to develop trading income (Carmel and Harlock, 2008). These programs aimed to support the capacity of the third sector to deliver public services and expand their participation in public service quasi-markets by adopting more business-like approaches and focus on the creation of both social and economic outcomes (Westall, 2010; Affleck and Mellor, 2006). The government directed
public resources and increasingly encouraged TSOs to use private forms of investment to scale up and behave like commercial entities (Wiggan, 2018).

The period in the aftermath of the financial crisis has been often described in the literature as an “age of austerity” (Farnsworth and Irving, 2018). Various authors noted the implications of the financial crisis and cuts in public spending for the provision of social welfare. Concerns have been raised about the impact of the subsequent public spending cuts on the voluntary sector in the UK. Charities were believed to face a “perfect storm” (Clifford, 2017) of growing demand for their services in the context of declining income (Taylor et al., 2012). Studies suggested that the impact on the voluntary sector was more pronounced in more deprived local areas (Jones et al., 2016). Most significantly, local authorities in urban areas and rural areas, which account for the majority of public sector funding of the third sector (SCVO, 2022) have experienced budget cuts of 5% and 4% annually (Fahy et al., 2023) and bigger cuts to many public services were confirmed for the 2023/24 Scottish budget (Philipps et al., 2022).

There are, however, significant cross-sectoral variations within the UK where the nation-state comprises sub-state nations with distinct histories, identities, and cultures (Keating, 1997). The socio-political divergences between Scotland and England have led to different development paths of the third sector and different third sector ecosystems (Hazenberg et al., 2016).

### 2.1.3 Scottish third sector: divergence and devolution

Egdell and Dutton (2017) suggests that the research on the third sector should consider the impact of devolution on third sector experiences and account for the social policy divergence among the devolved administrations. Generalising policy trends across national levels in the UK, thus, would be inaccurate (Chaney, 2012; Woolvin et al., 2015).

Since 1999 Scottish Executive (from 2007 the Scottish Government) has a devolved responsibility to set the third sector policy in Scotland (Alcock, 2009). Scotland has long sought to be “different” in social policy terms, embracing the principles of social inclusion, fairness, and solidarity into its policy agenda (Law and Mooney, 2012). The Scottish National Party (SNP) Government in Scotland used their devolved powers to diverge from what they perceived as the more commercialised approach to social innovation and emphasized the
principles of community orientation and solidarity as the basis of Scottish social policy (Hazenberg et al., 2016).

Historically, Scottish TSOs have their roots in the cooperative movement, rooted in the social economy and community business principles, and were also influenced by European social economy actors who emphasised collaborative, inclusive policymaking (McMullin et al., 2021). Scotland has established its own third sector infrastructure using its devolved responsibilities. There is the separate Scottish Council for Voluntary Organisations (SCVO), and the Scottish Social Enterprise Coalition¹ (Osborne and Super, 2010). Since the SNP came to power in 2007 the Scottish Government has embarked on promoting the concept of SE and have proclaimed Scotland as “the most supportive environment in the world for social enterprise” (Roy et al., 2015). Scottish Government has introduced its own Scotland’s Social Enterprise Strategy 2016-2026 and the action plan which outlines that “Our ambition is for social enterprises to achieve their optimal scale and impact” (Scottish Government, 2016, p.10). Various support agencies were established to support the SE sector in Scotland including Social Enterprise Scotland, the Social Entrepreneurs Network for Scotland (Senscot²), the Social Enterprise Academy, Social Firms Scotland, the Development Trust Association for Scotland, the Community Business Network for Scotland, Community Enterprise in Scotland, and Co-operative Development Scotland. Scottish Government introduced financial support programs to assist SE growth and sustainability but because of the different political cultures between Scotland and England, the SE sector in Scotland tends to lean towards grant and community forms of finance (Hazenberg et al., 2016). In England, the focus has been more on the provision of repayable forms of funding (Wiggan, 2018). However, as some authors suggested there could be some factors that may prevent the policies form becoming too divergent. Overall policy direction may not be as distinct as suggested by the rhetoric (Edgell and Dutton, 2017). While some policies such as employability are a reserved responsibility of the UK government, health, community regeneration and adult learning are devolved responsibilities (Lindsay et al., 2014), and

¹ Originally incorporated in 2005 as the “Scottish Social Enterprise Coalition”, it rebranded at the end of 2011 as “Social Enterprise Scotland” (Social Enterprise Scotland, 2019).
² In June 2020 Senscot merged with Social Firms Scotland and became SENScot. In June 2022 SENScot ceased its operations following Scottish Government’s decision to remove government funding (SENScot, 2022).
therefore divergence is more likely in policy areas where the devolved governments have more autonomy (Viebrock, 2009).

It is acknowledged that contractualization and the mixed economy of service provision is less prevalent in Scotland compared with England (Watts, 2006; Alcock, 2009; 2012; Chaney and Wincott, 2014). Scottish third sector did not fully embrace the idea of quasi-markets envisioned by the policymakers in England and the differences in the traditions to third sector policy resulted in fewer opportunities for TSOs in Scotland to bid for large-scale public sector contracts (Mason et al., 2019). The most significant difference between England and Scotland is in terms of the role local government plays in the provision of funding for TSOs. In Scotland, the third sector receives much of its public funding from the local government as a result of a Concordat with the Confederation of Scottish Local Authorities under which grants and other funding for TSOs was largely transferred to local authorities (Di Domenico et al., 2009). This resulted in the policy regime in Scotland that provides most support to the third sector through local government, including the provision of funding while in England TSOs are promoted as providers of public services within a mixed economy (Alcock, 2009). This resulted in a larger dependence of the Scottish third sector on government support than in England (Hazenberg et al., 2016).

Despite the different governance and delivery structures, the Scottish National Party has maintained the partnership discourse between the third sector and the government (Fyfe et al., 2006; Lindsay et al., 2014). The third sector is envisioned as a major partner in policy development, a key provider of social services, and a promoter of social justice (McMullin et al., 2021). As in England, Scotland has its own Compact which serves as a framework guiding state and sector relations. Scottish Concordat and legislation such as the Local Government in Scotland Act 2003 support the inclusion of the third sector in local community planning and the participation in public service delivery (Lloyd and Peel, 2006). Later the Christie Commission on public service transformation in Scotland re-emphasised the third sector as a critical partner in the reform of public service delivery (Christie Commission, 2011).

In summary, different localities have different politics, socio-economic structures, and demography, which influence the shaping of the third sector. As in England, the third sector in Scotland has received significant policy attention. However, while Scotland and England both promote a discourse about the partnership between the third sector and the state in
public service delivery, the political and organisational level features of the Scottish third sector are distinct from that in England. The logic of the Scottish TSOs is rooted in community forms of organising, and Scottish Government’s tendency to develop policies divergent from Westminster, coupled with the importance of local authorities in the funding arrangements for TSOs have led to a distinct ecosystem of TSOs. As the types of support are shaped by the differing political and socio-economic factors present in both sectors, both ecosystems of support are seemingly diverging, with the Scottish sector reliant on grant and community forms of financing and the English sector seeking repayable sources of finance.

2.1.4 Scottish third sector key statistics

There are over 25,000 charities on the Scottish Charity Register (Office of the Scottish Charity Regulator [OSCR], 2022). Most charities in Scotland operate within a single local authority area (63%), and the most common charitable activity by the number of charities is social service provision (one third), followed by culture and sport (one fifth).

Total income of the sector in Scotland in 2021 was £8.5bln but funding is concentrated in a few large organisations (80% of all funding going to the largest charities that make up 3.5% of the sector) (SCVO, 2022). 25% of income comes from the public sector contracts, 20% from public sector grants, 21% is rental income (mostly housing), 5% from grant making trusts, and the remainder 20% from a combination of trading, fundraising and donations. Trading constitutes only 3% of the sector income. These statistics show that only one-third of the charities’ income is made up of charitable grants and donations, and the public sector remains the main source of income for Scottish charities (45%). This figure for the public sector income in Scotland is still higher than the corresponding UK average of 26% (NCVO, 2022) confirming that the third sector in Scotland is more extensively funded by the government than in England (Alcock, 2010).

Most public support for the sector in Scotland is in practice provided by local government: half of all public funding is from local authorities. However, within the sector there are significant variations of income by organisational size. Public sector income makes up two-thirds of income for large charities (£1m and above), 56% for medium (£100k-1m) and only 24% for small (under £100k). For large charities, public contracts are the main source of income (40%) while public grants are the main form of public sector income for medium and
small charities. Grants from trusts and other charitable organisations make up 13% of the income of medium and small charities.

2.2 Legitimacy

This section introduces the concept of legitimacy because it is a fundamental concept of this study. It will provide a definition of the concept and outline why it matters. It will cover the different dimensions or typologies of legitimacy developed in the literature and outline the audiences who grant legitimacy.

2.2.1 What is legitimacy?

Legitimacy is a fundamental concept of organisational institutionalism (Singh et al., 1986). The concept was first introduced by Weber (1921) and later developed in organisational studies (Johnson et al., 2006; Ruef and Scott, 1998; Suchman, 1995). Weber suggested that social action is guided by a model of a legitimate order, a set of “determinable maxims”, and suggested that legitimacy arises as a result of conformity with general social norms and formal laws. Meyer and Rowan (1977) adopted Weber’s ideas in their work on institutional theory and viewed “legitimacy” and “resources” as synonymous. They suggested that organisations survive not only by being efficient but also by conforming to institutionalized rules and schemes in the organisational environment. They also noted that legitimacy protects the organisation from variations in technical performance. Later Meyer and Scott (1983) discussed legitimacy in terms of the cognitive aspects as an extent to which established cultural accounts provide explanations for the existence and functioning of an organisation. Hirsch and Andrews (1984) in turn elaborated on threats to legitimacy and differentiated between performance challenges and value challenges. Performance challenges occur when organisations fail to deliver their purpose or function while value challenges concern questions by stakeholders about the underlying organisational practices or its fundamental values.

Legitimacy matters because it entails consequences. Legitimacy has a clear effect on social and economic exchange because most stakeholders will only engage with legitimate organisations (Baum and Oliver, 1991; 1992; Deephouse et al., 2017; Suchman, 1995; Scott, 1995; Singh et al., 1986). Institutionalists have found that legitimacy enhances organisational
survival. For example, a classic work by Baum and Oliver (1991) found that on legitimacy (measured by endorsements and inter-organisational relationships) increased survival rates among Toronto non-profits and was linked with reduced exit rates for US hospitals (Ruef and Scott, 1998). Early institutionalists also proposed that legitimate status is an essential condition for easier access to resources (Brown, 1998; Deephouse, 1996). Importantly, in the non-profit context, funders and donors are not the ultimate consumers of non-profit outputs and cannot judge organisational outcomes directly, and there should be reliance on legitimacy, reputation, and norms as indicators of output quality (Bielefeld, 1992).

The current interest in organisational legitimacy is believed to be spurred by two influential works of Suchman (1995) and Scott (1995) who developed detailed accounts of organisational legitimacy (Deephouse et al., 2017). Scott (1995) viewed legitimacy as a condition reflecting cultural alignment, normative support, or consonance with relevant rules or laws. Suchman (1995) observed that despite growing theoretical apparatus, studies on legitimacy had a limited focus in certain aspects of the concept. He suggested the definition of legitimacy which has come to be most cited in the literature:

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Legitimacy is a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions. (Suchman, 1995, p. 574)
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Within this definition Suchman (1995) brought together two basic perspectives: an institutional view and a strategic view. The institutional lens explains how cultural environments and societal beliefs affect and constrain organisational actors and activities, while the strategic lens emphasises the agentic role of organisations and the approaches to enhance the perceptions of propriety of their legitimating environment. This view was echoed by Scott (1995) who used Gidden’s structuration theory to suggest that all actors, whether individual or collective possess a degree of agency as they engage in creating and following rules but whose actions are simultaneously constrained by the social rules.

Since then, other definitions of legitimacy and its classifications were proposed. In their comprehensive review of the literature on legitimacy, Suddaby et al. (2017) suggested that most studies assume that legitimacy occurs through a degree of fit between an organisation and its environmental context, and consequently the focus of these studies is on understanding how organisations create and maintain congruence between internal
organisational attributes and the external environment. These studies adopt a contingency view of how legitimacy is constructed and explore the material manifestations of legitimacy in an organisation (structure, products, and routines) and their fit with the normative expectations of the external environment (Dowling and Pfeffer, 1975; Ruef and Scott, 1998; Scott, 1995; Suchman, 1995; Zimmerman and Zeitz, 2002).

Suddaby et al. (2017) suggested that the popularity of the concept resulted in its wide interpretation and encouraged researchers to enhance the construct clarity in their research. Bitektine (2011), for example, proposed to differentiate between legitimacy as a property conferred on an organisation by its audiences and legitimation, which was defined as the process of social construction of legitimacy based on discursive strategies and collective action. The studies that conceptualise legitimacy as a process constitute a separate strand of literature. These studies tend to use the term “rhetoric” (Suddaby and Greenwood, 2005) to emphasize the purposeful use of language to construct legitimacy. Suddaby and Greenwood, for example, identified five rhetorical strategies used to demonstrate how a new organisational form was legitimated in the professions. These studies define legitimacy “in terms of movement, activity, events, change and temporal evolution” (Langley, 2007, pp. 271), focus on the dynamics of change and build stage models of how organisations transition from one state of legitimacy to another (Langley, 1999). Agency or the purposive role of actors plays a more prominent role in explaining how legitimacy is socially constructed.

This thesis adopts a different conceptualisation of legitimation in line with Suchman (1995) who viewed legitimation as the process by which legitimacy is managed and achieved. The organisation is embedded within social structures and relations where its legitimacy is subject to stabilizing and destabilizing forces (Hybels, 1995). Legitimation is seen as the process by which an organisation justifies to a peer or superordinate system its right to exist and continue support (Dowling and Pfeffer, 1975). It involves “both the shaping of behaviour according to established beliefs about what is proper and the moulding of knowledge according to prevailing beliefs about what constitutes social reality” (Hybels, 1995, pp. 242). In other words, from an organisational perspective, legitimation concerns the deliberate attempts of an organisation to maintain its legitimacy over time and is accomplished by employing a variety of substantive and symbolic practices (Ashforth and Gibbs, 1990). These legitimation practices or approaches will be discussed later in the chapter.
A recurring theme in the studies on organisational legitimacy is that legitimacy in itself is a critical resource because it helps justify the role of an organisation in the social system and therefore secure the continued support of constituents (Aldrich and Fiol, 1994; Suchman, 1995; Parsons, 1960; Pfeffer and Salancik, 1978; Zimmerman and Zeitz, 2002). Hybels (1995) suggests that legitimacy should be conceived as both part of the context for exchange and a by-product of exchange. It has no material form and is a symbolic representation of the collective evaluation of an organisation, as evidenced by both observers and participants perhaps most convincingly by the flow of resources (Herlin, 2015). Legitimacy is a concept relational in nature (Leardini, 2019) and can only be conferred from the outside and can only operate within a specific social system (Taylor and Warburton, 2003). Bitektine (2011) reviewed the definitions of legitimacy and proposed a more evaluative definition of legitimacy. Legitimacy can be understood as audiences’ perceptions of the organisation, a judgment based on these perceptions, and a behavioural response (acceptance, support, endorsement). The definition is a helpful summary of legitimacy research that captures the salient antecedents and consequences of legitimacy while emphasizing that legitimacy is a perception made by others (Deephouse et al., 2017). This study, however, adopts Suchman’s (1995) definition for it emphasizes the social construction of legitimacy by a collective of audiences.

Because the present thesis concerns the study of the legitimating environment of TSOs, it is necessary to understand the sources of legitimacy and how it is granted. The following sections will explore who grants legitimacy, and what criteria are used.

2.2.2 Who grants legitimacy?

Legitimacy is a social evaluation made by others (Ruef and Scott, 1998). The audiences granting an organisation its legitimacy are known as constituents (Herlin, 2015). Other commonly used terms in the literature are evaluators (Bitektine, 2011), sources (Suddaby et al., 2017) or actors (Deephouse and Suchman, 2008). These audiences that confer legitimacy can be individuals or collective actors (groups, organisations, or field) who make judgments about the social properties of an organisation (Bitektine and Haack, 2015). The outcome of their evaluation or whether they will approve the organisation depends on the set of norms against which they choose to benchmark the organisation (Ruef and Scott, 1998) and different
types of actors use different sets of norms and arrive at different judgments about the legitimacy of an organisation (Lamin and Zaheer, 2012). If constituents judge an organisation’s actions as illegitimate, they may discontinue their involvement with the organisation or withdraw their endorsement and support (Elsbach and Sutton, 1992). Identifying primary constituent groups is thus vital for organisations (Pfeffer and Salancik, 2003).

Some researchers have classified the constituents into external and internal according to the type of legitimacy that they render (Drori and Honig, 2013; Weidner et al., 2019). State and state agencies, other TSOs, media, and society at large decide to attribute external legitimacy. The other group comprises staff, managers, volunteers who render judgments on internal legitimacy. Meyer and Scott (1983), Baum and Oliver (1992) and Deephouse (1996) argued that only certain actors have the power to grant legitimacy. These studies focused on the role of state who “have standing and license, derived from the organisation’s legitimating account of itself’ (Meyer and Scott, 1983, pp. 201-202). Other research treated society-at-large as a source of legitimacy, and public opinion as a reflection of social values (Bitektine and Haack, 2015; Gray et al., 2015). Later research has found the link between media reports and public opinion and shown that media not only reflects public opinion of the wider social system (Dowling and Pfeffer, 1975) but media can form public opinion (Lamin and Zaheer, 2012; Pollock and Rindova, 2003). Studies have also suggested to include groups who have collective authority such as professional audiences (e.g., lawyers, accountants) as powerful constituents (Deephouse and Suchman, 2008).

2.2.3 What are criteria used?

Legitimacy is not a monolithic construct (Lamin and Zaheer, 2012). An organisation’s activities, structure, or outcomes can be approached from multiple perspectives, and different audiences can attach varying degrees of importance to these characteristics (Ruef and Scott, 1998; Suchman, 1995). For this reason, the question of which aspect of the organisation the audiences deem important is critical for determining the overall legitimacy of the organisation. This section addresses the different typologies of legitimacy, that is the criteria used by different audiences as they evaluate the legitimacy of organisations and their actions (Deephouse et al., 2017). In legitimacy literature the different types of legitimacy are variously called legitimacy dimensions (e.g., Suchman, 1995), bases or pillars (e.g., Scott,
1995), domains (Kostova and Zaheer, 1999) and “rules of the game” (e.g., North, 1990). These are abstract legitimacy-relevant constructs embedded in the ecosystem such as values, norms, rules, expectations, and beliefs (Deephouse and Suchman, 2008). For consistency, this thesis will use the term criteria because it more clearly points to the presence of certain standards that allow the audiences to evaluate organisations, consistent with a refined definition of legitimacy adopted in the study.

Early on in their work organisational theorists have suggested that institutional environments consist of a variety of institutions, including formal rules, laws, cultural norms, educational systems, etc. (Meyer and Rowan, 1977; Scott, 1995; Zucker, 1983). In their seminal work Meyer and Rowan (1977) stated that legitimacy can result from rational effectiveness, legal mandates, and collectively valued purposes, means, goals, etc. They, however, embraced the view of institutions as complexes of beliefs that are rationalized, that is formulated in rule-like procedures to attain specific objectives. This model later termed as old institutionalism (Scott, 2004) emphasized conflicts of interest, power, informal structure and commitments, values, and norms, and saw institutionalism as a process occurring within an organisation. The new institutionalism moved the locus of attention to cultural processes, routines and schemas, legitimacy processes, and formal structures, and saw institutionalism as a process occurring in the environment of organisations (DiMaggio and Powell, 1991).

Accordingly, several typologies of legitimacy have been developed in which the authors suggested the different types of legitimacy that reflect the different types of institutions operating in the environment, including cognitive, regulatory, normative, and pragmatic legitimacy, among others (Aldrich and Fiol, 1994; Boddewyn, 1995; Hannan and Carroll, 1992; Suchman, 1995). Some of these classifications of legitimacy that exist in the literature are provided in Table 2.1.

Scott (1995) offered three dimensions or pillars of legitimacy: cognitive-cultural, regulative, and normative. Cognitive legitimacy was defined cognitive-cultural legitimacy as “the shared conceptions that constitute the nature of social reality and create the frames through which meaning is made” (pp. 67). In other words, organisations must comply with established cognitive structures in society to legitimise. Regulative legitimacy is composed of regulatory institutions and includes the regulative processes, explicit rules, and laws created to ensure order in societies. To legitimise, organisations must comply with the regulatory system. The
normative pillar identifies the domain of social values. Normative legitimacy stresses a deeper, moral base of legitimacy and goes beyond regulatory rules and cognitive structures. It is defined as an extent of fit between the structures, characteristics, and behaviours of the organisation and the norms and values of the broader social environment within which it exists.

Table 2.1 Legitimacy typologies in the extant literature

<table>
<thead>
<tr>
<th>Legitimacy Typologies</th>
<th>References</th>
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</thead>
<tbody>
<tr>
<td>Moral legitimacy (based on normative approval)</td>
<td></td>
</tr>
<tr>
<td>Cognitive legitimacy (based on taken-for-grantedness)</td>
<td></td>
</tr>
<tr>
<td>Internal legitimacy (with organisation's insiders)</td>
<td>Kostova and Roth (2002), Kostova and Zaheer (1999)</td>
</tr>
<tr>
<td>External legitimacy (with organisation's external constituents)</td>
<td></td>
</tr>
<tr>
<td>Cognitive legitimacy (based on taken-for-grantedness)</td>
<td>Foreman and Whetten (2002)</td>
</tr>
<tr>
<td>Pragmatic legitimacy (based on self-interested calculations)</td>
<td></td>
</tr>
<tr>
<td>Managerial legitimacy (based on efficiency logic)</td>
<td>Ruef and Scott (1998)</td>
</tr>
<tr>
<td>Technical legitimacy (based on technology, quality, and qualifications)</td>
<td></td>
</tr>
<tr>
<td>Moral legitimacy (based on normative approval of most members of society)</td>
<td>Barron (1998)</td>
</tr>
<tr>
<td>Pragmatic legitimacy (based on self-interest)</td>
<td></td>
</tr>
<tr>
<td>Media legitimacy (equated with legitimacy with the general public)</td>
<td>Deephouse (1996)</td>
</tr>
<tr>
<td>Regulatory legitimacy (legitimacy with government regulators)</td>
<td></td>
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<tr>
<td>Procedural legitimacy (based on soundness of procedures)</td>
<td></td>
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<tr>
<td>Consequential legitimacy (based on the evaluation of outcomes)</td>
<td></td>
</tr>
<tr>
<td>Structural legitimacy (based on the evaluation of the organisation's structure)</td>
<td>Suchman (1995)</td>
</tr>
<tr>
<td>Personal legitimacy (based on the charisma of leaders)</td>
<td></td>
</tr>
<tr>
<td>Pragmatic legitimacy (based on self-interested calculations)</td>
<td></td>
</tr>
<tr>
<td>Moral legitimacy (based on normative approval)</td>
<td></td>
</tr>
<tr>
<td>Cognitive legitimacy (based on taken-for-grantedness)</td>
<td></td>
</tr>
<tr>
<td>Sociopolitical normative legitimacy (= normative legitimacy, based on existing rules and laws)</td>
<td></td>
</tr>
<tr>
<td>Cognitive legitimacy (based on taken-for-grantedness)</td>
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</tbody>
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Source: adapted from Bitektine (2011)

Suchman (1995) proposed another influential typology of the concept. He identified three broad types of legitimacy: pragmatic, moral, and cognitive. Cognitive legitimacy was defined as the acceptance of the organisation as necessary or inevitable, similar to the prior definitions of the term. Moral legitimacy relates to Scott’s definition of normative legitimacy.
It reflects a positive normative evaluation of the organisation and its activities and is based on judgments about whether the activity is "the right thing to do" (pp. 579). Unlike moral legitimacy, pragmatic legitimacy rests on judgments about whether a given activity benefits the evaluator and is based on “an organisation’s capacity to achieve practical outcomes in its immediate environment—that is, does the organisational structure, characteristic, or practice work or achieve intended outcomes?” (pp.579). As such, he grounded legitimacy in pragmatic assessments of organisational capacities, in normative evaluations of moral propriety, and in cognitive interpretations of appropriateness. Suchman subdivided each domain further and arrived at a typology containing twelve distinct legitimacy types: pragmatic legitimacy comprising exchange, influence, interest, and character; moral legitimacy comprising consequences, procedures, persons, and structures; and cognitive legitimacy comprising predictability, plausibility, inevitability, and permanence.

Other common typologies include sociopolitical and cognitive legitimacy (Aldrich and Fiol, 1994). Socio-political legitimacy approximates Suchman’s use of moral legitimacy and Scott’s definition of normative legitimacy in that it is seen as a process by which the evaluation audiences accept an organisation as appropriate and right, given existing norms and laws. Cognitive legitimacy is seen as extension of sociopolitical legitimacy and refers to the spread of knowledge about a new organisation. In addition to these typologies, there are various other classifications that aim to capture the implicit notion that legitimacy can be viewed with respect to the context in which it occurs. For example, managerial and technical legitimacy (Ruef and Scott, 1998), external or internal legitimacy (Drori and Honig, 2013), and organisational legitimacy (Kostova and Zaheer, 1999). Internal legitimacy is granted by internal participants such as employees or managers while external legitimacy rests upon the view of external constituencies, including society as a whole (Weidner et al., 2019).

Researchers thus have proposed the different types of legitimacy that reflect the different types of institutions that may exist in the environment. This study adopts the four most common criteria outlined in the literature: cognitive (i.e., taken-for-granted schemes) (Suchman, 1995), regulative (e.g., formal regulation and rules) (Scott, 1995), normative (informal rules, accepted standards, norms, values, and beliefs) (Scott, 1995), and pragmatic (i.e., individual needs and expectations) (Suchman, 1995).
Having outlined the key constructs of legitimacy it is now necessary to explore how they have been applied in the non-profit literature. In the section that follows the study will consider legitimacy in the TSO environment. This will help establish how TSO legitimacy has been conceptualised and identify in which areas more research is needed.

2.3 TSO legitimacy: complexity of the phenomenon

2.3.1 Legitimacy in the third sector

TSOs are established for purposes that are significantly different from the purposes that motivate the creation of for-profit firms (Friedman, 2017). TSOs do not have owners who seek to maximize profit (Bowman, 2002) but rather seek to maximize a social benefit building on the culture of altruistic, society-oriented, and nonfinancial goals and aims (Dolnicar et al., 2008). Accordingly, much non-profit literature focused on exploring organisational missions of TSOs as an important source of their legitimacy.

The mission of a TSO is expressed in substantive terms, and it sets to achieve some social goal (Bryce, 2017). In general, the mission statement highlights a particular social problem that the organisation aims to address or the positive change that it aspires to generate. It defines “the value that the organisation intends to produce for its stakeholders and for society at large” (Moore, 2000, pp. 7). Some researchers of the third sector argue that the key characteristic of organisations in the third sector that distinguishes them from other sectors is the presence of the social mission, which by itself serves to legitimise them. They argue that the mission fulfilment in the third sector is equivalent to the maximization of shareholder wealth in the private sector (Butler and Wilson, 2015) and as such it becomes the metric against which both the past performance and future actions will be assessed (Bryce, 1992; Oster, 1995).

Some researchers suggested that legitimacy claims can be based on values that make the actions of an organisation desirable, proper, or appropriate for its constituents (Dart, 2004; Leardini, 2019). Edwards (1999) however casted doubt on the idea that TSOs seek legitimacy by adhering to their value base alone and found that TSOs discussed their legitimacy in more concrete terms. Legitimacy was seen to stem from their technical expertise, regulatory compliance, effective governance, representativeness, community support, transparent procedures, and the demand for their services. Chapman and Fisher (2000) suggested that TSOs claim their legitimacy on the basis of practical experience, promotion of accepted
societal values, expertise in a particular issue, links with grassroots and other civil society organisations, and acting to strengthen democratic principles and practice. Hudson (2002) found similar bases of legitimacy claims in the advocacy work of UK-based development non-profit organisations. These claims were made on the basis of history, track record and reputation. They pointed to their democratic membership structures and significant expertise and experience. They also perceived themselves as advocates of basic rights, moral principles, and values.

The literature thus has shown that TSOs are value-based organisations and as such their values are an important part of their legitimacy. However, empirical research on TSOs has uncovered that TSOs view their legitimacy in wider terms, that are not exclusively limited to the aims that they pursue. The present study acknowledges the role of values as a key distinguishing characteristic of TSOs and thus will explore their role, however the study will need to embrace a wider focus and consider other possible sources of legitimacy. In particular, to answer the research question about the legitimating environment of TSOs in the current financial climate, it is necessary to explore how funding and TSO legitimacy are related.

2.3.2 TSO legitimacy and funding

2.3.2.1 Linking funding and legitimacy

Legitimacy may have significant funding implications for TSOs. For example, the studies in conventional fundraising literature established that a demonstration of legitimacy promotes organisational credibility and potential donors’ trust in an organisation and thereby increases the possibility of giving (Lounsbury and Glynn, 2001; Zimmerman and Zeitz, 2002). A growing body of literature on crowdfunding identified legitimacy as the most significant factor influencing the success of crowdfunding campaigns (Lehner and Nicholls, 2014; Tanaka and Voida, 2016; Zhou and Ye, 2019).

TSOs depend on a complex mix of given money, earned money and, to a lesser degree, borrowed money (Chapman, 2017; Froelich, 1999) and have a diversified funding base (Appendix 1). The income comes from five main sources: individuals, government, the voluntary sector, the private sector, and the National Lottery (NCVO, 2022; SCVO, 2022). In recent years, these organisations have been exposed to increased financial pressures from
reduced government funding, a shift from grants to service contracts, and a growing competition for the support of charitable donors, i.e., foundations and individuals (Alexander, 2000). Because government and charitable donors remain the main sources of income for TSOs, the discussion will cover the implications of these sources of funding for TSO legitimacy. Earned income will be discussed separately in Section 2.3.4.3.

2.3.2.2 The impact of funding on TSO legitimacy

In the non-profit literature there is relatively vast research examining the impact of resource providers (mainly, the state) on TSOs (Buckingham, 2012; Froelich, 1999; Hasenfeld and Powell, 2004). The first comprehensive attempt to summarise and classify changes associated with funding mechanisms was made by Froelich (1999) (Table 2.2). All the effects can be effectively expressed in terms of revenue volatility, goals, processes, and structures. Importantly, it has been shown that private contributions or “given” money are not free of obligations. In addition to being more volatile compared to other income sources, they may also pose a stronger threat to goal displacement. Often there may be more or less well defined contractual or unwritten moral obligations attached to such moneys (Chapman, 2017). While government funding is seen as a more reliable income source, it dramatically changes the internal processes and structures of non-profit organisations. Finally, Froelich concluded that commercial revenue poses the least threat to goal displacement but leads to more rational accountability practices and a cost-benefit mentality.

Table 2.2 Revenue strategy profiles

<table>
<thead>
<tr>
<th></th>
<th>Private contributions</th>
<th>Government funding</th>
<th>Commercial activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue volatility</td>
<td>High</td>
<td>Low</td>
<td>Moderate</td>
</tr>
<tr>
<td>Goal displacement</td>
<td>Strong</td>
<td>Moderately strong</td>
<td>Weak</td>
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<tr>
<td>effects</td>
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<tr>
<td>Process effects</td>
<td>Formalization</td>
<td>Formalization,</td>
<td>Rationalization</td>
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<td></td>
<td></td>
<td>standardization</td>
<td></td>
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<tr>
<td>Structure effects</td>
<td>Professionalized</td>
<td>Professionalized</td>
<td>Professionalized</td>
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<tr>
<td></td>
<td>administration</td>
<td>bureaucracy</td>
<td>business forms</td>
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</tbody>
</table>

Source: Froelich (1999)

The relationships between the third sector and the state have received a significant attention in the non-profit literature, particularly since when the UK government started to promote a
more partnership role for the third sector in public service delivery. These relationships with the state are believed to have significantly re-shaped the third sector. As Alcock and Kendall (2011) argued, the mainstreaming of the third sector encouraged many TSOs to comply with dominant discourses and adopt desired behaviours in an anticipation of gains in legitimacy and resources. Milbourne and Cushman (2015) suggested that the involvement of TSOs in the delivery of state services and projects has enhanced their legitimacy, while harming their independency and advocacy functions. The danger as they suggest is that in an attempt to gain external legitimacy, a TSO may detach from the meanings and purposes valued by users or their community. Various studies have highlighted the tendency for TSOs to become more bureaucratic when dealing with the state (Smith and Lipsky, 1993; Hasenfeld and Powell, 2004) as state funders require far more formalised and standardised documentation, evaluation, and accountability (Froelich, 1999). They suggest that competitive contracting does indeed affect the internal structures and action capacity of TSOs as they accommodate to output control schemes and standardisation (Buckingham, 2012; Harlock, 2014). This pushes the third sector away from informal and participative types of decision-making (Di Domenico et al., 2009). Consequently, concerns have been raised that TSOs are increasingly facing conflicts between the different sources on which their legitimacy is based (Brown and Moore, 2001).

Constituents may have different interests, and it is possible that a form of legitimacy favoured by one constituent group will not necessarily be compatible with the forms of legitimacy valued by other groups (Lister, 2003). As governments tend to focus more on technical forms of legitimacy that emphasize an organisation’s ability to deliver the desired output (Taylor and Warburton, 2003), a growing number of studies suggested that the increasing engagement with governments is eroding the distinctive value base of TSOs. In other words, the demands of output legitimacy are undermining normative legitimacy of TSOs (Edwards and Hulme, 1996; Choudhury and Ahmed, 2002; Ossewaarde et al., 2008; Rusca and Schwartz, 2012).

Few studies explored legitimacy from the perspective of charitable funders. The only exception is the paper by Botetzagias and Koutiva (2014) who compared how companies and philanthropic foundations choose which TSOs to fund. They found that foundations and businesses prioritize the same legitimacy judgments when it comes to funding TSOs and are
primarily interested in the organisation’s formal structure, professional character, and good past record. These dimensions are closely interlinked and feed into other legitimacy judgments of an organisation’s good name, reputation, and public recognition. In other words, the authors argued that the funders in their sample were interested in normative and pragmatic dimensions of legitimacy. Nevertheless, the threats to normative legitimacy of TSOs from charitable funders have also been documented in the literature on TSO financing. Rusca and Schwartz (2012), for example, found evidence that non-profit organisations in their studies secured funding by complying to donor demands and regulations. They suggested that compliance may have facilitated the achievement of the project objectives (output legitimacy\(^3\)), but at the same time, contradicted these organisations’ norms and values (normative legitimacy). Similarly, AbouAssi (2013) argued that the frequent fluctuation in funding priorities destabilizes the work of TSOs and threatens their missions. Brouwer (2000), for example, provided evidence of how non-profit organisations replaced their social service functions with advocacy functions as the funding priorities changed. As funders continuously revise their strategic priorities, programs, and preferences, TSOs struggle “to figure out how they might fit in or if they meet the criteria underlying the latest preoccupation of donors” (Doornbos, 2003). Some authors argue for the dominance of the supply-led approach in the donor–TSO relationship (Edwards et al., 1999), characterised by a one-way relationship, where funders set objectives for TSOs to achieve, and TSO have a role of implementing programs and reporting back on the achievement of these objectives (Ebrahim, 2005).

The literature so far has suggested that funding affects legitimacy of TSOs and that resource holders have expectations and requirements that they expect TSOs to comply with. The studies have suggested that this compliance with the norms and rules set by resource providers such as state, charitable donors and organisations may threaten TSO legitimacy. These constituents are assumed to be important because they possess valuable resources on which TSOs depend. In the section that follows, the concept of isomorphism is introduced, which is the mechanism that non-profit researchers use to explain the mechanism of compliance and its impact on legitimacy.

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\(^3\) Also known as technical or pragmatic legitimacy in other studies (Table 2.1)
2.3.2.3 Institutional isomorphism

Isomorphism is a fundamental concept of neoinstitutional theory (Scott, 2014). The core argument of isomorphism is that to legitimise, organisations adopt the practices, characteristics, and norms generated by an organisational field (Suddaby et al., 2017). Isomorphism is thus a process by which organisations conform to dominant institutional arrangements in the surrounding organisational environment (Di Maggio and Powell, 1983), in which legitimacy is granted to those organisations that possess characteristics approved by the institutional environment.

Many TSOs thus absorbed new cultures in an isomorphic process of imitating, or conforming to, the norms of the institutional arrangements around them. TSOs change in pursuit of legitimacy (Dart, 2004) by undergoing processes of coercive, mimetic, and normative isomorphism (Alexander and Weiner, 1998; Hwang and Powell, 2009; Meyer and Rowan, 1991). According to DiMaggio and Powell (1983), isomorphism results in a gradual homogenisation of organisations working within similar fields, and this isomorphic change occurs through three mechanisms, each with its own circumstances:

1) coercive isomorphism stems from the state and other influential organisations imposing formal and informal pressures on organisations dependent on them.

2) mimetic isomorphism occurs through imitation when organisations model themselves on other organisations in response to ambiguous goals or uncertain environments.

3) normative isomorphism is associated with professionalisation and the rise of formal education for professions which span across organisations.

While coercive isomorphic pressures imposed on TSOs are largely state driven, they often exist within similar service fields (Aberg, 2013), and are also exacerbated by competitive funding arrangements (Pfeffer, 2003). Thus, the competition in the delivery of public services and for the charitable grants and donations promotes similarities in organisational cultures and arrangements. However, as Aberg notes not all isomorphic pressures are coercive, and TSOs may choose to voluntarily engage with the state, adopt normative mainstream arrangements, and choose more market-oriented approaches because of the perceived benefits. Tensions arise when these behaviours that apparently bestow legitimacy with
external constituent groups produce internal debates among the staff and questions about normative legitimacy of TSOs.

Milbourne and Cushman (2015) suggest that the risks of non-compliance with state and state agencies are potentially high for TSOs as they signal untrustworthiness and undermine external legitimacy and influence over the delivery of local services. In the third sector literature, charitable donors and funders are often viewed as the most salient because their funding ensures organisational survival (Bielefield, 2007; Bowman, 2002; Connolly and Hyndman, 2017). Thus, they are assumed to play an important role in granting organisational legitimacy because an organisation is seen as legitimate when it is related to legitimate others (Galaskiewicz and Bielefeld, 1998). However, funders (including government) may not be the only sources of legitimacy because Suchman’s (1995) definition of legitimacy implies congruence with “some socially constructed system of norms.” Therefore, the possible sources of legitimacy are not limited to a narrow set of audiences mentioned earlier. Moreover, narrow conceptualisations of TSO legitimacy mask deeper questions about legitimacy – for whom, for what, and how it is created (Lister, 2003). The attention now turns to discussing these in greater detail.

2.3.3 Uncovering the complexity of TSO legitimacy

The aim of this section is to identify the possible sources of TSO legitimacy. Accordingly, this section will first explore the relevance of other constituent groups in granting organisational legitimacy, and in particular it will consider the role of the organisational mission as it is the key defining feature of organisations in the third sector. The next section will then look at the approaches that TSOs can adopt to manage their legitimacy.

2.3.3.1 Who are the constituencies?

Lister (2003) has criticised the literature on TSO legitimacy for their conceptual vagueness and for taking a narrow view of legitimacy. The author observed that studies on legitimacy often fail to specify whom an organisation seeks to legitimise with and critiqued the existing scholarship for adopting the implicit gaze of funders, states, and other actors rather than that of the local community. Yet, the consent or representation of service users is one of the key dimensions of TSO legitimacy, particularly for those who claim to represent their communities of place (Nevile, 2009; Vedder, 2007). Leardini (2019) argues that the actors whose approval
is necessary for an organisational legitimacy change over time and depend on organisational characteristics. Community-based TSOs, for example, need to engage with their communities (Brown, 2002) to legitimate their role because they are perceived as democratic institutions standing for the interests of their communities (Taylor and Warburton, 2003). Moreover, Herlin (2015) argues that to legitimise, the support of a small societal segment might be sufficient and suggests that legitimacy does not depend on the number of constituents, but on whose support an organisation has. Organisational leaders, staff, volunteers, the board of trustees, funders and donors, clients, allies and partners, referral agencies and public authorities (Anheier, 2014; Candler and Dumont, 2010; Van Puyvelde et al., 2012) have all been identified as important stakeholders of TSOs. Since legitimacy is a concept relational in nature (Leardini, 2019) and is an ongoing status (Chapman and Lowndes, 2014), the mix of legitimacy bases (i.e., cognitive, regulative, normative, and pragmatic) needs to be continuously managed (Suchman, 1995). Thus, a central issue for legitimacy research is identifying who has collective authority over legitimation in any given setting (Deephouse and Suchman, 2008).

In their study on non-profit accountability Costa et al. (2011, p. 475) rejected the idea of the primacy of any single constituent group to which a TSO should be accountable and argued that “long run survival of an non-profit organisation is based on its ability to maximize the social value created as defined in the organisational mission and as perceived by the multiple stakeholders influencing and influenced by the non-profit organisation.” As the authors claimed, in this sense funders are not the main stakeholder group, and aligning the organisation’s activities exclusively with the funders’ wishes and aims does not guarantee the fulfilment of the organisation’s mission and support of other important stakeholders. Moore (2000), for example, proposed an accountability system based on a three-fold typology of success in the non-profit sector linking social value creation, support by funders, and organisational survival. Social value is defined in terms of mission achievement, sustainable support refers to situations when donors view the organisation as economically and morally valuable and organisational survival is related to internal capacities and abilities of the organisation. Thus, these studies argue that preserving the mission coherence is in the interest of the organisation because the extent to which they are able to fulfil the mission influences their ability to attract supporters.
2.3.3.2 The role of mission

It is likely that the primacy of interests of the powerful constituent groups such as government for TSOs can also be overstated. For example, Mohan and Clifford (2016) found that fewer than 40% of all TSOs in receipt of public funding viewed their purpose as the delivery of public services. Instead, the TSOs described their purposes in terms of the specific charitable activity. The authors suggested that TSOs feel more responsibility to act in accordance with definitions of charitable purposes, and a broader conception of the public good rather than a narrow definition of public service is more important for TSOs. However, they also found it to depend on who they perceive their major funder is and the importance of a particular funding source in the total income of TSOs.

Some non-profit writers in the literature argue that the social missions of TSOs become the raison d'etre and justification for the organisations' continued existence (Costa, 2011; Moore, 2000). Cribb (2005) in his study of service delivery organisations in receipt of government funding found that staff, management, and board members maintained their primary accountability to service users and responsibility to deliver quality care. The findings of these studies may question the assertion that TSOs overwhelmingly or readily accept the goals of others as their own. Nevile (2009) provided evidence of service delivery organisations in Australia deciding not to tender when government introduced strict financial case management of exceptionally vulnerable users. These studies show that TSOs are able to walk away from external funding sources. More recently, Macmillan and Paine (2021) explored the public services commissioning environment and suggested that viewing TSOs as relatively passive and powerless in the face of wider forces is misleading. In their article they argue that TSOs actively seek to shape a commissioning context.

Practically speaking, TSOs or more specifically non-profit leaders may not have as much leeway in changing the mission as some of the studies may have assumed. Deeply embedded beliefs about organisational purpose, values, and core practices can be maintained and transmitted from one generation of staff to another (Salipante and Golden-Biddle, 1995). Yet, TSOs may be cognizant of the mission drift and be wary of related accusations of self-interest and the loss of integrity (Moore, 2000). Some TSOs develop "mission stickiness" which is opposite to mission drift, whereby traditional purposes lay a powerful claim on these organisations (Rangan, 2004). In these circumstances the non-profit leaders may not
legitimately and easily change the mission of the organisation because they may be constrained by historical legacies, the strong influence of those individuals who serve on their boards, and the presence of strong links with their traditional donors (Kearns et al., 2014).

Yet, other counterarguments exist that challenge the part of literature presenting TSOs as victims of the isomorphic forces. These studies challenge the claims that isomorphic pressures will necessarily lead to a loss of normative legitimacy. Some of these pressures may in fact present an opportunity to bolster normative claims of legitimacy. As Lister (2003) suggested legitimacy depends on conformity with dominant discourses. The NPG paradigm is among other things underpinned by the claims that the third sector has closer ties with service users, and hence possesses better knowledge of their needs (Kelly, 2007). Ospina et al. (2002) in their study of four non-profit organisations showed how the dominant rhetoric of TSOs’ ties with their community enhances their legitimacy with government and funders. It is therefore in the interest of TSOs to maintain close links with their communities or groups of people who are the intended recipients of the services. As further argued by Nevile (2010) TSOs that address a local need draw their normative legitimacy from their connection with the community they were set up to assist. As such maintaining that connection gives them a tool to protect normative legitimacy because the connection is also part of output legitimacy, i.e., their comparative advantage over private and statutory organisations.

Section 2.3.3 has thus shown that TSOs have multiple constituents and the fulfilment of their missions may not necessarily depend on their legitimacy with funders. Moreover, TSOs may need to legitimise with user groups and depending on their profile, they may need to seek approval of the communities that they support. This necessitates taking a broader view on legitimacy by considering a wider range of constituents with reference to the specific organisational context. Yet, the organisational mission is often the base on which TSOs’ claims for legitimacy are based, and therefore the role of the mission must be accounted for in the studies on TSO legitimacy.

Moreover, writers in the institutional school assume that organisations will conform to norms asserted by dominant actors, but they do not address the organisation’s need to accommodate divergent norms or the ability to respond strategically (Oliver, 1991; Suchman, 1995). An appreciation that legitimacy evaluations come from multiple sources highlights the possibility that legitimacy criteria may emerge interactively, in the interplay between the
various sources evaluating a given organisation and the organisation itself (Deephouse et al., 2017). In other words, these studies do not include a possibility that the TSOs may play a more agentic role in the legitimation process and actually resist some of the isomorphic pressures or at least find workarounds to reduce their negative impact. The next section aims to rectify this.

2.3.4 Approaches to legitimation

This section explores the non-profit literature to establish approaches that TSOs use to manage their legitimacy. This will facilitate an understanding of how TSOs seek to legitimise with their constituents, which will help answer an overarching research question and establish the factors that may influence organisational legitimacy of TSOs. Where appropriate, the section will identify relevant texts from the wider legitimacy literature to enrich understanding and facilitate the identification of a possible gap.

"Coercive isomorphism" (DiMaggio and Powell 1983), or conformity to the values, norms, and expectations of constituents is indeed one way that organisations use to legitimise (Suchman, 1995). But Suchman emphasised the degree of managerial control over the legitimisation process and the role of the organisation itself in seeking to enact legitimacy. They can do so by manipulating certain elements of their environments. Broadly speaking, organisations may attempt to change the mix of its constituents, and consequently the values, norms, and expectations to which it must attend (Ashforth and Gibbs, 1990). In the literature on TSO legitimacy most often this approach manifests itself as maintaining a mixed funding base or diversifying into new forms of service provision to better meet user needs (Brandsen and Van Hout 2006; Nevile, 2009; Osborne, 2012). Other approaches to legitimation in which TSOs show a more strategic role are forming links with other like-minded organisations, and a greater use of communication-based approaches. While these approaches challenge the common portrayal of TSOs as passive victims of external environments, it remains undisputable that the public policy context does have an impact on at least some of the distinctive characteristics of TSOs. Some of these approaches are discussed in greater detail below.
2.3.4.1 Inter-organisational partnerships

The role of inter-organisational linkages in enhancing legitimacy has been well documented in the legitimacy literature (Baum and Oliver, 1991; Deephouse and Suchman, 2008; Kumar and Das, 2007). Organisations may enhance legitimacy through their associations with “highly legitimate social actors in its environment” (Bitektine, 2011, p. 156). However, the linkages that may affect legitimacy are not only limited to “highly legitimate others” as Bitektine suggested. Weidner et al. (2019) demonstrated how inter-organisational partnerships between SEs enhanced legitimacy of both partners and argued that partnerships per se is one form of legitimating strategies. Further support was provided by Nevile (2010) who showed how establishing links with like-minded organisations enabled TSOs to apply and secure European funding and strengthen their funding bids.

Alexander (2010) found evidence that TSOs’ linkages with others provided them with critical resources including grants, contracts, pro-bono services, referrals, media coverage and the ability to influence policy. The forming of inter-organisational ties and relationships with constituents is closely interlinked with communication that will be discussed next. The link exists because partnership and relationship building are based on various forms of communication. Alexander found that inter-organisational ties that the organisation forms and maintains increase their legitimacy and organisational survival. The author also highlighted the importance of engaging in boundary spanning activities. These boundary spanning activities can be fostered by clients, staff, and board members who bring their skills, networks, and political ties. Active participation in networks allows TSOs to advocate for their organisation and clients through coalitions and consortiums with other organisations, and together they are far more powerful in their effect than discrete organisations. In a similar vein, Lu’s (2015) study highlighted the importance of informal relational governance in non-profit–government cooperation. The author suggested that to a certain extent government funding is a factor of an ongoing relationship-building process and advised non-profit leaders to engage in multiple boundary-spanning activities in both professional and social settings, to cultivate partnerships.

2.3.4.2 Communication-based approaches

As constituents confer legitimacy to an organisation with reference to their perceptions, legitimacy is subjectively created and socially constructed (Suchman, 1995). Suchman
stressed the role of communication-based strategies in the legitimation process, which were interpreted in a wide sense including various symbolic actions. Because legitimacy is a cultural process, legitimacy management builds on communication between an organisation and its constituents (Herlin, 2015). To legitimise organisations must not only ensure that their activities are congruent with societal values but also be able to communicate that their activities are congruent with such values to constituents (Branco and Rodrigues, 2006). Prado-Román et al. (2020) showed that communication systems within a hospital can generate a consensus among stakeholders, regarding the adequacy of organisational activities. These systems generate consensus on knowledge, culture, and social norms, which determine organisational legitimacy, and are achieved through interactions between the staff and other constituents. Thus, convincing communication maintains a reputation that is one building block of organisational legitimacy (Branco et al., 2008). Kostova and Zaheer (1999) in their study of multinational organisations showed that a good track record by itself is not sufficient to gain legitimacy and organisations must clearly communicate that record to the legitimating environment. One of the common ways to communicate legitimacy is by media, which facilitates a general evaluation on the organisations (Bitektine, 2011) and Leardini (2019) even used a term media legitimacy as means for an organisation to influence the perception of an organisation’s reputation. However, there are other public discourse instruments that allow TSOs to communicate with their constituents such as the annual report and other voluntary documents published for their constituents (Connoly and Hyndman, 2017). This also includes the adoption of standards and codes of conduct which articulate appropriate behaviour (Ebrahim, 2003).

2.3.4.3 Developing commercial income

Alexander (2010) found that non-profit commercialisation gives a certain degree of financial independence and control over goals and organisational services. Instead of damaging an organisation’s public character, “businessification” could allow the organisation more autonomy. A similar conclusion was made by Osborne (2012) who showed how TSOs some of which are “self-styled social enterprises” turned their attention to enterprising and entrepreneurial ethos to continue to play a role for local communities. Moreover, evidence suggests that TSOs with more diverse portfolios of donors are less prone to isomorphic pressures from donors (AbouAssi, 2013). There are however concerns that the commercial
activities are eroding the distinct value of the charitable sector leading to a loss of identity and a loss of legitimacy (Bush, 1992; Powell and Owen-Smith, 1998; Weisbrod, 1998).

The value of earned money is articulated differently from given money. If organisations are paid to do something, then they are free to spend the money as they choose (Child, 2016). However, earned income entails some social and cultural meaning, which is measured to some extent by the way it was earned (Chapman, 2017), and is not entirely “cost-free.”

Non-profits’ commercialisation defined as increasing reliance on revenue from sales of goods and services (Salamon, 2003) has been another source of a debate in the non-profit literature (Anheier, 2014). Some researchers claim that the reliance on commercial sources has increased significantly since the 1970s (Dees, 2004; Tuckman and Chang, 2006; Young, 2008) with TSOs becoming more business-like (Hwang and Powell, 2009; Kerlin and Pollak, 2011; Wicker et al., 2012). The diversification of revenue sources is said to be consistent with the logic of maintaining organisational autonomy (Pfeffer and Salancik, 1978). Others, however, found little evidence of the overall sector commercialisation (Child, 2010) supporting claims that TSOs have historically depended more on earned income than on donations (Hall and Burke, 2006) and that reliance on commercial revenues is not a new phenomenon (Osborne, 2012; Teasdale, 2010). Yet others, analysed the funding structures of TSOs and while these studies confirmed a large increase in commercial revenue, they also suggested that commercial income cannot fully substitute grants and donations and that these sources of income remain as important (Kerlin and Pollak, 2011; McKay et al., 2015).

The debates in the field may exist because commercial revenue is a broad and catch-all term. It has been variously referred to as earned income, unrelated business income, contract income, or program service revenue (Child, 2010). Roy et al. (2021) found that much of what research counts as “commercial income” is government income from service contracts or project funding. In addition, in practice there exist certain limits to commercialisation. For example, in social housing the role of the sector and its market share has expanded relatively rapidly long before the recent mainstreaming of the sector (Kendall, 2009). Regional differences present different realities for TSOs (Di Domenico et al., 2009) as deprived areas offer very little opportunities to charge fees for services (Chapman, 2017).

This topic has received much attention in the SE literature where the combination of commercial and social goals may come into conflict with each other and compromise
performance, efficiency, and outcomes (Yin and Chen, 2018; Mason and Doherty, 2016). These tensions however can be managed and reconciled. Bianchi et al. (2022) divided the approaches to managing the tensions into two broad groups. One requires TSOs to manage the duality of goals and have a set of “cultural toolkits” against which proposed practices will be consciously evaluated. This, for example, might be setting a limit on the levels of profit that should earned. The alternative strategy is decoupling, which means that social and commercial activities are run separately. This can allow an organisation to keep services of fundamental public benefit for free or at a low price.

2.3.4.4 Governance and accountability

In the literature on non-profit governance, governance arrangements as an approach to managing legitimacy of TSOs have received much interest from the researchers (Connolly et al., 2015; Leardini, 2019; Lee, 2016). While compliance with legal norms is a source of organisational legitimacy, it is rarely sufficient on its own to achieve legitimacy because legal frameworks and societal values may not coincide (Dowling and Pfeffer, 1975). Consequently, a major part of studies on governance focus on representation of constituents and user involvement (referred to as downward accountability in non-profit governance studies). According to this stream of literature, participation, and representation of the local community within governance arrangements enhances legitimacy (Guo and Musso, 2007; Leardini et al., 2017; Mercelis et al., 2016). Sound governance implies “structures and values that mirror a society” (Farazmand, 2012, p. 230). These studies therefore view governance as a mechanism linking TSOs and their communities and suggest that engaging stakeholders within their boards usually increases trust in TSOs because they are considered symbols of local identities (Abzug and Galaskiewicz, 2001) and are trusted to act in the interests of the community (Guo and Zhang, 2013). The actual involvement of constituents in organisational activities can lead to better outcomes because organisational decisions are made with respect to constituents’ needs (Choudhury and Ahmed, 2002).

Recently, however, more critical accounts of user representation as an approach to legitimacy have emerged. Recent analyses based on empirical case studies have found that user and/or community representation and participation in governance depends on missions, organisational types, and institutional environments of TSOs (Guo and Musso, 2007; Guo and Zhang, 2013). Hudson’s (2002) empirical research for example, showed that most TSOs in
their study were reluctant to get involved in time-consuming consultations with the service user while Connoly and Hyndman (2017) found that discharging meaningful accountability downwards to users is difficult to achieve due to lack of resources, organisational commitment, guidance and/or expertise. These studies thus have challenged the assumption that the third sector can always meaningfully represent the views of service users and suggested that the relationship between service users and third sector organisations is contextually dependent.

2.3.4.5 Local milieu: a neglected part of TSO legitimacy

Another important but often neglected dimension of TSO legitimacy is the local milieu. There is no general agreement on how to define the concept of “local” or “regional” (Malmberg, 1996) while “milieu” is defined as “the physical or social setting in which something occurs or develops” (Merriam-Webster, 2023). A local milieu could thus be a nation, an urban region, or any functionally defined subnational entity. Following Malmberg (1996, p. 400), this study defines the local milieu as a segment of territory characterised by a certain coherence based on common behavioural practices linked to its local institutions and culture, industrial structure and corporate organisation.”

A TSO’s social license to operate in local communities requires the necessary work to gain trust and seek approval from local communities (Molden et al., 2017). The symbolic power of localism and of concepts like local and community is recognised as a contributor to legitimacy of rural-based organisations (Agrawal and Gibson, 1999; Blaikie, 2006; Hurley and Walker 2004; Lane and Corbett, 2005). Comparatively little is known generally about how “place” shapes the development of TSOs (Muñoz, 2010), yet relatively little scholarship has explicitly attempted to include the local milieu as one of the key dimensions of TSO’s legitimacy. Searing et al. (2022) argue that both the perception of the mission and of the funding will shift as cultural boundaries are crossed and suggest including the local context in future studies to promote a better understanding of the characteristics of TSOs.

In the UK, the uneven regional geographies in the development of the third sector have been noted previously (section 2.1.3). Bingham and Walters (2013) note that political support for the third sector does not necessarily translate into increased funding. Mohan and Clifford (2016) found that by no means all organisations delivering public services are in receipt of public funding. While co-production of public services may be the cornerstone of Scottish
social policy promoted at the level of Scottish Government, in practice it is implemented at
the local level by local authorities. Local authorities are not only potentially resistant to
change (Cairney et al., 2016), but are free to interpret priorities in different ways which
influences the level of funding available to TSOs. This could undermine the rhetoric regarding
the inclusion of the third sector in the delivery of public services (Osborne and Super, 2010),
but importantly, it exposes TSOs to different local institutional arrangements, which must be
taken in consideration in the analysis of organisational legitimacy.

2.3.4.6 Organisational characteristics and skills

Other common mechanisms of enacting legitimacy that exist in the wider literature include
legal compliance (Brinkerhoff, 2005); the expertise, knowledge, and competence of boards
(Abzug and Galaskiewicz, 2001; Buckingham et al., 2014); organisational age, size and niche
specialism (Baum and Oliver, 1991; Ruef and Scott, 1998); performance, i.e., demonstrating
pragmatic ability to deliver results (Ashforth and Gibbs, 1990; Suddaby et al., 2017); and
“creative packaging” when TSOs present what they do in ways that correspond to the
preferences of government (or other) funding sources (Ossewaarde et al., 2008).

2.3.5 Where have we gone so far?

The mainstream literature on TSO legitimacy has been concerned mainly with the actor–
audience dyads and focused on one or two “important” constituents such as government (as
both the funder and rule setter) and funding agencies. It assumed that the funders are more
salient than others because of the TSO’s dependence on external funding and neglected other
important actors and elements in a wider intuitional setting that bear relevance for legitimacy
such as organisational values, mission and norms, and individual beliefs. With the growing
focus on involving TSOs as partners in the delivery of public services spurred by the rise of
NPG and co-producing public services with citizens, attention in the literature has started to
shift towards incorporating the service user’s viewpoints in decision-making to legitimise the
organisation within the civil society (e.g., Leardini, 2019). While research on user
representation has progressed, it has been studied in the narrow context of non-profit
governance. This stream of literature has explored the tensions between upwards
accountability towards funders and donors, and downward accountability towards the service
user (e.g., Edwards and Hulme, 1996; Ebrahim, 2003), and concluded that the conflict
between the two threatens TSO legitimacy, and that TSOs are forced to prioritize the donors’ wishes out of the desire to legitimise. These studies also tend to assume that legitimacy is static because threats to legitimacy can be eliminated by correcting technical deficiencies of TSOs, that is introducing mechanisms for improving user representation, accountability, and transparency. However, a legitimate organisation is the one that pursues socially acceptable goals in a socially acceptable manner (i.e., is aligned with normative prescriptions), and efficiency and performance alone are not sufficient (Suchman, 1995). Therefore, an assumption that improving technical characteristics alone will produce the desired legitimacy effects is questionable and requires evidence (Ashforth and Gibbs, 1990).

The mainstream literature on legitimacy has called for a greater construct clarity and the recognition of the complexity of the concept (e.g., Deephouse and Suchman, 2008; Deephouse et al., 2017; Suddaby et al., 2017). Similarly, echoing how the concept developed outside of the field, more critical concerns in the literature on TSO legitimacy have been raised that TSO legitimacy should be conceptualised as a multi-facet concept (e.g., Carré et al., 2021; Lister, 2003; Leardini, 2019). The multiple layers of institutional environments of TSOs, operating in various policy fields and geographical territories, the multiplicity of constituent demands and the simultaneous need to pursue funding from government, voluntary and commercial sources have all been found to have important implications for legitimacy.

Recent discussions in legitimacy literature have embraced social constructivist theories to explain legitimacy. These theories suggest that actors interpret their social world by reproducing social situations and structures through their interactions (Giddens, 1984; Goffman, 1963). The identification of social structures, which include rules, norms, and contexts helps interpret social reality. Institutions influence the behavior of actors, which can include maintaining existing arrangements or seeking alternatives (Lawrence and Suddaby, 2006). As institutions provide the social context for resource integration (Edvardsson et al., 2011), identifying these institutional “rules” assists in identifying those interactions that are important. TSOs’ environments are not homogeneous, and different organisations may operate within slightly different environments, and interact with different constituents. Lister (2003) argued that adopting an environmental perspective of legitimacy makes it possible to consider that an organisation’s legitimacy is based on different aspects with different stakeholders and that an organisation’s legitimacy with one stakeholder might not be
compatible with its legitimacy with another. She concludes that a nuanced understanding of TSOs can be obtained through “an analysis of the constructs within an organisation’s environments” (p.184). The socially constructed approach of legitimacy recognises that legitimacy is fundamentally contested and shaped by a TSO’s ability to conform to dominant discourses in the wider institutional environment (Walton, 2008). Simultaneously, it recognises the active role of TSOs in the process of legitimation, through the use of a range of context and audience-specific strategies (Bryant, 2005; Walton, 2012; Dodworth, 2014).

2.4 Legitimacy through the lens of the Public Service Ecosystem (PSE)

This section explores and compares the applicability of several theoretical frameworks found in the extant literature that have been applied in the study of TSO legitimacy. The section will compare stakeholder theory, network theory and systems theory and consider the applicability of the ecosystems approach for the study.

2.4.1 From dyads to ecosystems

Despite the growing calls of researchers to adopt an environmental view of legitimacy (Lister, 2003) and consider legitimacy as a multi-level, multi-stakeholder concept which is dynamic in nature (Carré et al., 2021), the non-profit literature has maintained a narrow focus on studying legitimacy as a dyadic relationship between the organisation and its audiences. Schoon et al., (2020), for example, proposed a framework to study legitimacy in actor-audience dyads. A dyad according to their framework consists of “an object of legitimacy (the thing being evaluated), an audience (the source of evaluation), and a relationship that connects the two” (Schoon, 2022, p.5).

The literature review highlights that viewing legitimacy as a dyad, or a system of dyads omits important constructs of legitimacy. It has shown that legitimacy is socially constructed and contextually dependent (Suchman, 1995). Legitimacy claims can be based on values (e.g., Hudson, 2002), organisational processes (e.g., Guo and Musso, 2007), organisational links (Alexander, 2000), prevailing cognitive schemes (Nevile, 2008), and a whole set of other contingent factors (e.g., reputation, age, expertise, etc.).
Various terms have been used to describe a system of relationships of organisations with their stakeholders including networks (e.g., Gummesson, 1999); value constellations (Normann and Ramirez, 1993); value nets (Parolini, 1999); and service ecosystem (Vargo et al., 2017). Many studies in the non-profit literature on governance and legitimacy applied stakeholder theory and network theory (e.g., Costa et al., 2011; Dhanani and Connolly, 2012; Knox, 2007; Schoon et al., 2020; Wang, 2021; Zhou and Ye, 2019). Classic stakeholder theory states that organisations must address a set of stakeholder expectations; these stakeholders are distinct and mutually exclusive, with a focal firm linked to a stakeholder network (Freeman, 1984). This theoretical perspective, however, has been criticised for assuming that the environment is static (Key, 1999). Rowley (1997) argued that stakeholder theory is narrowly focused on dyadic relationships between individual stakeholders and a focal organisation and lacks an understanding of how organisations respond to stakeholder influences. Consequently, the author advocated for the use of network theories to explain how organisations respond to their stakeholders through an analysis of the complex array of multiple and interdependent relationships in stakeholder environments. Generally, researchers have called for a perspective that would take a broader view on interconnected relationships within a network and accept that the behaviour of an organisation can have direct and indirect impacts on other actors in the network (Frow et al., 2014).

Research on organisational networks can be traced to Granovetter (1985) who emphasized the importance of social ties through which organisations manage their mutual dependencies. Later Powell (1990) and Nohria and Eccles (1992) proposed the concept of the “network form” of organisation, in which inter-organisational cooperation is expressed through alliances, joint ventures or buyer-supplier relationships. Borgatti and Halgin (2011, p. 1168), define network theory as “the mechanisms and processes that interact with network structures to yield certain outcomes.…” The theory borrows heavily from graph theory which explores relationships between objects and represents them in graphs (Wasserman and Faust, 1994).

Within network theory, network structure refers to the pattern of relationships within which the industry is embedded (Gulati et al, 2000). The unit of analysis of inter-organisational networks research is a firm. Organisations form formal relationships, and their embeddedness in these relationships influences their opportunities and constraints (Powell et al, 1996). Specifically, network theory focuses on the implications of such network variables
as network density, structural holes, structural equivalence, and core versus peripheral firms, for the organisational performance (Podolny, 2001), typically profitability (Rowley et al., 2000), costs (Podolny, 1993) or revenues (Shipilov, 2006). Network researchers also explore the origins of network positions by looking at how ties are formed (e.g., Gulati and Gargiulo, 1999), in which case, the dyad (that is, the locus of the tie) becomes a unit of analysis. Other network research concerns exploring and assessing properties of entire networks such as its overall clustering coefficient or average path length (Kogut and Walker, 2001).

As argued by the supporters of network theory, the network perspective highlights the importance of social relations for organisational and inter organisational affairs on achieving organisational outcomes (Borgatti, and Halgin, 2011; Brass, 2002; Salancik, 1995). However, albeit the perspective overcomes the weaknesses of narrower dyadic models (Gummesson, 2008) and considers a larger number of constituents, it remains narrowly focused on inter organisational relationships. Thus, it cannot account for the broader environmental context in which TSOs exist and relate to. With the complexities of modern services, the attention needs to shift from a sole focus on an organisation's relationship with customers and other stakeholders, and a narrow and incomplete view of a network, to a broader perspective (Frow et al., 2014).

A more expansive approach to relationships between entities is offered by systems thinking. Systems theory has contributed substantially to the foundation and development of many disciplines such as biology, sociology, psychology, information processing and engineering (Ng, 2009). Researchers adopting the systems worldview have called the emphasis on the parts mechanistic, reductionist, or atomistic (Capra and Luisi, 2014). The more holistic perspective has become known as systemic and the way of thinking it entails as systems thinking (Vargo et al., 2017).

The move from the mechanistic to the systemic paradigm has taken different shapes and proceeded at different speeds in various scientific fields (Vargo et al., 2017). Several systems approaches have been developed, which include general systems theory (Von Bertalanffy, 1967); open systems theory (Boulding, 1956; Katz and Kahn, 1978); and viable systems approach (Barile et al., 2012; Beer, 1972; Golinelli, 2010). A common feature in the systems approaches across scientific fields is to think of phenomena as complex systems. Ng et al. (2009, p.6) define “systems” as an “entity which is a coherent whole”. Checkland (1981)
propose that each system has five main characteristics: (a) coherent whole, (b) boundary, (c) mechanism of control, (d) inputs and outputs and (e) sub-systems and wider whole.

The system is composed of interrelated parts but “the whole is more than the sum of the parts, at least in the important pragmatic sense that, given the properties of the parts and the laws of their interaction, it is not a trivial matter to infer the properties of the whole” (Simon, 1962, p. 195). This approach, therefore, studies the organisation in its totality. Hence, the first and most general feature of systems thinking is the change in perspective from the parts to the whole, suggesting that the characteristics of the whole cannot be directly inferred from its smaller elements (Senge, 1990; Simon, 1962). In fact, the shift in the focus from the parts to the whole means that all phenomena are ultimately interconnected, and their essential properties derive from their relationships with other elements (Kast and Rosenzweig, 1972).

Organisation as a system is understood by identifying various sub-systems within it, and each sub-system is characterised by certain processes, roles, structures, and norms of conduct (Laszlo and Krippner, 1998). Ng et al. (2009) suggest that this view allows drawing boundaries around an entity and distinguishing between the “inside” and “outside” elements. The presence of a boundary supports the identification of inputs and outputs that cross the boundary. Each entity has an internal control mechanism enabling it to keep its identity. All these elements of the system that function together show some level of organisation.

Therefore, an entity is considered as a “whole”, has sub-systems and is part of a wider whole (Checkland, 1981). Capra and Luisi (2014) suggest that another defining feature of systems thinking is that the primary unit of analysis is relationships and interactions. In systems thinking, a system is more than a static pattern of elements, and structures are seen as manifestations of underlying processes, which emphasises the self-generating properties of such a system (Varela et al., 1974). Finally, the emphasis of interactions and processes in systems thinking suggests that phenomena cannot be measured in the conventional sense (Capra and Luisi, 2014). Instead, to identify repeating configurations in the system or their relationships, researchers use mapping (Gleick, 1987). Networks is one examples of such patterns of organising alongside feedback cycles and boundaries (Barile et al., 2016). Accordingly, the focus oscillates between the parts and the whole, the internal and the external contexts, and at the multiple systems levels, that is from individuals to organisations to networks of organisations up to the whole ecosystem (Redfield, 2009).
There is a long tradition of systems thinking in management literature where the term "system" is widely used, for example, business system, production system, marketing system, channel system (Barile et al., 2016). A marketing system, for example, can be considered at different levels, from those related to a specific transaction, to a much more complex array of relationships at an aggregate marketing system level (e.g., Layton, 2008; Wilkie and Moore, 2006).

Scott (1961) is believed to be the first to describe the relationship between systems theory and organisation theory:

The distinctive qualities of modern organisation theory are its conceptual-analytical base, its reliance on empirical research data, and above all, its integrating nature. These qualities are framed in a philosophy which accepts the premise that the only meaningful way to study organisation is to study it as a system...Modern organisation theory and general system theory are similar in that they look at organisation as an integrated whole. (p. 15)

Despite the advantages, the systems approach does not provide models which may be suitable for all types of organisations, and a structure that works for one unit may not be appropriate for another. In other words, the whole idea of contingency is missing from the approach (Kast and Rosenzweig, 1972). Yet, a lot of research have used the terms “network” and “system” interchangeably (Frow and Payne, 2019; Gummesson, 2008). The present study, however, treats them separately by recognising that a stakeholder network forms part of a higher-order system and suggests that a non-profit funding system may be specified at different levels including: a single transaction; a set of transactions involving specific fundees and funders; a specific stakeholder; a network of stakeholders; and a highly complex array of transactions characterizing a complete economy at the aggregate funding system level.

The application of systemic approaches in research on legitimacy remains limited, and there are only few examples of cross-level studies in research. For example, Holm (1995) presented a “nested systems” view of legitimacy, to examine how various sources contributed to the legitimation and de-legitimation of mandated sales organisation in Norwegian fisheries. Sine et al. (2007) examined the effects of firm and sector legitimacy on new ventures, and Crumley et al. (2006) examined how social actors attempted to legitimate and delegitimate the role of acupuncture within the institutionalized western healthcare system. These studies however
remain concerned with the processes of institutionalisation per se and aim to explore institutional change and how legitimization or delegitimization occurs over time. The aim of this thesis is not to explore how an organisation emerges as legitimate and the processes that destabilise or otherwise strengthen its legitimacy over time. The present study attempts to consider the phenomenon of legitimacy in its complexity and shift the focus away from narrow dyadic models.

Suddaby et al. (2017) usefully outlined three perspectives on legitimacy – those that view legitimacy as a product of two primary actors—the organisation and its external environment; as the product of interaction of multiple actors (typically organisations) operating largely at more macrolevels of analysis (e.g., the organisational field); or as occurring between the collective and the individual. The present study aims to address the call by Deephouse and Suchman (2008) to examine legitimation at multiple levels – within organisations, among organisations, and within organisational fields – and that these investigations should include the interactions among the levels. The theoretical lens with which the study of organisational legitimacy is proposed in the present thesis is that of the ecosystem.

2.4.2 Public Service Ecosystem

The term “ecosystem” has become increasingly pervasive in the literature on strategic management (Adner, 2017), innovation (Granstrand and Holgersson, 2020), service marketing and management (Vargo et al., 2017) and inter alia public administration literature (PAM) (Hodgkinson, 2017; Osborne et al., 2022; Petrescu, 2019; Trischler and Charles, 2019). The rise of the term is related to an increasing interest among both researchers and practitioners to extend the studies of a phenomenon beyond single units, recognise their multiple interdependencies and locate them in geographic and institutional milieu.

Originally borrowed from biology, the term ecosystem was introduced in social science by Amos Hawley who defined ecosystems as an “arrangement of mutual dependencies in a population by which the whole operates as a unit and thereby maintains a viable environmental relationship” (Hawley, 1986, p. 26). In strategic management, the term was introduced by Moore (1993) whose early work focused on describing the phenomenon, generally using the term “ecosystem” as a metaphor for the interdependency of organisations. Moore (1996) suggested that the business ecosystem perspective extends the
traditional focus of strategic management on core products and networks (extended enterprise). It views an organisation not as member of a single industry but as part of a business ecosystem that crosses a variety of industries.

In the management literature, however, some writers use the terms “network”, “system” and “ecosystem” interchangeably and there are significant definitional overlaps (e.g., Battistella et al., 2012; Chesbrough, 2007; Iansiti and Levien, 2004; Yiu and Yau, 2006). Until now, research in business ecosystems has taken different approaches, the main ones being the metaphorical approach, which uses natural ecosystems as a metaphor for understanding business networks. This “business ecosystem” stream continues to focus on a firm and its environment (Jacobides et al., 2018). Iansiti and Levien (2004, p.8), for example, define business ecosystems as organised around keystone species and “characterised by a large number of loosely interconnected participants who depend on each other for their mutual effectiveness and survival.” Performance of individual actors is inseparable from the performance of the ecosystem. Moore (1996, p. 26) defined a business ecosystem as “an economic community supported by a foundation of interacting organisations and individuals—the organisms of the business world”. This expansive view, however, makes it difficult to precisely define the scope of the ecosystem.

The innovation ecosystem stream offers a clearer focus (Jacobides et al., 2018). It equally acknowledges interdependence across actors but links it with a specific “focal value proposition” for the customer. Despite a clearer focus, the view of an ecosystem in this stream of literature remains closely associated with that of a network. Adner (2017, p.42), for example, defines an ecosystem as “the alignment structure of the multilateral set of partners that need to interact in order for a focal value proposition to materialise”. Similar definitions of ecosystems as networks of affiliated organisations are found in other studies (e.g., Autio and Thomas 2014; Jacobides et al., 2015; Rong and Shi, 2014). Moreover, these studies are concerned with the business and customer value as it pertains to the private sector.

Organisations are open systems, and simultaneously form part of inter-organisational networks and ecosystems, yet research on networks and ecosystems developed in isolation (Gulati et al., 2000). Some researchers offer to clearly differentiate between the two. The starting point in networks research is the presence or absence of inter-organisational relationships, while the focus of ecosystems research often concerns either the ecosystem as
a whole, or the focal offering that is provided by the ecosystem (e.g., electric car, smartphone, software application), and not the focal firm or the alliance (Shipilov and Gaver, 2019).

Henderson and Palmatier (2010, p.44) argue that the term “ecosystem” is broader than “network” and “helps provide clarity by emphasizing the diversity of the components that comprise it, some of which are networks themselves”. Leith (2013) argues that an ecosystem differs from a stakeholder system in that it includes actors who are not classed as stakeholders such as “anti-clients”, activist groups and competitors. It includes more than the organisational network and incorporates powerful species such as governmental bodies, associations and standardisation bodies (Anggraeni et al., 2007). While ecosystem members may or may not have alliances (networks) amongst themselves, they must be aligned with each other (be it expressed as a set of alliances or not) for the value proposition to realise. Jacobides et al. (2018, p. 2264) compare networks and ecosystems and state that ecosystems consist of “a set of actors with varying degrees of multi-lateral, non-generic complementarities that are not fully hierarchically controlled”. Networks, in turn, have strategic significance for their members, and are more formal and enduring inter-organisational relationships (Gulati et al., 2000). Multilateral means “a set of relationships that are not decomposable to an aggregation of bilateral interactions” (Adner, 2017, p.42). In other words, the relationships between two entities are themselves dependent on all other relationships within the ecosystem. The phenomenon therefore differs from the set of dyadic relationships seen in alliances. For example, when the funder and the fundee collaborate on a joint project, they may focus on achieving outcomes, however, the realisation of this project may also require the staff to meet certain requirements such as relevant qualifications, their staff must pass prior screening if the work involves vulnerable users, and the work processes must adhere to government approved health and safety regulations and so forth. While the governments and regulatory entities, professional associations and educational institutions are not members of the alliance, they are still important nonprofit ecosystem members within that broader ecosystem (Shipilov and Gaver, 2019).

This way it can be concluded that in the management literature ecosystems are used as a metaphor for a complex environment describing a wider set of organisational relationships beyond direct stakeholders who cooperate with the aim of producing products and services that customers will value. When Moore (1993; 1996) introduced the concept of business
ecosystems, it provided a way for the organisational research to expand the scope of their analysis beyond business networks and consider the organisation at the system level in which many organisations and industries form an interconnected structure of organisations, technologies, consumers and products (Gundlach, 2006). The natural ecosystem as a metaphor helps business research to go beyond the atomistic and internal view of the firm, since a natural ecosystem is a complex, self-organising system. Korhonen (2005) argues that while the use of a metaphor cannot be wrong, its usefulness must be determined in relation to its contribution to the real world. This means that future studies should go beyond the metaphor and establish the underlying mechanisms and relations in an empirical way.

The high profile of TSOs in policy development and political debate (Macmillan, 2013) and a focus on extended role of non-government providers in service delivery (Alcock, 2016), greater austerity in public spending, and growing demand for social services have led many researchers to conclude that the role of the third sector in the delivery of public services will continue to grow (Clifford, 2017). The nature of social services that TSOs deliver is different from the services of the private markets. Public services are typically more complex, include a broader range of stakeholders, and demand higher levels of transparency and accountability (Farr, 2016) than private sector counterparts. “Repeat business” (Best et al., 2019) may not be an indicator of success in the public sector context; customers may be coerced to participate in services, multiple stakeholder groups may have different perceptions of what an outcome of the service should be, and relationships between stakeholders in the process of co-creation of value across a network are more complex (Osborne, 2018). Consequently, the PAM literature has grown considerably to embrace these ideas and the concept of ecosystem has received much development as an analytic tool rather than simply as a metaphor particularly within the work of Osborne et al. (2022) on Public Service Logic.

The contemporary PAM literature has emphasized that contemporary public services are embedded within a network comprised of multiple actors whose direct and indirect interactions do not exist in isolation but form part of a wider ecosystem (Hodgkinson et al. 2017; Jaakkola et al., 2015). The pressures on public sector organisations to meet the multiple and sometimes conflicting stakeholder interests across complex public service networks have intensified, and partnerships and consortia have become the “modality of choice” (Austin and Seitanidi, 2012, p. 728). Yet, with government as a stakeholder, public sector organisations
experience alignment problems in outcome-based contracts (Farr, 2016). Public sector organisations must actively interact with various stakeholders as the outcomes of public services are formed through the interaction of many actors rather than of one single actor (Klijn and Koppenjan, 2012). Thus, the process of addressing societal and individual needs should embrace multiple actors through dynamic roles in an inter-organisational context (Bryson et al., 2017).

The PSE approach explores both context and system (Leite and Hodgkinson, 2021). The framework moves the focus away from dyadic relationships between public service organisations and their users, to a much broader perspective that includes multiple elements, processes and relationships within a service ecosystem (Strokosch and Osborne, 2020). The PSE has been used as a framework to understand the complexities of contemporary public services (Petrescu, 2019) and has been applied in the studies of a wide range of topics including learning and leadership (Kinder et al., 2022), public service design (Trischler and Charles, 2019) and stakeholder salience within PSEs (Best et al., 2019). These authors apply the ecosystem approach in a more structured way and use it as an operational concept rather than a metaphor for a complex environment.

The ecosystem perspective explicitly recognises the role of service users in the delivery of public services. A good example of the importance of the user views is provided by Trischler and Trischler (2022) who studied digitization from the ecosystem perspective:

How would then a patient perceive a change towards digitalized healthcare whereby consulting with his/her doctor occurs online, via a chat window or a video link? While such a solution may be cost-effective and convenient from the healthcare provider’s perspective, it still requires careful consideration of the patient’s practices linked to “seeing the doctor”. Otherwise ... the digital service may not be perceived as legitimate and may not be adopted by patients (even when these have full access to the service). From this standpoint, it is hardly surprising that even neatly-designed public services fail – they do “not account for actors’ shared rules, norms, and beliefs that need to be transformed.” (p. 1257)

This example points to the importance of legitimacy and the need to seek “approval” from the user. The service must not be simply offered, it must consider the needs of expectations of the user to legitimise, and therefore, approved, accepted, and be seen as appropriate.
Trischler and Trischler (2022) move on to suggest that the service ecosystem concept not only helps to move public service design towards a systemic approach, but also to consider the role of institutions more closely. They propose that public services must be attentive to the institutional arrangement underpinning service delivery activities as many public services (e.g., policing, public libraries, and healthcare facilities) are deeply rooted in rules, norms, and assumptions. While the ecosystems approach might be criticized for maintaining such a broad perspective it allows capturing complexity without unnecessary sophistry. It structures a space for multiple elements so that their contribution to the phenomena can be understood.

To understand the nature of TSO legitimacy within their complex environments, the ecosystem perspective is considered in the present study. The ecosystem perspective helps to reveal how legitimacy is contingent on broader interactive service ecosystems beyond the organisation (Petrescu, 2019), which include both the service-specific elements of the system (TSOs, technology, service delivery processes, etc.) and the broader societal context and values that surround and legitimate this service system (Laitinen et al., 2018). The perspective helps shift focus away from treating phenomenon in isolation at a single level or a single actor (e.g., funder or the state), typical of extant studies on third sector legitimacy. The present study will therefore seek to apply the key theoretical underpinnings of the ecosystem framework to the non-profit setting. The ecosystem approach will help move away from the dyadic models between the TSO and their audience and explore the multiple interactions between the factors that were found to be important for TSO legitimacy. To the best of the author’s knowledge, this represents a novel approach to conceptualising TSO legitimacy.

Within a service ecosystem, the interactions occur at different levels “built into constitutions, legislation, regulations and funding arrangements” (Bryson et al., 2017). There are several ecosystem frameworks in the PAM literature. Hodgkinson et al. (2017), for example, pay less attention to the structure of the PSE itself and tend to use the concepts of “ecosystem” and “network” interchangeably. As has been shown in earlier parts of the literature review, networks are indeed essential, but not sufficient for legitimacy, and other factors must be recognised. Petrescu (2019) explored the structure and interactions of the macro, meso, and micro levels of the PSE, but institutional, organisational, and individual values, processes, and norms, which are all important dimensions of legitimacy, were omitted. Trischler and Charles (2019) focus on public policy, rather than PAM. Osborne et al. (2022) used PSE as a unifying
framework to bring together the institutional, service, and individual levels of public service delivery, and showed the structure of the PSE in a four-level nested framework (Figure 2.1). In their framework the authors included society, the public service user alongside the public sector organisation, within the context of vibrant PSE, thus moving the PAM discourse away from one focused on the public sector organisation alone. In the PSE, the role of public sector organisations is not solely focused upon network management. Rather it concentrates on the integration of actors, resources, and processes within PSEs.

![Diagram of the Public Service Ecosystem](image)

*Figure 2.1 The public service ecosystem. Source: Osborne et al. (2022, p. 639)*
Within the PSE, context frames interactions at four levels and occurs at multiple levels: the macro level identifies the institutional arrangements to legitimate value creation in society, the meso level explores the processes of value creation at the organisational level, and the micro level reveals the actuality of value creation for individual service users, staff, and citizens. To this framework Osborne et al. (2022) have recently added the sub-micro level or the beliefs and values of individuals. The role of values for TSO legitimacy have been recognised, and the thesis proposes that these more granular perspectives of organisational legitimacy can bring greater clarity to the element groupings and their interactions.

The present thesis does not aim to provide definitive answers. It is the first attempt to address the call of researchers to embrace the environmental complexity in which TSOs operate (Lister, 2003) and show how the focus on dyadic models of organisational legitimacy in the non-profit literature can be resolved by using an ecosystem approach. This framework may then provide initial guidance for further exploration and testing. The characteristics of the ecosystems approach have suggested compelling reasons for adopting this perspective to understand TSO legitimacy. It may overcome the limitations of traditional dyadic or stakeholder models by considering relationships as systemic, mutually adapting interactions. The ecosystem lens represents a novel and persuasive approach through which to understand TSO legitimacy. It may advance an understanding of TSO legitimacy, but this approach needs to be adapted to the environment of TSOs. Therefore, the present thesis seeks to adapt and develop the approach further.

PAM research studies have laid the foundation for the next stage of research, going beyond dyadic interactions to address dynamic ecosystems across various interaction patterns. This study is the first to do so in the field of research on non-profit legitimacy. Because any business or social organisation can be regarded as a service ecosystem, traditional reductionist views that focus on distinct parts in the analysis of a phenomenon are not sufficient in the complex, dynamic environments that characterise modern, deeply interconnected social organisations. An analytical-reductionist approach still dominates non-profit legitimacy studies failing to go beyond the structural boundaries of enterprises or perceive the multiple interaction tiers that emerge. The ecosystems approach instead can help apply holism in a unitary framework and thereby avoid an unbalanced approach to the study of structural features and avoid a risk to overemphasise the dyads at the expense of
other important relationships that may provide the context to interactions. A shift from a dyadic approach to an ecosystem approach will allow considering the interactive dynamics among internal and external components (Barile and Saviano, 2014) by the inclusion of a larger number of influencing factors that go beyond the direct funder-fundee relationship. In addition, this study is the first to incorporate the local milieu in the analysis of TSO legitimacy. This can help appreciate that legitimacy does not originate in dyads but requires interactions of the elements of the ecosystem.

2.5 Conclusions

Organisations exist to the extent that society considers they are legitimate (Deegan, 2002). Legitimacy is granted by internal and external constituents who may endorse and support an organisation’s goals and activities (Pfeffer and Salancik, 1978). Thus, it is essential for TSOs to meet the expectations, often taken-for-granted, of the environment in which they operate (DiMaggio and Powell, 1991) but at the same time shape their legitimacy by applying a variety of approaches.

The present study seeks to address the following research question: “What constitutes the legitimating environment of TSOs with different funding structures? What are the contingencies of a TSO’s legitimacy within this environment?”

The studies on non-profit financing have sometimes taken deterministic views that legitimacy of TSOs is determined by their association with legitimate others who hold power, authority, and resources. As further analysis of the mainstream literature on legitimacy has shown, the sources of organisational legitimacy are not restricted to any particular group and depend on the organisational context (Deeplehouse et al., 2017), and thus TSOs must cater for the demands of multiple constituents, including the user and local community. Organisational theorists have recognised that institutional environments are complex and consist of multiple institutional “pillars” (Scott, 1995), multiple resource providers (Pfeffer and Salancik, 1978), and multiple stakeholders (Evan and Freeman, 1988). It is important to consider how these contribute to the study of the legitimating environment of TSOs. These are summarised in three major points.

First, institutional environments are fragmented and composed of different domains reflecting different types of institutions: regulatory, cognitive, normative, and pragmatic
These domains cover a broad range of elements from individual beliefs to formal laws and cognitive, taken-for-granted schemes. Understanding which criteria are used and by which audiences helps develop a better understanding of TSO legitimacy (Lister, 2003). Second, the third sector itself is fragmented. TSOs operate across multiple policy fields and are geographically spread (Clifford, 2017; NCVO, 2022; SCVO, 2022). Not only are differences between Scotland and England, but Scottish TSOs operate in different localities. These geographical differences suggest that TSOs may vary with respect to their institutional environments and are exposed to different sources of authority (Kostova and Zaheer, 1999). Hence, the local milieu should be included in the overall consideration of TSO legitimacy. Third, TSOs are characterised by a multiplicity of audiences who confer legitimacy. Prior studies on TSO legitimacy tend to single out one or two powerful constituent groups, usually the state and funders because they are believed to hold more legitimising power. However, complying with one or the other may not be sufficient (Dowling and Pfeffer, 1975) as TSOs have a diverse group of internal and external constituents including but not limited to employees, volunteers, service users, umbrella organisations, governments, and donors. According to Anheier (2000), they will have different interests and thus will refer to legitimacy dimensions which they deem more important. Theoretically they should legitimise with multiple constituents and generally it is not clear who should be more important in moral or legal terms (Costa et al., 2011). Moreover, a TSO which prioritizes donors risks incurring “the displacement of the ends by the means” (Frumkin and Clark, 2000, p. 160).

Yet, contemporary literature on legitimacy also stresses the importance of agency and strategic behavior by both the organisation being evaluated and the constituents who evaluate (Suddaby et al., 2017). Because of these complexities, many researchers advocate for a context-sensitive study of legitimacy (Bielefeld, 2002; Connoly and Hyndman, 2017; Guo and Musso, 2007; Lister, 2003). Viewing organisational legitimacy as a multi-layered construct allows us to develop a more fine-grained understanding of TSO legitimacy (Carré et al., 2021).

In the non-profit context, legitimacy may be related to several key elements working together (Brown et al., 2001; Lister, 2003). To answer the research question satisfactorily, it is thus necessary to move the focus away from the relationships with powerful stakeholders and adopt a multi-dimensional understanding of TSO legitimacy and a multi-stakeholder perspective.
Chapter summary

This chapter provided an overview of the literature relevant to the aims of the thesis. It had defined and presented the core concepts of the study, covered the main debates in the literature on TSO legitimacy and more recent developments of the concept in the wider literature, and finally considered the application of the ecosystem approach in the study of legitimacy.

The first section sought to define the concept of the third sector and set the boundaries for the study. It uncovered the lack of a uniform definition of the third sector, and considerable flexibility with which the term is being used both in theory and practice. Moreover, the section outlined the concept of SE for commercial income as this has become an important source of funding for TSOs. The present study is not focused on SEs per se, but in SE activities of TSOs.

The review then continued to present the context for the study. It has outlined the policy background which has had a significant impact on the development of the third sector in the UK, affecting the relationships between the third sector and state, resulting in the changes in the funding patterns. It concludes that focus on co-production, austerity in public spending, growing demand on social services is placing increased demands on TSOs. Yet, Scotland has long sought to be different in social policy terms, and the third sector in Scotland has roots in the cooperative movement. The unique traditions of the country are shaping a distinct Scottish third sector with more dependence on government sources of funding and opposition to any form of profiteering in the third sector. The section then presented the latest statistics for the sector and confirmed the higher dependence of the Scottish third sector on public funding (with higher proportion of local government funding in the funding mix). The present thesis argues that these contextual differences or the characteristics of the place may have important implications for TSO legitimacy and thus must be considered.

The literature review then continued to explore the concept of legitimacy. It established the commonly accepted definition but also identified that the definition evolved to a more evaluative definition that captures the antecedences, the actors who make judgements and the outcomes of their judgment (e.g., approval/acceptance). It established the different typologies of legitimacy and identified that institutions encompass norms, rules, beliefs, and cognitive schemes. These institutions can be classified into four main domains of legitimacy—
pragmatic, regulatory, normative, and cognitive. These are the reference points for the actors or the audiences who make legitimacy judgements. It established that audiences may vary according to the nature and type of the organisation. The literature has been mainly focused on state, society-at-large, media and large collective actors because they are believed to have authority and/or power to grant legitimacy. The study then explored legitimacy of TSOs and identified that first and foremost TSOs’ claims for legitimacy are rooted in their values and as set in their missions, but they also believe that their legitimacy lies in their expertise, close ties with community, and their standing for the basic rights, values, and principles.

Yet, the literature on TSO legitimacy has maintained that dependence on external financing is damaging TSO normative legitimacy, leading TSOs astray from their missions (Milbourne and Cushman, 2015). The literature presented here has provided a brief overview of various changes observed in TSOs due to their adaptation to evolving political, organisational and institutional contexts. These changes are often a result of isomorphic forces placed on TSOs.

It was then established that the institutional environments are complex and TSOs themselves have multiple constituents suggesting that it may be counterintuitive to consider legitimacy as exclusively a product of a dyadic relationship with the legitimate other. TSOs must be able to satisfy the needs of other constituents (Lister, 2003; Nevile, 2008). Yet, TSOs can manage their legitimacy using a variety of approaches such as building partnerships, communicating with their audiences, diversifying income base, and engaging the user in decision-making.

In the final section, the theoretical framework has been outlined. The analysis of the literature suggested that the present models of legitimacy as occurring in dyads is not adequate. The literature uncovered the call of the researchers to consider legitimacy as occurring at multiple levels, and in the interactive process. Yet, there currently exist no such frameworks in the literature on legitimacy that can provide the researcher with the conceptual apparatus to explore the complexity of organisational legitimacy characterised by multiple institutional domains, multiple constituents, exposure to different institutional environments (e.g., local milieu and wider) and duality of goals. The conceptualisation of public service delivery has recently received much development in the PAM literature. Importantly, the ecosystems framework allows both the structure and context to be included in the consideration, and the present study argued that the recent developments in the PAM literature can help shed light on TSO legitimacy.
CHAPTER 3: METHODOLOGY

Chapter overview

The proposed study on legitimacy of TSOs has exploratory aims. First, it aims to describe the legitimation processes of Scottish TSOs. Second, it sets out to explore the contextual factors influencing legitimation.

The purpose of this chapter is to present the methodological underpinnings of this research. A large part of the present study was undertaken during the Covid-19 pandemic, and many methodological choices discussed later in the chapter were in part dictated by the realities of Covid-19. Therefore, it was decided to open the chapter by providing the contextual background to the study and describe the conditions in which it took place, and how the wider context shaped the research processes underpinning the study.

The next section of this chapter covers the key elements of the research design. It commences with outlining the philosophical position, research strategy and methodological design adopted in this study. It then continues to present the key features of the empirical study, and the details of the sample and sampling procedures will be provided followed by the outline of the research methods and techniques used in the collection and analysis of data. The chapter concludes with a reflection on validity of the study and the steps taken in this study to ensure its academic rigour and integrity.

3.1 Placing the study in context: the impact of Covid-19

The original study had different aims. It concerned social investment and how repayable forms of financing are related to organisational legitimacy. Even though there have been many articles in the media about social investment, few defined it or used it interchangeably with other terms such as impact investing. Like the concept of SE in its early days confusion around social investment arose, and there was a sense of it as being another buzzword. Few academic sources about the phenomenon existed in the literature and in the first academic year the author attended seminars, talks and workshops with third sector practitioners and third sector agencies to understand how it is implemented in practice. In the first academic year (2018/19) the author had manually constructed a database of 280 organisations in receipt of social investment. The author had conducted pilot interviews and spoken with a
mix of practitioners, academics, and consultants to get a gauge of the phenomenon. Some of these interviews were formally recorded and formed part of the empirical base (further details of data collected prior to March 2020 are included in Appendix 2). Having clarified what it means, towards the close of 2019 the author had negotiated access to four TSOs that agreed to participate in the study on social investment. The TSOs had diversified income structures and presented a mix of smaller and larger charities and were interesting cases for comparative purposes.

However, with the start of the first lockdown, the charities were put under increased pressure. Like all other sectors of the economy, they had to adapt to the new ways of working while coping with increased demand for their services and operating under mounting uncertainty. They put their participation on hold, and by the late summer 2020 three of them had subsequently withdrawn from the study. In fact, one of them wound down.

This necessitated a reorientation of the study and the selection of other organisations. The advantage of the previous two years of research on the topic is that the author had developed a good understanding of the major income streams and studying the relationship between funding portfolios and legitimacy seemed an interesting path to follow. A decision was made to expand beyond social investment and focus on the relationship between funding patterns and organisational legitimacy. This decision was partially driven by a small sampling pool from which TSOs with social investment could have been selected, but more importantly focusing on funding as a whole could expand generalisability of the findings to a certain degree because the study would not be limited to a narrow set of TSOs with a capacity to borrow. Importantly, it still maintained the research focus on the study of legitimacy. The author’s research journey will be outlined next and practical limitations posed by Covid will be discussed throughout the chapter.

3.2 Research philosophy

The term research philosophy denotes “a system of beliefs and assumptions about the development of knowledge” (Saunders et al., 2019, p.130). The assumptions about the realities (ontological assumptions), human knowledge (epistemological assumptions), and the ways the researcher’s own values influence the research process are reflected in the design of a research study and the collection and analysis of data (Crotty, 1998). A research
philosophy is thus what the researcher considers to be truth, reality, and knowledge. Blaikie (2010) suggest that researchers should explicate their philosophical commitments to provide more transparency to the processes underpinning their research and the decisions made while conducting the study.

Positivism is a philosophical position that holds that reality exists objectively and externally, and the appropriate way to collect data is through a direct observation of the phenomena (Hammersley, 2013). Positivism posits that there are facts that can be proven, reality is the same for each person, and observation and measurement tell us what that reality is (Bryman, 2016). In social science, positivism involves the attempt to conduct research which follows the same general rules and procedures which are adopted in the natural sciences (Clark et al., 2021).

In contrast, interpretivism argues that methods to understand knowledge related to social sciences cannot be the same with those in physical sciences because individuals interpret their world and then acts based on their interpretation of it (Bryman, 2016). They critique the application of positivism in social research for it neglects individuals’ understanding and interpretation of events, phenomena or issues that can reveal a lot of truth about reality (Hammersley, 2013). This approach posits that reality is constituted by human action and knowledge is culturally and historically embedded, and thus subjectively created based on people’s experiences and their understanding of them (Ryan, 2018). With interpretivism perspective, researchers can gain a deeper understanding of the phenomenon and its complexity in its unique context (Creswell, 2007). However, while interpretivism overcomes some of the limitations of positivism, the approach lacks the recognition of social structures and underestimates the impact of social structures on social actors’ understanding of their everyday life (Blaikie, 2010).

Blaikie (2010, p.34) suggests that the choice of the research paradigm should be driven by the research question and be the one that the researcher thinks will provide “the greatest likelihood to answer the research question satisfactorily.” This thesis builds on the critical realist philosophy, driven by the following considerations. First, the literature revealed that legitimacy is a complex, multidimensional concept. Legitimacy is a socially constructed phenomenon arising through multiple interactions and interpretations (Deephouse and Suchman, 2008; Costa, 2011; Lister, 2003), and this research concerns the perceptions of the
staff, board members, CEOs, funders, and service users. Thus, the social actors’ interpretations must be acknowledged and viewed in context. Second, the literature review has also shown how the environment is acting as a constraining factor that influences organisations through coercive or mimetic mechanisms by imposing rules, criteria or structures and exerting pressures to comply. Thus, structures must be part of the wider picture in the study of legitimacy. Third, the mechanisms of legitimation or how legitimacy is enacted are not directly observable or measurable. The key argument of this research is that legitimacy must be studied within the ecosystem of multiple actors, elements, and processes in a multi-level structure. This is consistent with the critical realist philosophy.

### 3.2.1 Critical realism

Bhaskar (2016), the founder of realist social science, suggested that much research has tended to view many entities as dualisms without acknowledging their duality. Thus, researchers should consider both entities as interdependent. Examples include dualities such as individualism and collectivism, facts and values, cause and effect and structures and agents.

Critical realism is both an ontology, describing the nature of the world and an epistemology, outlining what we can learn about the world and how (Bhaskar, 1978). Ontologically reality exists at three levels (Figure 3.1). The empirical domain consists of events which can be observed, the actual domain consists of events whether or not they are observed, and the real domain consists of the structures and mechanisms which produce these events (Danermark et al., 2003). This way critical realism makes a distinction between the events that we can observe and the mechanisms that produce such events. The knowledge that we hold is therefore provisional and there is always room for better explanations (Eriksson, 2015).
To give an example from a case study, the data included in a case study is the empirical domain. The data that is excluded from it such as an environment of another organisation, the whole industry or country, is part of the actual domain. The real domain are the mechanisms that we try to uncover by applying an appropriate theory. In accordance with these strata, the epistemology of critical realism seeks to learn more about the real domain but acknowledges that this domain can only be understood through the study of events in the empirical domain (Danermark et al., 2003). In other words, the author of the present study acknowledges that there is no way to directly observe legitimacy as it does not have a material form, but it can be inferred from the flow of resources, approvals and endorsements arising through the interactions of different elements in the ecosystem of the organisation. The mechanisms of how legitimacy is enacted can only be explained by an appropriate theory.

Because we learn by observing events in the empirical domain, it is important to understand how these events are created. Critical realists suggest that phenomena must be situated in the larger wholes (Blaikie, 1993) also known as a social structure. Social structures form a context, functioning as conditions for agents that transform or reproduce structures (Eriksson and Engström, 2021). Structures shape agents’ behavior and are, at the same time, shaped by the agents (Dobson et al., 2007). Because of these inter-connectedness structures and agents must be studied together and in relation to each other (Archer, 1998; Danermark et al., 2003). In the context of legitimation processes it helps understand how the human agency should be viewed according to critical realism. When viewed in relation to the present study, agents
such as leaders and board members of a third sector organisation can be considered to act with intention. They can change the context in which actions are undertaken (e.g., expanding into new areas of service provision or new geography). However, agents are also restrained by context, for example, the organisation’s values, plans, rules, power relations or culture. These factors affect an agent’s actions. Thus, agents can change or reinforce the social structures in which they act (Archer, 1998; Danermark et al., 2003; Bhaskar, 2016).

One way to understand the interplay between structures and agents is through following Sayer’s (1992) model who explained the process in terms of agents, powers, conditions, and events. According to the model, agents have the power to take actions while social constructs restrain these actions, but actions are also able to alter social constructs. Thus, central to critical realism is the concept of power. When objects enter relations, they are entitled to a set of causal powers or generative mechanisms, which reside in them and constitute their ways of acting (Tsoukas, 1989). When released, the powers may not achieve their intended outcomes (Fleetwood, 2004). This is because events take place in an open system and are subject to various, sometimes conflicting causal mechanisms, which implies that they do not necessarily follow a determined and repeated pattern (Bhaskar, 1978; Harré, 1989; Harré and Madden, 1975; Moses and Knutsen, 2007). Thus, critical realism concerns the tendencies of mechanisms to generate observable events where an object’s power (or mechanism) may be negated or affected by the context (Alvesson and Sköldberg, 2009). As such, critical realism argues that the events we study are not one-to-one reflections of the real domain because the context determines what is manifested in the empirical domain (Sayer, 1992). Accordingly, an understanding of the context in which events are studied is critical because the context can significantly alter an object’s causal powers (Eriksson and Engström, 2021). During the analysis, interpreting the findings in relation to the context is important in understanding the results (Pettigrew et al., 1988).

A central claim of critical realism is that generative mechanisms cannot be understood solely through the events that manifest in the empirical domain and other contextual factors that can alter events must be considered. Critical realism embraces eclecticism and seeks for the best possible explanation of the events we observe, and it prompts researchers to suggest new theories when existing theoretical framework cannot provide sufficient explanation to an empirical phenomenon (Ackroyd, 2005).
Accordingly, the three domains in critical realism are approached in the following way. The case (i.e., TSO) is an operational delimitation about which empirical data to include in the research (Ragin, 1992). Empirical observations can, in turn, elucidate new phenomena that a framework does not encompass. Such new insights call for the redirection of an existing theoretical framework. The interplay between theory and framework can be viewed as a search for the best explanation of mechanisms in the real domain. The interplay between the empirical world and a case can be viewed as an interplay between the actual and empirical domains (Eriksson, 2015).

3.2.2 Abductive reasoning

Having outlined the basic principles of critical realism, the attention now turns towards practical methods of using critical realism. Critical realism predominantly uses abductive reasoning, defined as a methodology towards generating new knowledge between the empirical and the theoretical realms (Eriksson, 2015).

The term abduction was first coined by Charles S. Peirce (1839–1914) to capture a mode of reasoning distinct from deduction and induction that affords the formation and acceptance of an explanatory hypothesis (Bellucci, 2018). Some authors, however, propose to differentiate between abduction and retroduction in critical realism (Danermark et al., 2002; Hartwig, 2007). Chiasson (2001), for example, describe abduction as the reasoning method by which hypotheses are constructed and retroduction as the overarching method by which theories are produced in the interplay of abduction, deduction, and induction.

Although these authors suggest that critical realism follows the retroductive logic (e.g., Blaikie and Priest, 2017), in practice many researchers use the terms interchangeably (Ritz, 2020; Saxena, 2019). Peirce himself uses the terms “abduction” and “retroduction” synonymously (Psillos, 2009). Similarly, the founder of the critical realist movement, Bhaskar (2009, p. 61) writes that his term “analogical-retroductive comes from retroduction or abduction after Aristotle, Peirce and Hanson.” Therefore, in the rest of the study the term abduction is used.

Abduction straddles between inductive and deductive methods (Coffey and Atkinson, 1996). Deduction starts with theory and is usually linked with positivist methodologies, which aim to test phenomena objectively (Hurley et al., 2021). In contrast, induction does not start with a priori assumptions but aims to build theoretical understanding through interpretive methods.
Abduction is neither data-driven nor hypothesis-driven and is an approach that engages equally with empirical data and extant theoretical understanding (Atkinson et al., 2003; Timmermans and Tavory, 2012). This is not to suggest that a researcher enters the field with no a priori ideas. The extant theoretical developments do set the initial parameters of research, relevant to the research question (Alvesson and Kärreman, 2007; Coffey and Atkinson, 1996). However, the abductive researcher does not commence his or her research with the aim to test existing theoretical frameworks against empirical data (Kelle, 1997).

Abduction starts when the theory is insufficient to explain a specific observation (Kovács and Spens, 2005). Abduction does not follow a linear model of knowledge development because researchers seek to integrate theory with observations (Eriksson and Engström, 2012). This involves the discovery of the most logical and useful explanation of phenomena (Coffey and Atkinson, 1996; Hurley et al., 2021; Peirce, 1974; Reichertz, 2013). It seeks to find a match between empirical data and theory in a creative and iterative process (Taylor et al., 2002). Kovács and Spens (2005) called this process theory matching or what Dubois and Gadde (2002, p. 555) called systematic combining or “the matching of, as well as the direction and redirection between, theory and framework.”

Systematic combining is thus a process that oscillates between an emerging framework and an evolving empirical case and involves constant reflection on what the best explanation of the phenomenon should be. To understand how research is directed and redirected, Hulthén (2002, p. 58) proposed “crossroads” or the moments when the researcher must choose a new direction. He argues that thinking in terms of crossroads is easier than in terms of direction and redirection. In what follows next, the author maps out the research processes using the logic of abductive reasoning.

### 3.2.3 Applying critical realism to research

Having outlined the key principles of abductive reasoning and its key operational constructs, in Figure 3.2 the author shows how abductive reasoning was operationalised in her research. The figure is accompanied by a narrative with the author’s personal reflections about the abductive processes that underpinned the present study. Albeit it shows a linear process, the boundaries and transitions were not so clear-cut and smooth. However, a graphical
representation can still convey the path from an initial concept and the continuous search for the most plausible explanation of legitimacy in the context of a TSO.

The starting point of the abductive process in Figure 3.2 was the need to explore financing patterns of TSOs, and the first exploratory interviews conducted in the spring 2019 suggested that funding could be dependent on the characteristics of the organisation. When these initial observations were shared at an academic conference, the benefits theory was brought to the attention of the author. This discovery can be regarded as a matching process (Dubois and Gadde, 2002). The benefits theory links funding with the nature of benefits that TSOs deliver (e.g., private, public, etc.).

![Table]

<table>
<thead>
<tr>
<th>Theoretical</th>
<th>Applied benefits theory to understand funding patterns</th>
<th>Identified relevance of isomorphism and legitimacy</th>
<th>Proposed that legitimacy occurs in interactions</th>
<th>Considered stakeholder theory, network theory</th>
<th>Proposed to view legitimacy in its totality</th>
<th>Reviewed legitimacy literature, consulted wider literature</th>
<th>Discovered public management literature on ecosystems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empirical</td>
<td>Conducted exploratory interviews</td>
<td>Searched for predicted relationships</td>
<td>Observed resistance to isomorphic forces and different approaches to legitimacy</td>
<td>Obtained data on key stakeholders and relationships</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Figure 3.2** An overview of abductive reasoning processes underpinning the study

Over the summer, the researcher attended the practical seminars with TSO practitioners and in these empirical settings observed that theories with one explanatory factor do not hold in the complex funding environments that the practitioners talked about at these seminars. In other words, the author noted a mismatch between the theory and the empirical world (Taylor et al., 2002). For example, few TSOs that delivered goods of private nature were funded by public sources of funding contrary to what benefits theory would have predicted. This revealed a gap in theoretical knowledge, where the extant theoretical framework was unable to account for empirical findings (Alvesson and Kärreman, 2007; Rinehart, 2021).

Instead, the practitioners mentioned the difficulties presented by the funders, who often impose their requirements on the organisations. This observation pointed to the presence of
isomorphic pressures. The literature on non-profit funding contains many examples of isomorphic forces and suggests that TSOs comply out of the need to legitimise. By the end of 2019 over 40 interviews with the fundraisers and funding teams were conducted to explore the instances of isomorphism. The fundraisers, however, tended to provide narrow accounts of what (mostly their) issues with funding were and the author decided to take a holistic view of funding and secure access to four organisations to expand the sources of empirical data.

As data from the case-studies was being collected, a puzzle emerged that a funding success does not guarantee legitimacy and the subsequent service user involvement. An example from the operational history of one of the case study organisations showed that it was on the verge of closing because it lacked the service user support. In other words, the abductive research allowed the author to observe a breakdown when the empirical data differed from what was expected based on current theoretical understanding (Reichertz, 2013; Schwartz-Shea and Yanow, 2013). Yet, and contrary to what much of the literature on isomorphism suggested, the case study organisations actively resisted the external influence and searched for opportunities to change their circumstances and even voluntarily withdraw from funding support. This puzzle is part of systematic combining (Dubois and Gadde, 2002) as these new insights at that point in time necessitated re-direction of the research (Kovács and Spens, 2005). The observations in the empirical domain signalled that the theoretical conceptualisation of legitimacy as a monolithic concept cannot explain the dynamics of legitimation processes in real domain. Importantly, viewing legitimacy as occurring in dyadic relationships between the organisation and the funder could oversimplify the reality.

The literature was then subsequently revisited to try and establish an alternative theoretical lens to explain the phenomenon of legitimacy in its totality. The latest review of legitimacy research by Suddaby et al. (2017) contained a call for researchers to adopt wider perspectives on legitimacy, and the work by prominent legitimacy scholars who promoted an open-systems perspective on legitimacy recognised that stakeholders are potentially agentic, and legitimacy is often negotiated (Ashforth and Gibbs, 1990; Bitektine, 2011; Deephouse et al., 2017; Suchman, 1995). This emphasized the role of interactions, and the authors explored the literature on networks and stakeholder theories commonly applied in the studies of legitimacy. This was another point when the author redirected her research (Dubois and Gadde, 2002).
Simultaneously, the influence of the social structure must still be recognised and there was a need to account for elements other than relationships such as values, and processes. The search of appropriate theoretical lens was expanded to other social disciplines, first and foremost, strategic management and public management literatures and specifically where the focus has been exclusively made on TSOs. The PAM literature has been an important reference point from the outset of the current study because TSOs were frequently considered in the context of public service delivery. The author’s embeddedness in the faculty’s network of fellow PhD students and academic staff facilitated the discovery process because the author had general knowledge of the concepts of public value and public service delivery, which constitute an important stream of research in the PAM literature. The authors in this stream of literature operate with the concept of ecosystems and a growing interest is paid to the application of the ecosystems approach in the study of complex phenomena. At this point the ecosystem framework was incorporated into the study as the core theoretical perspective because it can offer new lens to the study of TSO legitimacy and uncover new insights.

As was demonstrated, the abductive reasoning does not follow a predetermined set of rules because abductive analysis implies creativity on behalf of the researcher in the identification of a more appropriate theoretical lens that can improve understanding of the empirical material (Alvesson and Kärreman, 2007; Coffey and Atkinson, 1996). Accordingly, abductive research is recursive and iterative (Timmermans and Tavory, 2012).

3.3 Research Strategy

3.3.1 Qualitative research strategy

Qualitative research strategy is used to illuminate processes and examine how changes affect every day organisational activities (Barbour, 2008). A case study shows an explicit preference for contextualism (Bryman, 1988) and locates the meaning people give to their own and others’ behaviour in the context of the values, practices, and underlying structures of the appropriate entity (Richards and Morse, 2007; Marshall and Rossman, 1995). A qualitative strategy is applied in research that emphasizes description and explanation rather than on prediction (Hakim, 2000).
In contrast, quantitative research conveys a view that social reality is static, and it tends to ignore the impact of change on social life (Bryman, 1988). While both research traditions examine connections between variables, quantitative research is interested in determining the relative influence of individual variables or a cluster of related variables (Creswell, 2014). Qualitative research has the advantage of unpacking the mechanisms which link events and exploring people’s interpretations of the factors which produce such connections (Barbour, 2008). The potential of the qualitative strategy to provide rich descriptions is therefore in line with the requirements of the critical realist approach outlined earlier.

Qualitative research is a subjective enquiry and qualitative researchers cannot be naturally separated from the research and remain neutral; instead, they must admit that their views and values and past experiences can influence the outcome of research (Guba and Lincoln, 1994). In line with the author’s philosophical position, the researcher cannot remain a distant and neutral observer. An understanding of legitimacy will be co-created in the research process where the views and experiences of the participants co-exist with the prior knowledge and views of the researcher.

The present study does not aim to break down the perceptions of legitimacy for the purpose of converting it into a set of measurable units, associated with positivist, quantitative approaches. In fact, much research into legitimacy struggled to convert legitimacy into a measurable construct, and tended to use less direct, proxy measures instead. For example, Deephouse (1996) used content analysis of media articles to measure public endorsement. The purpose is to explore the interactions and processes that underpin legitimacy of an organisation, and how values, norms and beliefs are related to it. It is thus believed that a qualitative approach is more suitable to reveal these complexities.

### 3.3.2 Case study

There is considerable variability in approaches to undertaking a qualitative study (Creswell, 2007). However, as argued by Yin (2003), the case study method is preferred when contextual conditions are highly relevant in the study of the object. Case study research concerns an examination of one or several real-life case examples of the phenomena in their real-life context (Eriksson and Kovalainen, 2016).
Case studies allow for an intensive investigation of new topic areas in a manner that is not restricted by limited or narrowly defined variables (Eisenhardt, 1989). Case study research produces rich amount of detailed information about the case (Hammersley et al., 2000) and when exploring the empirical context with case studies, the findings are not constrained to a set of a priori and quantitatively measurable variables (Eisenhardt and Graebner, 2007).

Case study designs are not tied to any philosophical position and can be used to accomplish multiple objectives (Eriksson and Kovalainen, 2016). As Dubois and Gadde (2002, p. 558) point out, in abductive case study research “the evolving framework is a cornerstone.” They suggest that prior concepts should provide initial guidance to the researcher in the early stages of the qualitative inquiry. As the research unfolds, the researcher must be open to the multitude of meanings that a certain concept can give rise to. “The refinement of concepts constitutes input, as well as output of an abductive study” (Dubois and Gadde, 2002, p. 558). Thomas (2016, p. 70) argues that “making a judgement concerning the best explanation for the facts you are collecting” constitutes the core of an abductive approach in case study research.

The case study design employed in the study has an explanatory purpose (Thomas, 2016) because of the focus on unpacking the multiple dimensions of legitimacy and looking at the interrelationships between them. The case study approach is both theoretically and practically appropriate to the research question. As outlined by Hakim (2000), the fundamental difference between case-studies and other types of qualitative research such as depth-interviews and focus groups is that while the latter is concerned with obtaining people’s own accounts of situations and events, with reporting their perspectives and feelings, case study research is concerned with obtaining a rounded picture of a situation from the perspectives of all the persons involved, using a variety of methods and sources of information. Its focus is on analytical social units and social processes rather than individuals (Blaikie, 2010); the individual, group or event are treated as a whole (Goode and Hatt, 1952). The fieldwork for case-studies may incorporate the analysis of administrative records and other documents, in-depth interviews, larger-scale structured surveys, participant, and non-participant observation and virtually any type of evidence that is relevant and available (Yin, 2003). The use of multiple sources of evidence in obtaining more rounded accounts of social issues and processes makes the case study one of the most powerful research designs (Simons, 2009). This research design is appropriate because it allows researchers to
investigate phenomena as they occur in the context, not aiming to control or measure variables but to benefit from rich contextual data that can be obtained in a multitude of ways (Thomas, 2016).

### 3.3.3 Multiple case study design

Within case study research, analysis can be undertaken for a single case or for multiple cases (Lee and Saunders, 2019). As Clark et al. (2021) suggest in case studies it is crucial to be clear about what the unit of analysis is. Thomas (2016, p.18) writes that in every case there is the subject or “the lens through which we view the object” and the object or “the thing to be explicated and analysed.” The subject is the case itself (e.g., person, place), and the object denotes the theoretical topic that the subject allows to explore in detail. Thus, the object of this study is legitimation processes occurring within an ecosystem while the subject are the organisations included in the study.

A key decision in the design of case study research concerns the number of cases to be included in the study, which usually involves trade-offs on the side of the researcher (Thomas, 2016). On the one hand, a single case allows gaining a greater detail and richness in the data and helps develop an in-depth understanding of the phenomena under study but could narrow the focus of the study to a very limited context (Dubois and Gadde, 2002). On the other hand, the study of two or more cases extends the focus of the study beyond one particular situation or context but this comes at a cost of a loss of depth.

Similarly, Hammersley et al. (2000) argue that where the aim of the case study is description and explanation, the task is to provide a comprehensive coverage of what occurred and why, and this requires a particular attention to distinctive features of those cases. As such, the study has adopted multiple case study. The main argument in favour of the multiple case study is that it improves theory building (Clark et al., 2021). A multiple case study design is also called cross-case analysis because each particular case has less importance than the comparison it offers (Stake, 2005; Thomas, 2016). It is suggested that by comparing the findings from several cases the researcher can identify the circumstances in which a theory will or will not hold (Yin, 2017). Comparisons can reveal the factors unique to each case study and facilitate theorisation of the study’s findings (Bryman and Bell, 2015).
Multiple case study designs can be either multiple-single or multiple-embedded (Yin, 2017). A multiple-single case design involves two or more cases each of which are analysed separately as whole units. Conversely, in an embedded multiple case design, analysis is conducted on each of the subunits occurring in two or more case studies. The distinction between the designs is thus determined by the number of units of analysis within each case (Blaikie, 2010). This study adopted the multiple-embedded case study design because it concerned the viewpoints of legitimacy from multiple perspectives of the organisational leaders, the staff, the young people, and the funders. The details of the sampling procedures and the selected sample are contained in the next section.

3.4 Empirical study

3.4.1 Sample and sampling

Sampling decisions in qualitative research are crucial as they can affect the credibility and trustworthiness of the findings (Marshall and Rossman, 1995). To facilitate credible, but novel insights, the cases cannot be chosen arbitrarily (Langley and Abdallah, 2011). To achieve this within case study research, it is suggested to select samples purposefully (Gummesson, 2017; Saunders et al., 2019). The logic and power of purposeful sampling lie in selecting information-rich cases for an in-depth study of a phenomenon (Patton, 1990). Such sampling is essentially strategic and entails an attempt to establish a good correspondence between research questions and those sampled (Bryman, 2016).

Stake (2005) suggests that the focus in case study research should not be on sampling per se because case study researchers tend to work with a small number of cases. Instead, the author recommends choosing a case based on its potential to facilitate learning and as perceived by the researcher, rather than choosing cases which are seemingly “typical”. Accordingly, there is no consensus in the literature as to what an “adequate” number of cases should be (Bryman and Bell, 2015). Studying information-rich cases yields insights and in-depth understandings rather than empirical generalisations (Patton, 2002). Subsequently, the quality of case study and the extent to which the findings from it can be generalised should be judged according to different factors irrespective of whether it is a single or multiple case study (Dubois and Gadde, 2002).
According to Stake (1995) the most important criterion in case selection is learning maximization. The logic of case selection was thus information oriented (Flyvbjerg, 2006) but was also influenced by the practical limitations imposed by Covid, i.e., were based on the willingness of organisations to participate in the research. Fifteen different strategies are suggested by Patton (1990) for purposefully selecting cases (Appendix 3). Following this classification, this study employed a combination of criterion and emergent sampling. Criterion sampling involves reviewing and studying all cases that meet some predetermined criteria (Patton, 2002). This approach implies developing explicit inclusion/exclusion criteria. Emergent or opportunistic sampling occurs during fieldwork, and “on the spot” decisions are made because the case or the person is viewed to be important to the study.

Criterion sampling determined criteria to which the case study organisations must conform. As mentioned in the opening of this chapter, the research necessitated a new orientation soon after the start of the first lockdown. Three but one case study organisation withdrew from the study. Most relevant organisations from the list of the 280 organisations that obtained social investment had been contacted previously and the remaining organisations either did not meet the definition of the third sector outlined earlier (e.g., represented social firms) or were very large charities. Rather than selecting from a narrow database of 280 TSOs, a decision was made to expand the search and the original research question.

The one case study organisation that remained in the original sample provided a range of social services for the young people and was a mid-sized charity. A decision was made to maintain the focus on these two characteristics and use them as selection criteria to match all other organisations in the sample. TSOs vary greatly in terms of their characteristics. These matching criteria helped put some boundaries around case study organisations and increased the chance that information-rich cases were selected. Criteria can reduce potential “noise” in data as studying too heterogenous sites may not allow meaningful comparisons.

The rationale for the selected criteria was not solely based on the characteristics of the remaining organisation. The criteria were deemed to give the most in-depth and relevant information. The search engine of the Scottish charity register returned the highest number of charities who are associated with “young people” when results were filtered by “beneficiaries”. The initial search generated a potential “sampling frame” of 1,778 TSOs to choose from, larger than the list of 280 organisations with social investment who had already
been contacted previously and were unlikely to participate, and larger than the number of organisations that support other user groups (e.g., older people, communities, asylum seekers). In addition, more TSOs working with young people were identified manually when “young people” were used as keywords in the search engine.

It was decided to exclude large organisations from further consideration because they are likely to be too complex in terms of their organisational structure, hierarchy, and decision-making and require more resources on the side of the researcher than are feasible for doctoral researchers and especially in a time of a global pandemic with its associated lockdowns. Yet, the third sector stats have shown that large charities tend to deliver large government contracts, and the study could have been skewed towards this source of income. Small charities in contrast constitute the majority of the third sector but are likely to have a narrow focus and fewer income streams.

Medium sized charitable organisations with annual incomes of between £100k and £1m have seen more significant declines in income due to public spending cuts (Clifford, 2017). The question of how legitimacy can support organisational survival of medium-sized charities under tightening financial constraints is thus both topical and critical.

Yet, as Stake (2000, p. 451) suggests, qualitative researchers should select cases which “build in variety and acknowledge opportunities for intensive study”. In this respect the selected four charities present particularly interesting cases for analysis because they are located in different local authorities giving a good opportunity to explore the local institutional arrangements and their links to organisational legitimacy, among which could be their relationships with the local authority.

Suri (2011) suggests that emergent sampling suits situations when the purpose evolves in response to the changing needs of the researcher. The element of opportunistic sampling concerned the author’s subjective decision to choose a particular organisation for the study on the spot. As Bernard (2017) note an important consideration in purposive sampling is the availability and willingness of individuals to participate. In the context of the lockdown and the spread of the pandemic at that point in time it was one of the key factors that the author considered in the introductory call with a potential participant organisation. Albeit efforts were made to minimize the variability of case-studies in terms of age (previous studies have found it to be related to legitimacy), practically it turned out to be an unachievable task.
This sampling therefore was guided by a combination of principled and pragmatic decision-making. The selected charities are thus medium-sized charities providing a range of services to young people (Table 3.1). According to the International Classification of Non-Profitmaking Organisations taxonomy adapted and used by SCVO, the four charities fall under the category of Social Care (please see Appendix 4 for full details of the classification system), and these social care TSOs represent 30% of all registered charities in Scotland (SCVO, 2022).

### Table 3.1 Characteristics of case study organisations

<table>
<thead>
<tr>
<th>Case</th>
<th>Focus</th>
<th>Income as of 2020(^4) (£)</th>
<th>Major Sources (£)</th>
<th>Grants as % of Total</th>
<th>Geographical Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transitions Support Service [TSS]</td>
<td>Training, employment, health, housing support</td>
<td>696,916</td>
<td>Grants-689,802 Ddonations-5,356 Investments–1,758</td>
<td>99</td>
<td>More than one local authority area in Scotland</td>
</tr>
<tr>
<td>Employment Training and Recreation [ETR]</td>
<td>Education, health, employment, recreational activities</td>
<td>393,775</td>
<td>Grants-264,673 Trading-129,092</td>
<td>67</td>
<td>A specific local point, community, or neighbourhood</td>
</tr>
</tbody>
</table>

Source: data is compiled from the financial statements of the case study organisations and the Scottish Charity Regulator’s website

The funding structures of the selected case study organisations differ, not only among each other, but also in comparison with the third sector (key sector statistics in Scotland was presented in Section 2.1.4 in the literature review chapter). The proportion of grants in the overall funding mix of the selected organisations ranges from 24% to 99% while other sources of income include SE activity, service level agreements with local authorities, and to a smaller extent, donations, and investments. DST has the highest proportion of earned income (76%),

\(^4\) The table shows the latest pre-pandemic financial figures for the charities (before March 2020). This ensures the financial figures are not skewed by the pandemic period, during which the charities’ commercial income shrank while simultaneously a number of UK wide emergency funds and Scottish Government funding were made available to support the third sector. The financial year for DST and APT ends on 31 December while for TSS and ETR on 31 March.
ETR and APT have similar proportions and TSS is almost solely reliant on grants. According to the OSCR’s classification, the charities fall under the category of medium-sized, however TSS has the larger income than the other three charities. The varying proportions of grant income in the overall funding structures of the TSOs was believed to present an interesting comparative lens, through which legitimacy could be explored.

Transitions Support Service (TSS) is a local charity working with young people to help them manage the transition from adolescence to young adulthood. It offers a range of services including training for young people, employment assistance, assistance in the relief of mental and/or physical disability, provision of housing, and advancing education. Its funding is largely composed of grants from both the statutory and voluntary organisations (99%).

Dance Sport and Tech (DST) is another local charity that aims to promote opportunities for the educationally, socially, and rurally disadvantaged by encouragement of the arts including dance, music, and sports. Recently, it has started to focus on the use of advanced technologies in their service delivery. The proportion of grant financing in its funding is 24%.

Employment Training and Recreation (ETR) is a charity that supports young people by providing employment opportunities and running after-school clubs and weekend excursions. Their employability support includes employability and training programs, as well as focused 1-1 work. The proportion of grant financing in its funding structure is 67%.

Animal and Play Therapy (APT) uses the principles of equine assisted learning to improve social skills, confidence, assertiveness, and communication of vulnerable young people on a referral basis. These young people are generally experiencing social, emotional and/or behavioural issues. The proportion of grant financing in its funding structure is 62%.

In addition to the charities, separate data from 15 funders was collected for the study. These are the funding bodies associated with the case study organisations who have either funded them in the past or were providing funding at the time when data collection was carried out. The funders in the sample differ in several respects (Table 3.2). Most of the funders have been in existence for more than 30 years including few funders whose history goes back to 1930s. The sample includes four trusts, six registered charities, two local councils, and three public sector organisations. The funders have a different geographical focus. Five of them operate in a narrow geographical area in Scotland, another five cover the whole of Scotland, and five
operate on a national/international scale. The smallest funder in the sample, F10, distributes roughly £240,000 a year, and the biggest funder, F11, has a budget of about £600 million. Each funder has a funding focus that they variously refer to as funding themes, priorities, or programs. Full details of the funders including their mission, founder, funding themes and other relevant data are included in Appendix 5.

Table 3.2 Characteristics of funders

<table>
<thead>
<tr>
<th>Funder</th>
<th>Year Set up</th>
<th>Constitutional Form</th>
<th>Funding (£mln, 2020)</th>
<th>Geographical Spread</th>
<th>Examples of Funding Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>1985</td>
<td>Company limited by guarantee (CLG) and registered charity</td>
<td>£65.8 *</td>
<td>UK and internationally</td>
<td>Children survive and thrive</td>
</tr>
<tr>
<td>F2</td>
<td>1975</td>
<td>Local council</td>
<td>£3</td>
<td>East Lothian</td>
<td>Social isolation/befriending</td>
</tr>
<tr>
<td>F3</td>
<td>1992</td>
<td>CLG and registered Scottish charity</td>
<td>£9.92</td>
<td>Scotland</td>
<td>Improving life skills, education, and employability</td>
</tr>
<tr>
<td>F4</td>
<td>2008</td>
<td>CLG and registered Scottish charity</td>
<td>£9.14</td>
<td>Scotland</td>
<td>Youth training and unemployment</td>
</tr>
<tr>
<td>F5</td>
<td>2014</td>
<td>Public sector organisation</td>
<td>£0.25</td>
<td>Musselburgh</td>
<td>Transport and educational attainment</td>
</tr>
<tr>
<td>F6</td>
<td>2005</td>
<td>CLG and registered charity</td>
<td>£2.42</td>
<td>UK-wide</td>
<td>Sport, culture, and the arts</td>
</tr>
<tr>
<td>F7</td>
<td>1994</td>
<td>Local council</td>
<td>£0.3</td>
<td>Scottish Broders</td>
<td>Advancement of citizenship or community development</td>
</tr>
<tr>
<td>F8</td>
<td>1977</td>
<td>CLG and registered charity</td>
<td>£7.59</td>
<td>UK wide</td>
<td>Alcohol and substance misuse</td>
</tr>
<tr>
<td>F9</td>
<td>1937</td>
<td>Unincorporated trust</td>
<td>£4.1</td>
<td>Primarily Perth and Kinross, but also across Scotland</td>
<td>To improve the quality of life</td>
</tr>
<tr>
<td>F10</td>
<td>1936</td>
<td>Trust</td>
<td>£0.3</td>
<td>The City of Dundee, Angus, Perth and Kinross and Fife</td>
<td>The advancement of the education of adult persons</td>
</tr>
<tr>
<td>F11</td>
<td>2006</td>
<td>Non-departmental public body</td>
<td>£588.2 (£38.9 in Scotland)</td>
<td>UK wide</td>
<td>Supporting thriving communities</td>
</tr>
<tr>
<td>F12</td>
<td>1972</td>
<td>Trust</td>
<td>£3.24</td>
<td>Dundee and the Tayside area</td>
<td>Addressing deprivation, poverty, and inequality</td>
</tr>
<tr>
<td>F13</td>
<td>1963</td>
<td>Trust</td>
<td>£19.4</td>
<td>Scotland</td>
<td>Emotional wellbeing and relationships</td>
</tr>
<tr>
<td>F14</td>
<td>1963</td>
<td>CLG and a registered charity</td>
<td>£1.71</td>
<td>Scotland</td>
<td>Support young people most affected by social isolation and loneliness</td>
</tr>
<tr>
<td>F15</td>
<td>2014</td>
<td>Public sector organisation</td>
<td>£14.93</td>
<td>Scotland</td>
<td>Responsible consumption</td>
</tr>
</tbody>
</table>

Source: annual reports and websites of the funding institutions
3.4.2 Data collection methods

The research design guides the selection of a research method and the analysis of the subsequent data (Bryman, 2016). Legitimacy “resides in the eye of the beholder” (Ashforth and Gibbs, 1990) and the construal of a social object as legitimate in a local situation involves “an implicit and sometimes explicit process in which widespread consensual beliefs about how things should be or typically are done creates strong expectations for what is likely to occur in that local situation” (Johnson et al., 2016, p.72). Therefore, to explore the perceptions of legitimacy and the nature of processes underpinning it, it was important to collect empirical interview data as well as observation data. This allowed an exploration of the different dimensions of legitimacy other than the funder-fundee relationship, and an explanation of how these dimensions interact in the legitimation process. Document analysis was also performed with the purpose of establishing when the changes in the funding mix occurred and identifying the key antecedent events. The data collected from the case study organisations is presented in Table 3.3. For clarity, the data from the funders is shown separately in Table 3.4. The next section of this chapter therefore is going to discuss each data collection methods used within this thesis in greater detail.

Table 3.3 Data collected from case study organisations (excluding data from funders)

<table>
<thead>
<tr>
<th>Case study</th>
<th># of interviews</th>
<th>Observations</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>APT</td>
<td>11</td>
<td>1 general visit</td>
<td>Annual accounts, strategic plans, website, newspaper articles, social media posts</td>
</tr>
<tr>
<td>DST</td>
<td>7</td>
<td>3 general visits</td>
<td></td>
</tr>
<tr>
<td>ETR</td>
<td>13</td>
<td>1 visit (including annual general meeting)</td>
<td></td>
</tr>
<tr>
<td>TSS</td>
<td>15</td>
<td>Finance group meeting and board meeting</td>
<td></td>
</tr>
</tbody>
</table>

Table 3.4 Data collected from funders

<table>
<thead>
<tr>
<th>Funder</th>
<th>Data collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1-F15</td>
<td>18 interviews</td>
</tr>
<tr>
<td></td>
<td>15 funding application forms</td>
</tr>
<tr>
<td></td>
<td>15 annual reports and financial statements</td>
</tr>
<tr>
<td></td>
<td>6 strategic plans</td>
</tr>
<tr>
<td></td>
<td>13 websites</td>
</tr>
</tbody>
</table>

3.4.2.1 Interviews

Interviews remain one of the most popular data collection methods in qualitative research (Bryman and Bell, 2015). TSOs may be complex organisations, involved in many different
activities and relationships, driven by values, and beliefs as to what aims should be pursued and how. There are several types of interview methods depending on the extent of standardisation of its questions and the flexibility that it gives to both the interviewer and interviewee (Saunders et al., 2019).

Structured interviews follow a pre-determined order, and the same instrument is applied to all respondents while unstructured interviews tend to be very similar in character to a conversation in that it is guided by broadly defined themes and follows a different path depending on the information provided (Bryman and Bell, 2015). The semi-structured interviews are a hybrid between structured and unstructured interviews. This format allows the interviewer to balance the pre-planned questions of a structured approach with the spontaneity and flexibility of the unstructured interview (Salmons, 2011). The interviewer asks about a set of themes using some predetermined questions but has the option to change the order in which the themes are covered, and questions asked (Saunders et al., 2019).

Accordingly, semi-structured method of interviewing was selected. Unlike the structured interview, the semi-structured interview balances the preplanned questions of a structured approach with the spontaneity and flexibility of the unstructured interview giving the researcher a degree of flexibility (Bryman and Bell, 2015). The semi-structured format is used to probe the respondents’ experiences and interpretations during the interview process (Rubin and Rubin, 2005). It allows the researcher to cover the relevant themes of interest while at the same time including topics not previously considered or otherwise omitting topics irrelevant to the interviewee (Saunders et al., 2019). Compared to unstructured interviewing, it also has a clear focus and ensures that the case study organisations can be meaningfully compared.

The interviews were conducted with the CEOs, trustees, and project workers and the details are provided in Table 3.5. Due to Covid, with few exceptions the interviews for this study were conducted online via online video conferencing platforms. For this research, online interviews or e-interviews refer to “in-depth interviews conducted with computer-mediated communications” (Salmons, 2011, p.5).
<table>
<thead>
<tr>
<th>Interviewees and Position</th>
<th>Organisation</th>
<th>Interview</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>APT</td>
<td>2</td>
<td>1:05, 1:01</td>
</tr>
<tr>
<td>Director of Children’s Services/Project worker</td>
<td>APT</td>
<td>2</td>
<td>1:10, 1:01</td>
</tr>
<tr>
<td>Chair</td>
<td>APT</td>
<td>1</td>
<td>1:03</td>
</tr>
<tr>
<td>Project worker 1</td>
<td>APT</td>
<td>1</td>
<td>0:33</td>
</tr>
<tr>
<td>Project worker 2</td>
<td>APT</td>
<td>1</td>
<td>0:31</td>
</tr>
<tr>
<td>Head of Convening and Approaches</td>
<td>F1</td>
<td>1</td>
<td>1:00</td>
</tr>
<tr>
<td>Quality Improvement Manager</td>
<td>F7</td>
<td>1</td>
<td>0:42</td>
</tr>
<tr>
<td>Funding Manager 1</td>
<td>F13</td>
<td>1</td>
<td>1:07</td>
</tr>
<tr>
<td>Grants Manager</td>
<td>F9</td>
<td>1</td>
<td>0:59</td>
</tr>
<tr>
<td>CEO</td>
<td>DST</td>
<td>3</td>
<td>1:13, 1:24, 1:37</td>
</tr>
<tr>
<td>Trustee 1</td>
<td>DST</td>
<td>1</td>
<td>0:27</td>
</tr>
<tr>
<td>Trustee 2</td>
<td>DST</td>
<td>1</td>
<td>1:32</td>
</tr>
<tr>
<td>Employment and Revenue Officer/project worker</td>
<td>DST</td>
<td>1</td>
<td>1:23</td>
</tr>
<tr>
<td>Operations Manager/project worker</td>
<td>DST</td>
<td>1</td>
<td>0:54</td>
</tr>
<tr>
<td>Programme Manager</td>
<td>F15</td>
<td>1</td>
<td>1:07</td>
</tr>
<tr>
<td>Founder</td>
<td>Partner</td>
<td>1</td>
<td>1:00</td>
</tr>
<tr>
<td>Head of Philanthropy and Quality</td>
<td>F3</td>
<td>1</td>
<td>1:00</td>
</tr>
<tr>
<td>Head of Charitable Giving</td>
<td>F12</td>
<td>1</td>
<td>1:07</td>
</tr>
<tr>
<td>Chairman</td>
<td>F10</td>
<td>1</td>
<td>1:00</td>
</tr>
<tr>
<td>Depute CEO and National Programmes Manager</td>
<td>F14</td>
<td>1</td>
<td>1:00</td>
</tr>
<tr>
<td>Fund Manager 1</td>
<td>F4</td>
<td>2</td>
<td>1:04, 1:16</td>
</tr>
<tr>
<td>Manager/CEO</td>
<td>ETR</td>
<td>3</td>
<td>1:01, 1:17, 0:23</td>
</tr>
<tr>
<td>Fundraising co-ordinator</td>
<td>ETR</td>
<td>3</td>
<td>1:24, 1:37, 1:05</td>
</tr>
<tr>
<td>Chairman</td>
<td>ETR</td>
<td>1</td>
<td>1:02</td>
</tr>
<tr>
<td>Trustee</td>
<td>ETR</td>
<td>1</td>
<td>0:20</td>
</tr>
<tr>
<td>Assistant Manager/project worker</td>
<td>ETR</td>
<td>2</td>
<td>0:56, 0:52</td>
</tr>
<tr>
<td>Project worker/service user 1</td>
<td>ETR</td>
<td>2</td>
<td>0:30, 0:58</td>
</tr>
<tr>
<td>Project worker/service user 2</td>
<td>ETR</td>
<td>1</td>
<td>0:30</td>
</tr>
<tr>
<td>Grants Manager</td>
<td>F9</td>
<td>1</td>
<td>0:59</td>
</tr>
<tr>
<td>Funding Officer 2</td>
<td>F13</td>
<td>1</td>
<td>0:58</td>
</tr>
<tr>
<td>Head of Philanthropy and Quality</td>
<td>F3</td>
<td>1</td>
<td>1:00</td>
</tr>
<tr>
<td>Funding Officer</td>
<td>F11</td>
<td>1</td>
<td>0:58</td>
</tr>
<tr>
<td>Fund Manager 1</td>
<td>F4</td>
<td>2</td>
<td>1:04, 1:16</td>
</tr>
<tr>
<td>Community Programmes Advisor</td>
<td>F6</td>
<td>1</td>
<td>1:00</td>
</tr>
<tr>
<td>CEO</td>
<td>TSS</td>
<td>2</td>
<td>1:00, 0:59</td>
</tr>
<tr>
<td>Fundraiser</td>
<td>TSS</td>
<td>1</td>
<td>0:55</td>
</tr>
<tr>
<td>Project worker 1</td>
<td>TSS</td>
<td>1</td>
<td>0:30</td>
</tr>
<tr>
<td>Project worker 2</td>
<td>TSS</td>
<td>1</td>
<td>0:30</td>
</tr>
<tr>
<td>Project worker 3</td>
<td>TSS</td>
<td>1</td>
<td>0:30</td>
</tr>
<tr>
<td>Project worker 4</td>
<td>TSS</td>
<td>1</td>
<td>0:30</td>
</tr>
<tr>
<td>Project worker 5</td>
<td>TSS</td>
<td>1</td>
<td>0:30</td>
</tr>
<tr>
<td>Project worker 6</td>
<td>TSS</td>
<td>1</td>
<td>0:30</td>
</tr>
<tr>
<td>Project worker 7</td>
<td>TSS</td>
<td>1</td>
<td>0:30</td>
</tr>
<tr>
<td>Project worker 8</td>
<td>TSS</td>
<td>1</td>
<td>0:30</td>
</tr>
<tr>
<td>Project worker 9</td>
<td>TSS</td>
<td>1</td>
<td>0:30</td>
</tr>
<tr>
<td>Project worker 10</td>
<td>TSS</td>
<td>1</td>
<td>0:30</td>
</tr>
<tr>
<td>Trustee 1</td>
<td>TSS</td>
<td>1</td>
<td>1:04</td>
</tr>
<tr>
<td>Trustee 2</td>
<td>TSS</td>
<td>1</td>
<td>1:00</td>
</tr>
<tr>
<td>Fund Manager 2</td>
<td>F4</td>
<td>1</td>
<td>1:00</td>
</tr>
<tr>
<td>Chair</td>
<td>F5</td>
<td>1</td>
<td>1:14</td>
</tr>
<tr>
<td>Head of Communities</td>
<td>F2</td>
<td>1</td>
<td>1:00</td>
</tr>
<tr>
<td>Grants Manager</td>
<td>F9</td>
<td>1</td>
<td>0:59</td>
</tr>
<tr>
<td>Community Programmes Advisor</td>
<td>F6</td>
<td>1</td>
<td>1:00</td>
</tr>
<tr>
<td>Head of Open Grants</td>
<td>F8</td>
<td>1</td>
<td>1:00</td>
</tr>
</tbody>
</table>
While information and communications technologies allow for a full range of visual and verbal exchanges, the focus of this study is on the types of information and communications technologies that enable real-time dialogue between researchers and participants. These are also called synchronous communications technologies in which communication process is conducted in real-time and involves audio, textual as well as video/visual exchanges (Cleland et al., 2020). Synchronous approaches allow more control over the continuity and flow of the communication compared to asynchronous tools (Hewson et al., 2017) and thus were the preferred choice.

As argued by James and Busher (2016) online interviews are not less authentic than offline interviews as they follow fundamental steps and thinking involved in any research. Online data collection methods are generally associated with lower costs and time-efficiency, easier access to a pool of vast and geographically diverse participants (Cleland et al., 2020; Hewson, 2017). However, online communications are experienced differently, and researchers need to consider critically the data that they obtain and interpret and its authenticity (Salmons, 2011).

The main concern that has been raised with respect to the online methods is the lack of extralinguistic cues normally available in offline interactions (Hewson, 2017). These may introduce potential ambiguities and misunderstandings to communicative exchanges. However, a number of studies have reported that careful rapport building techniques in online communications can eliminate the negative effects associated with the lack of proximal contact with participants and produce rich, high-quality data (Archibald et al., 2019; Gray et al., 2020; Jenner and Myers, 2019). In this sense, traditional and online interviews are no different because traditionally good rapport has been instrumental in producing rich and candid responses in qualitative interview data (Barratt, 2012).

Busher and James (2012) suggest that standards of authenticity should be seen as situationally negotiated and sustained and the researchers’ role is to facilitate open and honest dialogue with the respondent. Prior to the actual interview, the author spent some time presenting herself and getting to know the respondent better. The author disclosed relevant information about herself and introduced the topic of the study, talked about her motivations of doing the research, her program of studies and what she had already learned about funding. This was a good starting point because the participants could relate to many
observations made by the author, and funding was the topic they were eager to talk about. The participants were then asked to share more information about themselves. These opening questions formed a good base for a subsequent dialogue with the respondents. As the conversation unfolded, the author asked more substantive questions whilst questions that might be viewed as sensitive and related to the nature of their relationships with the funders were postponed to a later point in the interview. The author practiced using probes, which are deemed important in any qualitative interview to maintain conversations, encourage the participant to provide more details and increase the sense of rapport (Rubin and Rubin, 2012).

Another commonly cited advantage of online methods is the potential reduction of social desirability effects due to heightened levels of anonymity and perceived privacy (Hewson, 2017). However, these advantages may apply more to asynchronous forms of online data collection methods whereby the researcher and the respondent do not interact directly and in real time. The interviews in the study were conducted in the format of a video call where the researcher and the participant could see each other, and the effects of the researcher’s presence, attitudes, or mode of asking specific questions on the interviewees’ responses must be recognised (Bryman and Bell, 2015; Creswell, 2014). A more relevant advantage of online methods for the study is that they may increase participation opportunities from the enhanced control that participants have over how, when, and where to participate. Although in practice the participants could not choose between the face-to-face and online interviews at that time, this feature of online interviews was helpful considering the work pressures and increased demand for services that the participants experienced due to Covid.

Additional Interviews

As mentioned previously in the chapter, prior to her involvement with the selected case study organisations, the author conducted interviews with other third sector practitioners. These interviews have largely informed the development of the present study as the author gained a better sense of the funding context and the major financing mechanism used in the third sector. However, these interviews were not included as part of the study. Whilst the interviews provided some interesting themes to explore, for example, the use of creative packaging or presenting a project in a way that appeals to the funder, or how contractual arrangements differ from the dynamics of charitable giving, it was felt that they detracted
from the core purpose of the thesis. This is because the mechanisms are indeed diverse and underpinned by different processes depending on the source. Whilst these are all interesting questions, they could be explored in further detail in future research.

3.4.2.2 Participant observation

Because of the Covid restrictions, the use of semi-structured interviews formed the core of the study as they were deemed most accessible and relevant tools to obtain data. The interviews helped elicit perceptions of the participants that cannot be directly observed by the researcher, facilitated the reconstruction of key events in the organisational history and the identifications of the rationale behind the key actions and behaviours relevant to the study of legitimacy (Creswell, 2014; Bryman, 2016). Nevertheless, in addition to interview, the study employed participant observation.

Participant observation is a qualitative data collection technique “in which the researcher is immersed in a social setting for some time in order to observe and listen with a view to gaining an appreciation of the social group” (Bell et al., 2022, p. 363). Therefore, observations can uncover insights that are more difficult to capture, for example, in interviews, because observations may reveal implicit problems and provide an insight into more informal aspects of interactions and relations (Patton, 2002). Creswell (2014) suggests that by observing processes as they occur, researchers have access to information in real-time and can notice the emergence of relevant issues that were previously ignored or note any discrepancies in what was shared by participants previously in interviews. Consequently, observations are considered as powerful tools for triangulation in studies relying on interviews or based on claims of participants in general (Bryman, 2016).

Observer roles can be either overt or covert and apply to both online and offline observations (Nørskov and Rask, 2011). In overt observation the researcher obtains permission to observe a situation and participants are informed about the intentions and objectives of the researcher. The research is considered covert when the participants consider the researcher as a group member and are unaware of the researcher’s identity (Jorgensen, 1989; Stafford and Stafford, 1993). There are ethical implications associated with both types of observation, but in this study, the researcher adopted an overt role because it enables full and free informed consent of participants and helps maintain the ethical integrity of the study.
Four observational approaches are proposed in the literature. The approaches differ in terms of the extent to which the researcher is assimilated into the social setting: 1. the complete participant, 2. the participant-as-observer, 3. the observer-as-participant and 4. the complete observer (Saunders et al., 2019). In this research, the observer-as-participant role was assumed. In this stance the researcher is involved in social interaction with the informants but does not pretend to be an actual group member (Babbie, 1986). This role implies more observation than participation, and the relationships that bound the researcher and the informants remain research-related (Adler and Adler, 1994).

Once again, it should be noted that the data collection was carried out in the context of lasting lockdowns, self-isolation requirements and travel restrictions. Interactions were reduced to a minimum against the backdrop of the public’s growing fear for the spread of the virus and mounting uncertainty. Case study organisations operated on a reduced capacity and agreed to participate on a limited basis. Most of their staff were furloughed, and the few staff who remained assumed the increased workload. The case study organisations suggested that they were unable to make long-term commitments to research and engage in on-going and lasting communications with the researcher due to the practical constraints. In addition, the staff was working from home which precluded the author from carrying out observations in their traditional sense, i.e., in person observing real-life interactions of the staff members as they occur in their work context. Practically speaking the base on which participant observations can be carried out significantly reduced. The online meetings of the staff that were held soon after the beginning of the first lockdown were Covid-related and concerned changes in work practices. Only two online board meetings were observed in the later period, and it was not until the autumn of 2021 after some of the restrictions on the face-to-face interactions had been lifted and the charities started to open their physical premises that the regular observations became possible. The author paid a full-day visit to two charities and a half-day visit to another. The details of the observations performed are provided in Table 3.6.

The study thus employed a mixture of “physical” participant observation and online observation due to the pandemic, which was dictated by the general conditions in which the study was undertaken at that point in time. Online observation is a “research method that involves selective and detailed viewing, monitoring, acquisition and recording of online phenomena” (Dawson, 2020, p. 274).
<table>
<thead>
<tr>
<th>Case study</th>
<th>Observations</th>
<th>Duration</th>
<th>Date</th>
</tr>
</thead>
</table>
| **APT** | A full day visit  
The researcher visited the premises where the researcher was shown round the yard and the stables with the horses, the main office and the cabin log (for activities). The researcher observed the staff at work, and how they communicate with young people. Different activities were taking place on that day including the riding lessons, group activities in the field (APT occupies a large piece of land with woods, hills, and fields), and the regular work on the yard such as taking care of the horses, cleaning the stables, hacking, etc. The researcher met some of the service users and spoke with a group of pupils from the local high school. The researcher also observed the staff informal meetings and discussions of work-related matters. | 7:00 | 20 October 2021 |
| **DST** | 3 half-day visits pre- and post-pandemic  
The first was an introductory visit where the researcher met with the CEO. She was then taken around the premises spread across three large warehouses where she was talked through the different activities that take place there. The researcher spoke with some of the staff and observed them at work. That visit was marked by the experience of VR technology offered by the staff of DST.  
The second visit took place days before the first lockdown. During the visit the researcher observed how the users, and the diverse public were using the building, many of whom were locals. The researcher observed a meeting between the CEO and Deputy Chair of DST who also runs her business from the premises.  
The third visit took place after most of the travel restrictions were lifted. The researcher could meet more staff of DST and observe them at work. This visit was marked by an observation of a football session with young people who were disengaged from school. Some of them, however, were former service users who were supported by DST but who can still come back to use the premises for free. | 3:05 | 4 April 2019  
3:30 | 6 March 2020  
4:10 | 28 September 2021 |
| **ETR** | A full-day visit (plus Annual General Meeting)  
The researcher spent a day with the organisation, where she was shown around the hostel, the function room, the pods with the views to Ben Ledi, the newly equipped kitchen, and other facilities where the activities are run. The researcher also had a walk in the town known as a tourist hub for its favourable geographical position. The researcher observed the staff at work. No youth club activities were run but the researcher spoke with current MAs and former service users. Later in the evening, the researcher attended the annual general meeting and met the current trustees and some of the funders who were in attendance. | 8:00 | 3 November 2021 |
| **TSS** | Finance meeting (online)  
The researcher observed the finance meeting that takes place before every Board meeting. This meeting is held between the CEO, Head of Finance group and Financial Manager. Various financial issues were | 2:20 | 8 April 2021 |
discussed, e.g., funding applied for and received, plans to develop paid-for services, and how this should be managed.

Board Meeting (online)
The meeting involved the CEO, Financial Manager and seven trustees. Various strategic, operational, and financial matters were covered. The attendees discussed the relationships with the parent charity, issues with the lease renewal, plans to offer paid-for courses to external organisations, the reserves policy, plans to open the building and many other matters. At the end the CEO shared a presentation of the strategic plan for the next 5-year period covering beneficiaries, funding, sustainability, Covid learning, management structure, young ambassadors, staff, and raising TSS' profile.

Online participant observation can be carried out within any online community, network, or group (Nørskov and Rask, 2011). In the present study, online observation of the two board meetings was performed for one participating case study organisation. As with physical observation, the researcher’s role was overt, and prior to the start of the meeting the researcher was given an opportunity to present herself and explain why she was interested in the meetings. She was also given a chance to ask clarifying questions and hear the “collective response” to some of her questions. The analysis of the overall dynamics of the meetings and how they unfolded provided the researcher with more subtle clues that would have been difficult to uncover in interviews, for example, about the nature of relationships between the CEO and the board, and whether there were many disagreements in the discussions among the members, and how as the collective they reacted to perceived threats to legitimacy. In the hindsight, the online observations of board meetings were one of the most informative sources of data for that particular case study organisation and going forward can be a rich source of data.

The full day visits were equally informative in terms of seeing the premises and meeting the staff (and some service users) face-to-face. Like in interviews, the researcher’s presence may change the pattern of communication or influence a participant’s behaviour, be misinterpreted, or result in the unwillingness of participants to share information (Denzin, 1989; Creswell, 2014). These potential issues must be acknowledged in advance by researchers. Participant observation in this study was carried out after the interviews with the staff. Most of the staff had met the researcher before for the online interviews. While this fact does not eliminate any potential bias, it nevertheless made communications easier and
smoother and facilitated observations. The staff were welcoming, and let the researcher freely observe their work while the researcher attempted to be as less intrusive as possible.

In this study, the observations provided valuable insights into the culture of these organisations and the shared beliefs and organisational norms. The interactions among the staff were particularly important. As the study adopted a complex view of legitimacy that is shaped by, among other things, the values and beliefs of the individual involved, it is only when the staff interact that it becomes clearer how their professional and individual beliefs influence decisions and more importantly whose values prevail. For example, by observing the interactions between the staff and the CEO at DST it became clear that DST was to a large degree shaped by what the CEO believed was appropriate to do.

3.4.2.3 Document Analysis

Document analysis was also used alongside the semi-structured interviews and observations and was a tool to verify what the participants had said within the interview. Documents can exist in multiple formats and may for example, include written reports, minutes of meetings, audio-visual material, newspaper articles, and posts on social media (Creswell, 2014).

This study collected secondary sources of information such as publicly available organisational documents and internal reports (Table 3.7). The purpose of document analysis was to help build a more holistic and comprehensive picture of the organisations and to explore the funding patterns and how they developed over time. These documents allowed reconstruction of the history of the organisations as they contained descriptions of some key events and decisions. The analysis helped establish when the changes in the funding mix occurred and identify the key antecedent events. In other words, documents helped uncover some of the contextual factors linked with the changes in funding such as relocation to a new area, change in leadership or an introduction of new service.

The study also collected the relevant documents from the funders. These included funding application forms, which were analysed to get a gauge of the funders’ requirements to TSOs, their annual accounts, strategic plans, and other publicly available information.
### Table 3.7 Documents collected from case study organisations

<table>
<thead>
<tr>
<th>Case study</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>APT</td>
<td>Annual report and financial statements 2009-2022, website, videos, social media posts</td>
</tr>
<tr>
<td>DST</td>
<td>Annual report and financial statements 2006-2022, website, videos, newspaper articles, social media posts</td>
</tr>
<tr>
<td>ETR</td>
<td>Annual report and financial statements 2004-2022, website, videos, social media posts</td>
</tr>
<tr>
<td>TSS</td>
<td>Annual report and financial statements 2006-2022, strategic plan presentation, website, videos, social media posts</td>
</tr>
</tbody>
</table>

### 3.4.2.4 Data collection protocols

The interview guides were piloted to check the clarity of the questions and ensure that these would provide data needed to address the research questions of this study. The pilot interviews were conducted with participants from two organisations with characteristics comparable with the case study organisations, i.e., medium-sized and supporting young people. Their feedback helped adjust some of the questions by, for example, improving the wording of some. The interview guides are included in Appendix 6.

The study did not follow any observation protocols. Instead, they had an unstructured format. Given the few observations that could be carried out due to the pandemic, the unstructured format would provide more detailed data. The case study organisations in turn did not request the researcher to provide them with observation protocols. Nor did they require special ethical clearance or the sign of formal contracts. In most cases, the approval to observe and interview staff was obtained from the CEOs after an initial introductory meeting where the researcher explained the research idea and aims to potential candidates. The only exception was TSS where after the initial call with the CEO, the researcher had separate meetings with the head of finance group and the Chair to explain the aims of the research. The Chair requested a written report with the details of the data collection methods, their purposes and format, and after it was submitted, approval was granted.

### 3.4.2.5 Research ethics

In all cases, participation was voluntary, and the participants provided their informed consent before taking part in the study. The researcher in turn ensured anonymity and privacy of the participants. With respect to the funders, similarly, no special clearance was required. The funders, however, requested higher levels of data protection and anonymity, and therefore, as much care as possible was taken to remove any identifying information. The information
sheet and consent form are available in Appendix 7. During participant observation, informed consent was obtained verbally and facilitated by the CEOs who informed the staff of the researcher’s visit.

The study complies with the ethical guidelines of the University of Edinburgh Business School, and an ethics application Level 2 was obtained from the Ethics Committee. Although this research was conducted in organisations working with young people, the researcher did not have direct contact with young people. The few exceptions include the young people in dual roles as both the service users and the employees (the young people are officially employed by CYP) and a conversation with a group of senior high school pupils (over the age of 15) at SL. In most cases, the data about user experiences was collected through testimonies of the staff and the observation of service encounters.

3.5 Data Analysis

3.5.1 Thematic analysis

The present study used thematic analysis defined as “the process of identifying patterns or themes within qualitative data” (Maguire and Delahunt, p. 217). Clark et al. (2021, p. 227) suggest that thematic analysis is appropriate for research questions on “factors and social processes that underpin a phenomenon,” and since the exploration of various elements that underpin the legitimation process is the focus of the thesis, it was felt that thematic analysis is an appropriate way to analyse the data. Rubin and Rubin (2012) suggest that unlike shorter codes, themes are statements that identify what a unit of data means. Because during the analysis the data is partitioned into many smaller parts, it was felt that such an approach would better capture the meaning without losing links to the context.

Data analysis was supported by NVivo. The advantages of using computer-assisted qualitative data analysis software (CAQDAS) include the ability to create, edit, and sort codes; perform search and querying abilities; and use advanced data management tools such as visual diagrams (Bazeley, 2020). However, NVivo is a tool to facilitate the analysis; it does not substitute the reflective analysis per se (Bryman, 2016; Corbin and Strauss, 2015). As Saldaña, (2016, p. 58) notes that codes “are nothing more than labels until they are analysed.” In this study, the software was used to sort, arrange, and organise the large amounts of data
collected, i.e., facilitate the coding process. The analysis per se was undertaken using analytic memos to make sense of the data, note any patterns and record the flow of ideas.

An analytic memo is defined as “a brief or extended narrative that documents the researcher’s reflections and thinking processes about the data” (Miles et al., 2020, p.88). Analytic memos do not have a pre-defined format and are used for multiple purposes: to record ideas, summarize data, draw conclusions, display data, use in final reporting, and many other. They can be short to capture thoughts or more elaborate in later stages of the research process after multiple strands of the data have been analysed and looked across. Saldaña, (2016, p.58) suggests that an analytic memo represents “the researchers’ reflexivity on the data corpus.” In other words, it is a written reflection on the deeper and complex meanings of the data. This study employed memos for a variety of purposes. Memos contained reflections on the coding processes and code choices; how the thinking about legitimacy progressed; and the emergent patterns, categories, themes, and concepts in the data. Some examples of the memos are included in Appendix 8.

3.5.2 Phases of thematic analysis

Thematic analysis encompasses a range of different approaches (Braun et al., 2019). Researchers have applied it both inductively in an interpretive, bottom-up reflexive analysis (Braun and Clarke, 2019) and deductively with a priori codes and theoretical frameworks (Boyatzis, 1998). Accordingly, there are several approaches to thematic analysis developed in the wider literature (e.g., Alhojailan, 2012; Boyatzis,1998; Javadi and Zarea, 2016). Braun and Clarke (2006), for example, developed a 6-step framework, which is suggested as the most influential approach for carrying out thematic analysis in the social sciences (Maguire and Delahunt, p. 217). This study followed the framework but also complemented it with two other frameworks. The first was developed by Thompson (2022) and is specifically tailored to studies based on abductive reasoning. The second was proposed by Auerbach and Silverstein (2003). It was felt that Braun and Clarke’s model made a straight leap from coding to themes without elaborating on how this is achieved while Auerbach and Silverstein’s model had a clear intermediary step between codes and themes. Thus, the use of all three approaches could produce a more nuanced thematic analysis. The steps in thematic analysis as prescribed
by all the three frameworks are presented in Table 3.8. The approach to thematic analysis used in this study borrowed elements from each of these three frameworks.

**Table 3.8 Phases of thematic analysis according to three analytical frameworks**

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Familiarizing yourself with your data</td>
<td>1. Raw Text</td>
<td>1. Transcription and Familiarisation</td>
</tr>
<tr>
<td>2. Generating initial codes</td>
<td>2. Relevant Text</td>
<td>2. Coding</td>
</tr>
<tr>
<td>5. Defining and naming themes</td>
<td>5. Theoretical Constructs</td>
<td>5. Theorising</td>
</tr>
<tr>
<td></td>
<td>7. Research Concerns</td>
<td>7. Data Display</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8. Writing Up</td>
</tr>
</tbody>
</table>

**Step 1. Transcription and Familiarisation**

In this step the author engaged with the transcription of the audio recording. This was done in parallel with data collection because it simultaneously facilitated the development of a theoretical framework or what Hulthén (2002) referred to as crossroads and allowed the author to seek more clarification in the interviews that followed (Guest et al., 2012). For example, as the author was transcribing the interviews with the staff, she made notes on the margins and later wrote an analytic memo about the points that were puzzling or required further data.

The data was organised into five sets. Separate datasets were created for each of the four case study organisations and included interview transcripts, field notes, documents, and other relevant materials (such as pictures of the physical premises the author made during her visit). The fifth data set included data about the funders, e.g., interview transcripts, funding applications forms and other relevant documents. Aggregating the data about funders into a separate dataset was deemed appropriate considering that the second research question concerned the funders. Analysing their viewpoints separately from the case study organisations not only allows more meaningful comparisons of case study organisations with their funders but also presents an opportunity to triangulate the data to increase the validity of the present study (Denscombe, 2010), which will be discussed in greater details later in the chapter. Thus, two coding schemes emerged with patterns and themes pertinent to these two data sources. An example of the coding process is included in Table 3.9.
Step 2. Coding

A code is defined as “a word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data” (Saldaña, 2016, pp. 3-4). Coding allows to condense large amounts of data into a manageable set of categories based on their related characteristics (Coffey and Atkinson, 1996). Miles et al.’s (2020) manual for qualitative data analysis lists over 25 different coding methods. However, they suggest that these coding techniques can be used together. The present study used two of these techniques and the example of the coding process appears in Table 3.9:

• Process coding, which uses gerunds (“-ing” words) to label observable or conceptual actions in the data. This was the preferred method and was applied throughout the coding process, e.g., “Protecting service user privacy” (Table 3.9). Process codes connote action in the data (Charmaz, 2002) and thus it was felt they can better communicate how the TSOs legitimise.

• Descriptive coding uses labels that summarize a piece of information in a word or a short phrase, e.g., “CEO’s focus on social enterprise activities.”

The use of these coding techniques ensures that a label for each code remained close to the raw data to avoid too much of a conceptual leap (Boyatzis, 1998; Guest et al., 2012). Coding may consist of several rounds and is a cyclical process. The very first round of coding generated multiple detailed codes because at this stage “every single point of significance should be included as a code” (Thompson, 2022, p. 1413) to develop a better understanding of the corpus of data (Braun and Clarke, 2006). The second round of coding is geared towards consolidating the codes under a single heading or removing them if deemed irrelevant and thus it is a more selective process (Saldaña, 2016). For example, in the first round of coding all instances in which participants mentioned their area were coded as “local awareness”, “responding to local needs”, and “area characteristics.” But in the second round of coding, they were replaced with a single “linking with the local area” because the participants consistently used the words to imply their embeddedness in the local community. Prior to the third round of coding, a codebook was developed.
<table>
<thead>
<tr>
<th>Quotation</th>
<th>Code</th>
<th>2-Step Theme Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>You have to look at what’s coming down the line as such. I mean clearly the green agenda - agree or disagree with it - is coming down the line. So it doesn’t matter if it’s a building built from whatever. It doesn’t matter if a member of the royal family will come along and cut the line. It’s great. That’s what I’m going to use to get to that end of the game because the end game isn’t about them or the environment. It’s about the person that stays in those areas. (CEO, DST)</td>
<td>CEO’s focus on social enterprise activities</td>
<td>1. The role of the leader Values and beliefs</td>
</tr>
<tr>
<td>There’s nothing that the school’s able to do. So by bringing them into these projects, they’re creating a support network. [...] so that the person’s not feeling isolated. Or they know that if there was anything that they needed help with, [DST] is in the local community. They could use the couches, they could sit and watch TV, they could get a coffee, they could just use it as a recreational space. Or if they really needed me, they could come in and speak to me in the office and say, “[name of the project worker], we’re really struggling with this.” (Operations Manager/project worker, DST)</td>
<td>Being different from the school Empowering service users Protecting service user privacy</td>
<td>2. Engaging the service user Service context</td>
</tr>
<tr>
<td>I think with the introduction of VR, that sets us quite different to everyone else. [...] it’s what youngsters are interested in. I think the funders are quite interested in that. And it is the future like VR and computer, gaming and especially in Dundee, with all the investment going into the computer side of things in Dundee. Abertay University obviously is massive for computer and cyber security and then we’re getting new games arena as well in Dundee so that’s kind of feeding into the future, hopefully of who will be working there. ... But it’s just selling yourself really, telling what you do. (Employment and Revenue Officer, DST)</td>
<td>Developing distinctive local services Building on the strengths of the local area</td>
<td>5. Local milieu Local community institutions</td>
</tr>
<tr>
<td>The top person is OSCR, because they dictate charity law essentially and govern charity law. You need to constantly look out for information that comes out from them. We have accounts audited on an annual basis. That means we either get them audited, so it’s full audit or what’s called an independent examination. Both are still credible in the eyes of OSCR. (CEO, DST)</td>
<td>Complying with rules and regulations</td>
<td>9. Regulatory approval Civic institutions</td>
</tr>
</tbody>
</table>

Table 3.9 Example of the coding process
Step 3. Codebook

Codebooks were introduced into this research to provide clarity and structure to the coding process. The advantage of the codebook is that it produces an increased level of verifiability (Guest et al., 2012). An excerpt from the codebook with an example of a code applied in the study is shown in Figure 3.3. For each code, a definition is offered, highlighting the key characteristics of the code. There is a “when to use” criteria and “when not to use” criteria to present guidance if there is potential overlap between codes. Finally, an example quotation is provided.

<table>
<thead>
<tr>
<th>Code #9: Linking with the local area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition: Participants reflecting on how their legitimacy is linked with the local area</td>
</tr>
<tr>
<td>When to use: participants make comments about how their services/decisions are reflective of the unique characteristics, needs and realities of the area they are embedded in</td>
</tr>
<tr>
<td>When not to use: if concerns wider needs that go beyond the needs of a particular area (i.e., if participants imply society-at-large, Code #10 may be appropriate)</td>
</tr>
<tr>
<td>Example: “The catering kitchen idea came from the fact that the local high school have been running a cafe up at the school [...] we know that there's young people at the school who are interested in this sort of thing, and I mean catering and hospitality is the sort of lifeblood of the [location] area if you like. If you're staying locally and you're not going on to university, then it's one of the main areas for getting a job. That sort of came together.” (Chair, ETR)</td>
</tr>
</tbody>
</table>

Figure 3.3 Code-book extract for the code: Linking the services with the needs of the area

Step 4. Development of themes

In thematic analysis codes are specific and concise, while themes are more complex and can encompass multiple codes to theoretically explain phenomena (Guest et al., 2012; Saldaña, 2016). Braun and Clarke (2006, p. 84) distinguish between two levels of themes: semantic and latent. Semantic themes “are identified within the explicit or surface meanings of the data and the analyst is not looking for anything beyond what a participant has said or what has been written”. In contrast, a latent theme “starts to identify or examine the underlying ideas, assumptions, and conceptualisations - and ideologies - that are theorised as shaping or informing the semantic content of the data.” In other words, semantic themes are descriptions of the corpus of data while latent themes are a level higher and represent interpretations of semantic themes. As Thompson (2022, p.1415) writes “latent themes should always be the outcome as theorisation is central to abductive reasoning.” The goal of abductive thematic analysis is then to progress from description to interpretation, where
there is an attempt to theorise the broader meanings and implications with respect to existing theoretical frameworks.

To achieve this, the author went through two cycles of theme development. The first cycle concerned the semantic themes, or the summarised content capturing surface level information about what was explicitly said. In this step, the codes were analysed with the view of establishing relationships and grouped according to one or two unifying features. For example, it became clear that “Being different from the school”, “Empowering service users”, “Protecting service user privacy”, and “Offering tangible benefits” all concerned satisfying the needs of service users. This sorting of codes into groups that can effectively portray a phenomenon can be labelled a theme (Braun and Clarke, 2006). Thus, they were brought together under “Satisfying pragmatic needs of service user” (“Theme” column in Table 3.9).

Sometimes an individual code can be promoted to a theme if it is considered a central feature of the data (Braun and Clarke, 2019). “Regulatory approval” was often based on a single code of “Complying with rules and regulations”. The process of developing themes in Step 4 was supported by the theoretical perspective adopted in the study, that is, certain terminology or concepts used in the literature informed the development and labelling of themes. The development of latent themes is discussed next.

Step 5. Theorising

Theorizing in abductive research should be guided, but not determined by existing theoretical understanding (Atkinson et al., 2003; Kelle, 1997). It involves looking back at the extant literature and seeing to what extent it can explain the relationship between the themes (Timmermans and Tavory, 2012). At the same time the researcher should also examine instances where the themes cannot be explained by existing frameworks (Alvesson and Kårreman, 2007; Coffey and Atkinson, 1996; Tavory and Timmermans, 2014).

The themes that emerged in the coding process concerned a number of constituent groups, with which TSOs sought to legitimise, and it became clear that legitimacy transcends the funder-fundee relationships because there were clear links between the semantic themes, for example, user engagement (“Engaging the service user”) depended on a service model (“Organisational norms, rules and processes”) and yet user feedback and the service delivery model were the key elements that helped the TSOs secure funding (“Seeking funding”).
Therefore, the starting point for theorisation was understanding which constituents granted legitimacy and which institutions (norms, rules, beliefs, and cognitive schemes) were at play when judgements about organisational legitimacy are made. The study relied on existing non-profit literature on non-profit shareholders and the most common typologies of legitimacy developed by Suchman’s (1995) and Scott’s (1995) to theorise legitimacy, and where appropriate, express legitimation in terms of pragmatic, normative, regulative, and cognitive institutions. This gave rise to theoretical constructs or what Auerbach and Silverstein (2003, p.42) refer to as “the abstract grouping of themes” (“Theoretical construct” column in Table 3.9). Yet, the study also argued there was no unifying framework in the existing non-profit theory and legitimacy theory to account for the constituents and institutions in a holistic way. Thus, the study theorised a consolidation between existing conceptualisations of legitimacy as a multiple stakeholder, multi-dimensional construct with Osborne’s Public Service Ecosystem framework which provided the conceptual apparatus to explain the data without needing to start from the ground-up in terms of theory development.

As Thompson (2022, p.1415) writes this is a crucial stage because it can suggest how “theory can be refined, changed, adapted, or even consolidated with another conceptual idea so that it can better account for the empirical data.” The concept of legitimacy was thus consolidated with the PSE framework and adapted to fit the theoretical constructs. This adaptation as Coffey and Atkinson (1996) suggest effectively represents the theoretical contribution of the study.

Step 6. Comparison of Datasets

A case study is not simply a narrative description of an event, and it should be used with a view to draw theoretical conclusions from it (Mitchell, 1983). Tsoukas (1989) argues that empirically case studies help arrive at the contingent way in which a certain mix of mechanisms has been formed and activated. He continues to argue that establishing differences and similarities is important in the identification of causal mechanisms. Similarities between the objects of analysis are explained by the generative mechanisms and the similar type of contingencies that have led to the activation of these mechanisms. Differences, on the other hand, may be due to different generative mechanisms or dissimilar contingencies in which mechanisms have operated.
The study drew on the principles of comparative analysis (Hammersley et al., 2000) and used the comparison of cases to stimulate theory development (Blaikie, 2010). As codes were refined and preliminary theoretical constructs were generated for one case, these constructs were then confronted with another case – which, in turn, suggested ways of amending and improving the construct. This practice allows to assemble the cases into a stronger theoretical edifice (Eckstein, 1975). This exercise produced detailed codebook with code descriptions, theoretical constructs, and the final themes.

In comparative thematic analysis, the researcher looks at how themes are similar, how they are different, and what kind of relationships may exist between them (Gibson and Brown, 2009). Thus, the first step concerned establishing commonalities and involved pooling together all the material across the datasets that have something in common. The common feature of all the cases is that the data was aggregated according to same constituent groups. These groups, however, were then analysed further, noting any qualitative differences in how they expressed themselves in a particular case.

In the second step, the study compared the datasets in terms of themes to establish whether some themes were present in one dataset but not in another (Guest et al., 2012) and whether themes had different expressions between organisations. Firstly, at this stage it was noted that some codes were expressed more often in a particular case. For example, the staff and the funders of DST tended to mention the CEO more often in relation to the organisation. Having noted this pattern, secondly, time was taken to examine how the role of the CEO was expressed in DST and how it compares with other cases. This was done by re-reading the coded texts associated with the leaders of these organisations.

The last step in thematic analysis concerns examining relationships, i.e., the researcher should analyse how different elements of their analysis fit together and contribute to an understanding of a phenomenon (Guest et al., 2012). It is a crucial step because the constant comparative method can produce a set of themes, but “on its own it does nothing to show the relationships among those themes” (Thomas, 2016, p.228). The analysis was extensively supported by analytic memos and visual thematic mapping, which is a recommended technique for organising and exploring evolving themes, subthemes, and thematic relationships (Braun and Clarke, 2006). The author went through several rounds of mapping
the relationships before the final diagrams presented in the Discussion chapter emerged, and the commentary and discussion of how the themes interrelate will accompany the diagrams.

3.6 Issues of Generalisability, Validity and Reliability

The questions about generalisability, validity, and reliability of a case study have been a source of debates in the literature (Clark et al., 2021). The ability to collect rich amounts of data about each case often comes at the cost of reducing the number of cases for the study (Hammersley et al., 2000). Accordingly, one of the major criticisms of the case study approach is that findings from it cannot be generalised, therefore, their so-called external validity tends to be low (Creswell, 2014). Unlike quantitative research which uses clear procedures of validating data, the criteria are less clear with qualitative research. Some authors, however, reject an understanding of generalisability in qualitative research in its classical sense, i.e., the likelihood that their findings will extend beyond situations studied (Guba and Lincoln, 1981; Schofield, 2000; Thomas, 2016). Instead, they offer an adaptation suitable for qualitative work and suggest that an emphasis in any case study research should be made on analysing the degree to which a context studied in one situation matches the context in other situations. These “thick” descriptions about the phenomenon studied and their settings can facilitate an informed judgement about how useful the findings of a particular study are in understanding other sites (Goetz and LeCompte, 1984).

In qualitative research validity concerns the accuracy of the findings while reliability denotes that the selected research approach is consistent over time and across different researchers (Creswell, 2014, Denzin, 1989). Most qualitative studies, however, imply that the researcher will be engaged with the participants in their social setting, and the researcher’s prior knowledge and values inevitably affects the nature of the observations and interpretations made (Gummesson, 2017). Accordingly, qualitative researchers have developed alternative ways to judge the validity and reliability of qualitative studies. Lincoln and Guba (1985) propose two criteria to assess quality and rigor of qualitative research - trustworthiness and authenticity. Trustworthiness in turn is made up of four dimensions: credibility, transferability, dependability, and confirmability. These criteria have been widely adopted in case study research (Schofield, 2000; Thomas, 2016). Authenticity according to Bryman (2016) implies the broader political impact of research and has a greater affiliation with action research. Therefore, it was excluded from further consideration.
In line with the critical realist perspective, the author’s view is that qualitative research takes place in real social settings and can have implications for people’s lives; that there exists a reasonable explanation of a particular social situation or phenomenon; that the researcher takes a position that affects the nature of the observations and the interpretations made; and therefore, the outcomes of his or her research are not unjudgeable. Certain steps can be taken to improve credibility, academic rigor, and integrity of research. These are presented in Table 3.10 and discussed in turn.

### 3.6.1 Credibility

Credibility asks fundamental questions about truth value (Creswell, 2014; Thomas, 2016). It requires that the qualitative researcher ensures the accurate portrayal and understanding of the social world under investigation. It concerns a practice whereby the researcher explores the phenomena from different angles. In this study the author sought to ensure credibility with triangulation and respondent validation (Table 3.10).

#### Table 3.10 Measures of validity and reliability in the case study research

<table>
<thead>
<tr>
<th>Dimension Based on Lincoln and Guba (1985) and Miles et al. (2020)</th>
<th>Implementation</th>
</tr>
</thead>
</table>
| **Credibility** Do the findings of the study make sense? Are they credible to the people we study and to our readers? | • Triangulation: methodological, data and theoretical  
• Respondent validation: feedback to participants |
| **Transferability** Are the conclusions of a case study transferable to other contexts? Do they fit? | • Thick descriptions  
• Detailed characteristics of the sample, memos and codebooks  
• Multiple case study design |
| **Dependability** Have things been done with reasonable care? | • Records of interviews and full transcripts of interviews  
• Detailed observations notes  
• Analytic memos  
• Data collection protocols: interview guides, ethics form, participant information sheet, etc. |
| **Confirmability** Is the researcher aware and explicit about the inevitable biases that exist? | • Overt observation and informed consent  
• Sense checks with the participants |
Triangulation refers to “using more than one method or source of data in the study of social phenomena” (Bryman, 2016, p.386). Denzin (1989), however, used the term more broadly to refer to an approach that involves “multiple observers, methods, interpretive points of views, and levels and forms of empirical materials in the construction of interpretations” (Denzin, 1989, p.270). Accordingly four types of triangulation were proposed: (1) data triangulation (the use of a variety of data sources, including time, space and persons, in a study); (2) methodological or method triangulation (the use of multiple methods to study a situation or phenomenon; (3) theory triangulation (the use of multiple theories or hypotheses when examining a situation); and (4) investigator triangulation (the use of more than one investigator). Based on this classification, it can be suggested that the study employed a combination of the first three types: the study collected responses from multiple groups of respondents (i.e., CEOs, trustees, project staff, funders, and where relevant service users); the study complemented interview data with observational data and document analysis; and the study considered the application of several theories from strategic management, public management and non-profit studies. The latter point is linked with the abductive reasoning process which underpinned the study, and which was discussed in section 3.2.2. This type of triangulation was accorded through the practice of theory matching and systematic combining that informed and re-shaped the analysis of data (Dubois and Gadde, 2002).

Triangulation supports corroboration of results and increases the credibility and validity of their results (Miles et al., 2020). However, the point of triangulation is not just in seeking to confirm the results, it allowed the author to explore different possible explanations of a phenomena, to discard or otherwise find further confirmation to initial ideas and uncover new ideas throughout the data collection and analysis stages. Triangulation helps obtain more comprehensive data whilst strengthening the overall research design as one weakness from a certain method is compensated against the strength of another. In fact, it is for this reason that Creswell and Miller (2000) argue that validity can be a strength of qualitative research because examining evidence from different data sources helps triangulate the results and ensure that they are cross-checked against other evidence.

Moreover, the author sought to ensure the credibility of the study by applying the respondent validation technique. Respondent validation, or member validation, is a process whereby a researcher provides research participants with an account of the study’s findings (Bryman,
The purpose of respondent validation is to seek corroboration of the account that the researcher has formed. Respondent validation in this research involved discussing the research findings with participants of the study to seek confirmation that the author has correctly interpreted their accounts. First, respondent validation was carried out during the interviews whereby the author sought clarification from the respondent. At different points in the interview the author attempted to provide each research participant with an account of what they have said asking them to confirm. Further, the author made extensive notes during the interviews and observations (and also in analytic memos) and put questions marks where further information was needed and because the interviews with some of the members were repeated, the researcher could raise these questions and obtain more information. At the end of the site visits, the author also shared some of her observations made by watching the staff at work which further provided clarity to the conclusions made.

3.6.2 Transferability

There are considerable debates around the generalisability of case study findings in the literature (Dubois and Gadde, 2002; Thomas, 2016). Transferability concerns the import of the findings of the study to other contexts, that is whether they can be generalised to other social settings and to what extent.

To ensure transferability, the findings include enough “thick description” (Miles et al., 2020) for readers to assess the potential transferability and appropriateness for their own settings. The author provided extensive characteristics of the sample and sufficiently described them to permit adequate comparisons with other samples. The report clearly outlines the limits on sample selection and critically examines how it compares with the wider third sector and where it fits. The sampling is theoretically diverse enough to encourage broader applicability where relevant.

The author generated detailed codebooks of the data analysed. This was supported by continuous memo writing. These memos contained descriptions, summaries, ideas, observations made along with the reflections on the researcher’s rationale followed in the process. The memos contained visual data as well such as code maps, mind maps, and other graphical aids that the author developed to support the analysis. Examples of these memos are included in Appendix 8.
The inclusion of several cases could potentially improve theory building and extend the results of the analysis beyond one particular setting (Eisenhardt, 1989; Yin, 2003). However, in terms of transferability, it must be noted that the study does not make claims to be applicable to all TSOs that provide children’s services and/or are of particular size. Theory building requires that data be available from a substantial number of cases (Hammersley et al., 2000). Therefore, sufficiency of explanation is only tested in a limited way. Future research should expand their analysis both spatially and temporally to allow for more possibilities of control.

### 3.6.3 Dependability

Dependability requires that the researcher maintains protocols to detail how the procedures were followed (Bryman, 2016). It addresses a fundamental question of quality and integrity of whether the research process is consistent over time and across researchers and methods. The author has maintained the records of the research process in various forms and formats including fieldwork notes, characteristics of the sample, interview transcripts, memos, coding schemes and other relevant materials. All the basic paradigms and analytic constructs were clearly outlined.

### 3.6.4 Confirmability

Confirmability addresses researchers’ biases and it shows that the qualitative researchers are aware of the influence of personal values on the research and have taken reasonable steps to minimize their influence (Clark et al., 2021). The author has admitted previously that her values and experience are part of the research process, and it is expected that she will not be separated from the research. In saying that, the author, however, has ensured that values have not biased the research and sought to ensure the processes of research were transparent and clear and provided as many examples as possible of how the findings emerged. The researcher also sense checked her observations with the participants at various points in the research.

All respondents were aware of the purposes of the study and participated voluntarily in the study. Their privacy was safeguarded through the anonymisation of data and non-disclosure of their individual responses to third parties.
Chapter summary

This chapter has presented the methodological underpinnings of the study. It commenced with providing the background to the study because a large part of the research was undertaken during the Covid-19 pandemic, and it significantly restricted access to research sites and significantly influenced the methodological choices made. The chapter then proceeded to outlining the features of critical realism, the author’s philosophical position, and its implications for the research design. The critical realist lens encouraged the author to recognise the presence of hidden mechanisms that cannot be observed directly in the actual domain but using constant and iterative process of moving between empirical data and theory, a plausible explanation of the phenomena can be found. The study then aimed to explore how legitimacy is idiosyncratically understood by various constituents and what processes underpin legitimation.

These aims were addressed by following the principles of abductive reasoning. In this iterative process, the author sought to find the best possible explanation of legitimacy, combining previous theoretical developments with the emerging empirical data. Thus, the process involved simultaneous data collection and interpretation of the emerging findings.

A multiple case study research design was adopted for the empirical component of this research. Four case study organisations were selected to gain an insight into the elements that contribute to their organisational legitimacy. To collect the necessary data, the study used a combination of qualitative research methods, which included interviews, observations, and document analysis. The interviews were conducted with the organisational leader and members of the management team, board members, project staff, young people, and the funding bodies. Service encounters were also observed, and staff interactions were recoded while internal documents allowed constructing the key events in the organisational history. The use of multiple data collection methods allowed the researcher to gain a better understanding of the processes underpinning organisational legitimacy while at the same time facilitated the triangulation of data. Triangulation, respondent validation, codebook, detailed records of procedures and protocols were used at different stages of the research to ensure the study’s validity and reliability.
CHAPTER 4: FINDINGS PART I. LEGITIMACY FROM THE PERSPECTIVE OF CASE STUDY ORGANISATIONS

Chapter overview

Chapters 4 and 5 present the findings of the empirical study with the purpose of addressing the research questions. Chapter 4 concerns the case study organisations and chapter 5 explores their funders. The rationale for separating the findings into two chapters is to ensure that each case study is explored in enough detail, while also allowing for cross-examination of any differences that may exist between the organisations and their funders.

This chapter presents the findings of this study and outlines the key processes underpinning organisational legitimacy. The chapter is organised into four sections, one for each case study. The case study organisations represent the Scottish registered charities that work with young people. The report of findings for each case study commences with an overview of the charities. It provides a short historical account of each and outlines some key events in its organisational history. It then outlines how the organisations seek to legitimise within their environments and uncovers the processes that support their legitimacy. The funders’ definitions and perceptions of the legitimacy of the case study organisations are presented in the next chapter. All the names have been anonymised.
4.1 Case study 1. Transitions Support Service

4.1.1 Background

Transitions Support Service (TSS) is a charity based in Musselburgh and operating across East Lothian and Midlothian. It was established in 1985 by an investment charity trust (ICT) with a capital of £4m, and until 31 March 2006 it was the delivery arm of ICT providing services to young homeless people in central Edinburgh (Figure 4.1).

East Lothian has a population of 103,050 and is estimated to have a higher proportion of younger people (aged 0-15) than the average for Scotland as a whole (National Records of Scotland, 2022a). According to their constitution, TSS’ purpose is to “inspire young people to build a confident future, enabling them to reach their potential as individuals and participate fully in the life of their communities”. They offer young people support in re-engaging with the school, finding a job or an apprenticeship, or getting the help they need. As of 2022, they have 20 staff and four teams, three of which are practice teams delivering 12 services:

- Independent Living Team (3 staff) helps young people develop the skills they need to live an independent life.
- Mental Health and Wellbeing team (1 staff) helps young people improve their wellbeing and overcome personal challenges.
- Education and Employability team (8 staff) helps young people improve their educational attainment and get jobs, work experience and apprenticeships.
- Management and Admin team (4 staff) supports the practice teams.

TSS has the largest board of the four case study organisations comprised of nine trustees who are all working professionals from the banking, legal, educational, financial, public service and communication and media sectors. They occupy managerial posts and work for some high-profile organisations such as BBC Scotland, Bank of England, and Edinburgh Napier University. Two of the nine trustees at TSS are nominated by ICT to “provide an oversight of the funding provided by ICT” (Trustee1). The Chair of ICT is one of these two trustees.
On 1 April 2006, TSS became a separate Scottish charity in its own right (Figure 4.1). Organisational restructuring was necessary to ensure its survival because the funders were increasingly questioning the amount of ICT’s capital funds:

_We found that when we [ICT] were making applications to funding bodies they would say to us, “Well, why are you coming to us asking for money because you’ve got four million quid in the bank.”_ (Trustee1)

As a separate charity TSS could continue to apply and secure grants. ICT has continued to fund TSS and agreed a funding package with TSS that lasts until 2024. The funding from ICT represents the surplus generated on the £4m capital and amounts to an average donation of £120,000 per year. TSS also leases its operating premises from ICT. The staff unanimously claim that the relationship with ICT is important because without their funding they “wouldn’t be here” (Staff8). To maintain their sustainability, in 2011 they relocated to East Lothian and focused more on local authority funding and in 2020 they decided to employ a fundraiser. These and other key events will be referred to throughout the section.
In 2020 TSS’ income of 696,916 was made up of 443,432 (65%) of grants and 245,652 (34%) of the annual donation from ICT. Compared to the other three charities, TSS has a higher proportion of income from the local authority than from the charitable funders (65% and 35%, respectively).

Table 4.1 outlines the key processes that TSS engages in to enact their legitimacy. These are divided into six groups and each group includes several approaches that TSS uses to gain approval, obtain an endorsement, or secure support of their environment. The sections that follow present further details and describe who TSS seeks to legitimise with and how.

4.1.2 Focus on diversified funding

In 2018 a new CEO assumed her responsibilities. She was promoted from her role as the manager, and she has been with TSS since 2011. Her previous work experience includes work in the public sector and involvement in the public service delivery under which she set up projects for young offenders, programs for people recovering from substance misuse and youth employability schemes. In her interview, the CEO has expressed her preference for public sources of funding and suggested that “in an ideal world most of our [TSS] funding would come from the local authorities”. She believes that the main role of the CEO is to engage in networking and building relationships with the funders and other key organisations. In 2020 she persuaded the Board to employ a fundraiser because according to her, it is a more effective way of running the organisation allowing her to focus more on strategic activities:

*The [former] chief executive laterally was sitting at his desk all day every day doing funding bids. That’s not what chief executive should be doing. He should be out there. He should have that vision; he should be liaising with all these different stakeholders.*

(CEO)

The fundraiser was needed to “protect TSS in what is a very volatile market” (Trustee1), and the vision for the fundraiser is to build relationships with new funders and target “bigger brands” (Staff1). The staff do note the changes in their funding base as the proportion of funding from charitable funders grew to 43% in 2022.
Table 4.1 TSS – processes supporting organisational legitimacy

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<th>How Seeks to Legitimise</th>
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<td>Focus on diversified funding</td>
<td>You have to be doing everything you can to make the charity sustainable. You need to broaden the funding routes. (Trustee1)</td>
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<tr>
<td>Linking with the local area</td>
<td>If it [TSS] was not to offer support it would be a humongous gap. (Staff6)</td>
</tr>
<tr>
<td>1. Finding gaps in local provision</td>
<td>There is nothing in East Lothian at the moment for construction at all. (Staff1)</td>
</tr>
<tr>
<td>2. Developing distinctive local services</td>
<td>All the funding at the moment is about the result of the pandemic and where the gaps are in terms of what young people are missing out on. (CEO, Board meeting)</td>
</tr>
<tr>
<td>Developing robust structures and procedures</td>
<td>It’s one of the few charities that does go about these things in a very professional way and has blatantly brought in somebody with an expertise in finding funds to deliver services. (Trustee1)</td>
</tr>
<tr>
<td>1. Focus on professionalism</td>
<td>The employability skills assessment and the indications of vulnerability are done by every member of staff. (Staff2)</td>
</tr>
<tr>
<td>2. Formalised structures and procedures</td>
<td>We have to be compliant. The governing bodies of charities, that keeps them happy. (Staff8)</td>
</tr>
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<td>3. Complying with laws and rules</td>
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<tr>
<td>Engaging the young people</td>
<td>There’s not like you come to [TSS], there’s one route you can go down. It really depends on their interests, their barriers, where they are in life and what support they need. (Staff2)</td>
</tr>
<tr>
<td>1. Tailored programs and services</td>
<td>The support is very much a collaboration with a young person. (Staff5)</td>
</tr>
<tr>
<td>2. Seeking service user input</td>
<td>When I recruited peer support workers to support their own peers that had an incredible impact on the people they worked with. (Staff10)</td>
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<td>3. Addressing stigma</td>
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<td>Managing relationships</td>
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<tr>
<td>1. Relational and reputational focus</td>
<td>He [Fundraiser] is doing a lot of articles, we’re getting published in the local newspapers, which is what you want. (Staff9)</td>
</tr>
<tr>
<td>2. Raising public profile</td>
<td>We very much give them [referrers] a lot of information about what we’re actually doing and how we’re supporting. (Staff10)</td>
</tr>
<tr>
<td>3. Maintaining relationships with the parent charity</td>
<td>There’s talk about extending out beyond Lothian. I think we need to be careful about that given how important ICT funding is to us. (T4, Board meeting)</td>
</tr>
<tr>
<td>4. Building and maintaining relationships with others</td>
<td>In terms of making strategic decisions and influencing people I’ve joined the Third Sector Forum. (CEO)</td>
</tr>
<tr>
<td>Securing funding</td>
<td>You have to maintain not just a decent relationship but a good relationship with your funding body, and you’ve got to fulfil their needs by submitting reports, etc. (T2)</td>
</tr>
<tr>
<td>1. Maintaining relationships with the funder</td>
<td>When you’re making your funding bid to one particular funding body, you will frame it in the language that they demand. (Trustee1)</td>
</tr>
<tr>
<td>2. Researching the funder</td>
<td>A pilot is going to be attractive to funders because all the funding at the moment is about the result of the pandemic and where the gaps are for young people. (CEO, Board meeting)</td>
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<td>3. Evidencing</td>
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The CEO’s focus, in turn, is on strengthening their relationships with the local authority with the goal of converting their current grants from the local authority into service level agreements, which she managed to do for their grant from the housing support service in 2021 because of “the relationship with the manager of where that funding comes from” (CEO).

On the back of the growing demand for their employability support service in 2021, the CEO developed a pilot project offering an employability course to their partners for a fee. They did not label it as social enterprise, but the purpose of the project is to generate income to support their future sustainability. At the Board meeting, her idea received the support of the trustees, but they noted that it should not distract from the core charitable purpose and “be carefully managed” (Trustee2).

### 4.1.3 Linking with the local area

**Finding gaps in local provision**

TSS’ strategic goal is to “continuously identify needs and gaps in provision, adapting services accordingly” (TSS Strategic Plan 2020-25). This as they suggest ensures their relevance to the community. For example, their employability project grew in response to such changes in the needs of the local community where more tutoring services in East Lothian were made available to young people because of the pandemic:

> In all honesty the tutor post is quite out of date. The way that I’m seeing it is where the gaps are. You’re looking at the requests that we’re getting. The “Build you up” course, which is your construction and employability course, we’re just inundated. (CEO)

Moreover, they suggested that their employability program would be attractive for a funder because it is “meeting the changing needs of young people during these [pandemic] times” (Trustee3, Finance board meeting).

**Developing distinctive local services**

In 2011 TSS withdrew from Edinburgh and relocated to East Lothian to avoid competition from large charities that were stepping into the areas it had been successful in. The staff suggest that there is less extensive provision of services in East Lothian compared to other areas, which makes their services highly valued:
I think because East Lothian's relatively underserved, the schools and young people and their families really hold TSS in high regard because there isn't a lot there. (Staff6)

For this reason, they are wary of expanding into areas where there are already enough organisations because “then there is dodgy territory” (CEO). When developing new services, they build on their core strengths and staff expertise, but in doing so they seek to maintain distinctiveness from other services and/or organisations to strengthen their position as unique providers of services in their local community.

TSS believes that the relationship with the local authority has been very good because they value TSS’ contribution to the education of young people in the area and continue to fund TSS “because of the unique services that are being delivered by the charity” (Trustee1).

4.1.4 Developing robust internal procedures

Focus on professionalism

The funding from ICT is unrestricted, and it enables TSS to “be innovative with funding packages for projects and developments” (TSS Annual Report 2022) but is effectively spent on the central support, i.e., the salaries of the CEO, and the finance and administration team because they are an “essential part of any effective organisation” (Trustee1) who can ensure that the charity is run professionally. Over the two years of engaging with them, the researcher observed their roles develop into something even more specific and clearly delineated. For example, in 2022, their Fundraiser became Fundraising and Communications Manager, their former Service Coordinator moved to join the management team as Practice Manager with more supervisory functions while the Education and Employability team was brought together and given supervision by a former project worker (TSS website). These greater role divisions are a way for TSS to highlight their professionalism.

Formalised structures and procedures

TSS tends to have more detailed procedures. While the other three case study organisations only publish annual financial statements, TSS publishes financial statements, annual reports, and stakeholder feedback reports. The reports tend to be very detailed and supported by stats and graphical data, quotes, and pictures. For example, 20 pages of their 47-page Trustee Annual Report 2019 include detailed information about their performance compared to an
average of 2-3 pages in similar reports of the other three organisations, which is another way for them to emphasize their professionalism.

TSS has formalized data collection and reporting procedures. All the staff follow a standard procedure of capturing service-related data such as progress and outcomes achieved. This information is supplied by the project workers at four-month intervals. It is stored in the central database containing the stakeholder questionnaires, statistics, and three different assessments of well-being used by the fundraiser to highlight their work to funders and other external audiences. The staff is asked to write up case-studies so that they “have got some nice qualitative as well as quantitative data” (Staff3), and “do two social media posts a month” (Staff4).

TSS has also institutionalised the participation of the service user in the design and delivery of services in its Young Ambassadors program. The program involves three former service users who “develop peer youth-led projects” (TSS website).

Complying with laws and rules

At TSS the finance manager is responsible for updating the polices and ensuring their compliance with the requirements of OSCR and Companies House because running the charity according to the expectations set by the regulators guarantees public confidence in them:

If we keep to the rules as much as we can, then we will be comfortable, and we will survive providing we get the grants. It’s about running the charity properly. (Staff8)

At the Board meeting policy updates were part of the agenda, and the Chair highlighted how important these are in running the charity in times of uncertainty:

I feel it gives us a sense of confidence that we know that there’s a policy for almost everything. Last year we had to fall back quite heavily on our policies on grievance and discipline. It was fantastic that they were there. (Trustee5, Board meeting)

TSS is also attentive to their reserves policy making sure their reserves do not exceed a certain level because according to the staff the charities are expected to spend all their income on charitable activities. At the Board meeting they set it at the level of three months of running costs which is what is “recommended by auditors” (Trustee3, Board meeting) and
implemented across other charities because it is generally “attractive to funders” (Trustee4, Board meeting).

4.1.5 Engaging the young people

Tailored programs and services

The staff suggest that a distinguishing characteristic of their services is their one-to-one work with young people. Unlike other charities they do not have time bounded services because “projects that do that do not achieve good results” (Staff8). Accordingly, each package is tailored towards the needs of individual young people. TSS offers a range of complementary services, and the staff often refer the young people internally for more specific support. They believe that these features of their service delivery model have earned them their good reputation, which, for example, the Chair of ICT uses to justify ICT’s funding to the board:

It’s one-to-one counselling care, developing education packages, employment packages, etc. for an individual. We’ve been really proud about being able to keep it going. That’s why I’m very satisfied that the arrangement with ICT is one that I can justify to anyone.

(Trustee1)

Seeking service user input

The young people at TSS are involved in developing the package of support for them alongside other agencies (e.g., Child and Adolescent Mental Health Services [CAMHS], social work, etc.). They are then regularly asked to provide feedback to the project worker during service delivery. TSS also runs focus groups with the young people and involves them in the staff recruitment process. To engage them further, TSS offers opportunities to earn accredited certificates that support employment (e.g., construction qualifications).

Addressing stigma

From conversations with the staff, however, engaging the young people is not always straightforward because some of them feel vulnerable, and are not willing to open. Yet, there seems to be stigma associated with TSS that some young people are wary of:

So many more people know about TSS, but unfortunately, we’re not in the young people rails so to speak. There is a stigma about TSS project. I think that’s quite a big thing that we need to try and get over. (Staff9)
To promote the benefits of engaging with TSS, TSS relies on support of other groups. Staff1, for example, leverages her contacts with the constructions industry who “reiterate that positive message that the industry needs you”. In 2021 TSS developed the Young Ambassadors program involving the former service users to help promote a positive image of TSS among the young people. TSS also considers releasing some of their decision-making powers to the young people. For example, during the board meeting the CEO shared an update that the staff were in discussions to let the young people who are apprehensive of coming to TSS to choose how to engage, for example, online or via other locations (e.g., local community centre), which they found to be effective during the pandemic.

4.1.6 Managing relationships

Relational and reputational focus

TSS’ staff define their legitimacy in terms of offering the right support to the young people. Their services have a waiting list which “speaks to the good reputation of [TSS]” (Staff10). They refer to their good track record of the young people who are “doing really really well” (Staff2) and emphasize their strong reputation among professionals, young people, and partners and the high demand for their services:

_Schools value us very highly. So do social work, CAMHS. They know we have a good success rate with young people who have mental health problems and learning difficulties and autism._ (Staff5)

Raising public profile

Raising their public profile is part of TSS’ strategic plan that the CEO presented at the Board meeting. It is “important in terms of the credibility” (CEO) and is necessary to maintain “because people forget about you” (Staff8). At the board meeting the CEO reported that all the staff created a LinkedIn page, they published articles in local newspapers, applied for awards and attended strategic meetings with a local MP. As part of this objective, the fundraiser regularly publishes case-studies on their social media “to highlight any successes” (Staff8).

Maintaining relationships with the parent charity

Since its inception, TSS has maintained the core relationship with ICT. The two ICT’s directors
on the TSS’ Board serve to provide an oversight of ICT’s funds. The Chair of ICT is simultaneously a TSS’ trustee. He is the core link between the two charities who maintains the relationship. TSS’ ongoing concern is that the relationship “has to do with the personalities that have been involved over those years” (Trustee1).

Accordingly, much of the discussion during the board meeting was about maintaining the link with ICT. TSS decided to propose a counteroffer and nominate a TSS’ trustee to join the Board of ICT to “have somebody inside ICT who can continue this relationship” (Trustee1). The trustees enquired about the extent to which TSS is aligned with the parent charity. The Board urged the CEO “to factor in the centrality of the ICT funding into the management of TSS” (Trustee3, Board meeting) because they must “make sure that that is still relevant” (Trustee4, Board meeting). For example, the Board inquired about the proportion of the housing support services, which is the focus of ICT, and were apprehensive of extending out beyond Lothian where ICT is based.

区域内和维护与其他人的关系

Schools, social care, and mental health services are the most common referrers of the young people to TSS and are thus part of the referral network. The relationship is critical for TSS to maintain to ensure the young people are being continuously referred:

*We can't deliver if we don't have the young people. If we have the schools on board, we will have the young people.* (Staff8)

TSS stays in close contact with referral agencies. For example, the program coordinator attends three different meetings at the school to update them on the progress with the young people. The referral networks in turn help with funding. The staff believe that their reputation and the feedback from the community, i.e., the education sector, the council, social workers, CAMHS, mental health services, etc. plays a key role in securing funding:

*Their acknowledgement plays a massive part in highlighting that what we do is really helping people. I’d say that the biggest thing that gets us funding is recognition from other professionals and from people that we support.* (Staff2)

The CEO, in turn, places a high emphasis on developing strategic networks to be “seen, heard and make strategic decisions” (TSS Strategic Plan 2020-25) and to aid with funding. They are part of a network of umbrella organisations, for example, the Third Sector Forum where they
focus on developing links with other TSOs to form consortiums, submit joint bids, and influence the key people within the local authority. She regularly attends meetings with the representatives from the council’s education, health, and social work services. Being part of this network “does make a difference in terms of local authority funding” (CEO). The list of organisations with whom TSS has cooperated is provided in Appendix 9.

4.1.7 Securing funding

Maintaining relationships with the funder

TSS have a strong relational focus, which is also reflected in how they approach funding. Funding “really is about relationships that you have got with people” (CEO), and therefore, they must “manage those relationships as best as they can to ensure that any refunding potential is maximised” (Trustee1). For TSS an important part of this relationship building is to maintain high standards of accountability to them:

...definitely make sure to write really good reports to them and always deliver information on time and update them if something is changing. (Fundraiser)

Researching the funder

The CEO suggests that their reputation is based on what they are good at and therefore they must maintain their focus on these core strengths and avoid changing their ethos to fit the funding. Rather than “chasing the funding” (CEO), TSS is looking for the “closest fit” (Fundraiser) with the funder. They research the funder’s profile and their interests, where they are located and how much funding is distributed in Scotland. The fundraiser prefers the funders who cover a smaller geographic area because there is less competition for funding. TSS’ services are flexible, and they can re-package and present them “in the language that the funders demand for funding bids” (Trustee1). There is some “tweaking” (Fundraiser) of services in describing the same project to different funders, which they believe is necessary to improve funding prospects.

Evidencing

In their applications, they must be able to evidence a need, and piloting is one way to evidence success. Yet, they tend to emphasize that they have long waiting lists which they can refer to in funding applications to “prove that we’re really very much needed.” (Fundraiser). However,
as mentioned previously, the core element in their funding applications is the feedback from the young people and other stakeholders. This helps them evidence the value of their services to the community because “hearing direct from young people and their parents is as powerful an endorsement as we can get” (Staff6). Yet, an input from the young people in their funding applications emphasizes that they are user-led:

*The main reason for having the Young Ambassador program is that more and more these days what the funders are looking for the idea it's young person led. It's not coming from us.* (CEO, Board meeting)
4.2 Case study 2. Dance Sport and Tech

4.2.1 Background

Dance Sport and Tech (DST) was set up in 2003 in Dundee (Figure 4.2). DST’s aim is to make dance, technology, and sport accessible for the educationally, socially, and rurally disadvantaged children, young people, and adults.

Dundee is the fourth largest city of Scotland with a population of around 150,000 people (National Records of Scotland, 2022a). In 2014, the United Nations recognised Dundee as the UK’s first UNESCO City of Design for its contributions to video games, medical research, and comics (BBC, 2014). Dundee is home to a thriving games sector. The world’s fastest selling game, Grand Theft Auto, was developed in Dundee (Tech Nation, 2017), and many game and app developers including Denki, Outplay Entertainment, Waracle and MTC Media have offices in the city. The game industry is supported by the Abertay University best known for computer games. It was the first university in the world to launch a computer games degree. It has since become the UK’s first ever Centre for Excellence in Computer Games Education and is ranked as Europe’s leading games school by the Princeton Review (The Princeton Review, 2023). The two professional football clubs, Dundee F.C. and Dundee United F.C. are also based in Dundee.

DST has five permanent staff including the CEO and 16 freelance instructors. DST has the smallest Board among the case study organisations with only four trustees, however the CEO is also the founder and the Chair of the Board. The board represents a diverse skill set and includes a professor from Abertay University, a financial adviser, and a self-employed therapist.

Prior to setting up DST, in his former role the CEO was involved in the delivery of community safety projects for young people in collaboration with public sector organisations and funded through European and Scottish Government schemes. He is a proponent of the SE model in the third sector, and outside of DST, holds a consultancy role advising charities on the matters related to setting up and managing SEs. He is also a Board member of the local Social Enterprise Network.
In 2020 the total income of DST was £468,766. This was made up of £355,614 (76%) from commercial activities and £113,152 (24%) from grants for capital projects. The commercial income is generated from classes in dance and football, shows, sublets and the hire of the facilities such as the pitches, studios, and offices, and contractual income with schools and the council.

2003 • Dance school opened
2008 • 10-year grant secured
2015 • Arts and sports centre opened
2016 • SQA status approved
2018 • VR centre opened
2020 • 3-million community center project initiated
2021 • Contractual agreements with the council secured

Figure 4.2 DST – key events in the organisational history since 2003

Note. Data compiled from DST’s annual report and financial statements 2003-2022

DST started in 2003 as a dance school to provide training and classes in dance to young people within deprived and rural areas of Scotland and by 2010 their activities spanned across five local authority areas in Angus, Dundee, Perth and Kinross, and Aberdeenshire with approximately 1,500 young people attending every week. The classes and activities are offered for free if they are part of “specific projects” (CEO) funded through grant programs. Examples of these specific projects are a 10-year grant that DST secured in 2008 to deliver accredited courses in dance, drama, fashion, and sports coaching to disengaged pupils aged 14 to 16 years from the schools in Dundee and Angus. These long-term grants are rather an exception, and the charity’s annual accounts have revealed that grants were used for one-off projects such as the roof repair, setting up the VR centre, and developing an employability support program. It shows that DST is less reliant on the funders to support the core costs (staff salaries) because these are covered by their SE activities. According to the CEO they
needed a firm base to grow their income and in 2015 they consolidated their activities in a new facility in Dundee and opened an arts and sports centre offering dance studios, indoor football pitches and a roller hockey rink. In 2016 their Dundee facility became a Scottish Qualifications Authority\(^5\) (SQA) approved training centre which allowed it to deliver accredited qualifications in dance and football, and in 2017 DST secured contracts within the Pupil Equity Fund with primary schools in Angus to deliver sport, dance, and tech classes and qualifications to children who stay in areas of high deprivation. They continued to expand their activities and in 2018, they opened a new Virtual Reality (VR) centre in the building and developed training programs based on VR gaming in close partnership with Abertay University. They called 2020 “a pivotal year for DST” because of their three-million-pound project backed up by a member of the Royal Family to build the UK’s first community facility entirely from recycled building materials.

In 2020 in partnership with Princes Trust and Abertay University they ran a pilot of a pre-employability program. This program is structured around tech and sports and offers two-week courses for young people who have left school but are not job ready. The first courses were held in the autumn 2021. The program is referral based and funded through the Young Person Guarantee\(^6\) scheme. The CEO explains that the current level of the unrestricted income that their SE generates does not allow them to apply for grants, and therefore, they have opted for seeking contractual agreements instead:

\[\ldots\] just now because we've got so much money in the bank, we can't apply for funding because a funder will just say, “You have got that.” \(\ldots\) we can go out and do employability stuff instead. That doesn't matter how much money you've got because it's a contractual agreement. \(\text{CEO}\)

Table 4.2 outlines the key processes that DST engages in to enact their legitimacy. These are divided into seven groups and each group includes several approaches that DST uses to gain approval, obtain an endorsement, or secure support of their environment. The sections that follow present further details and describe who DST seeks to legitimise with and how.

\(^5\) The Scottish Qualifications Authority (SQA) is the executive non-departmental public body of the Scottish Government responsible for accrediting educational awards (SQA, 2022)

\(^6\) The Young Person’s Guarantee is funded through Scottish Government to provide flexible, person-centred employability support and training to young people aged 16 to 24 (Scottish Government, 2020)
Table 4.2 DST – processes supporting organisational legitimacy

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<tr>
<td>1. CEO’s focus on social enterprise activities</td>
<td>The way that this building works is we’ve always got money and if we want to go and do something that doesn’t involve funding, you think “You know what, we just want to go and do that.” That’s the difference. It gives you control of what you do.</td>
</tr>
<tr>
<td>2. Meeting customer needs</td>
<td>Everyone loves coming here, you know, about the car parking, the cafe, it’s a nice clean building. (Trustee1)</td>
</tr>
<tr>
<td>3. Keeping the charitable mission in focus</td>
<td>He [CEO] knows where the niches in the markets are, the important need to put our business towards to help people as much as possible. (T2)</td>
</tr>
<tr>
<td><strong>Linking with the local area</strong></td>
<td></td>
</tr>
<tr>
<td>1. Building on the strengths of the local area</td>
<td>Dundee has a population of a 139k people. 22k play football. And there ain’t enough pitches. Supply and demand. (Trustee1)</td>
</tr>
<tr>
<td>2. Developing distinctive local services</td>
<td>We’ve seen an [funding] opportunity, but we know that nobody does tech stuff. Like everybody does sport and all that but nobody does that. And yet in Dundee in five years’ time there will be six thousand new tech jobs. (Staff2)</td>
</tr>
<tr>
<td><strong>Linking with societal developments</strong></td>
<td>You have to look at what’s coming down the line as such. I mean clearly the green agenda is coming down the line. […] That’s what I’m going to use to get to that end of the game because the end game isn’t about the environment. It’s about the person that stays in those [deprived] areas. (CEO)</td>
</tr>
<tr>
<td><strong>Complying with laws and regulations</strong></td>
<td>The top person is OSCR because they dictate charity law essentially. You need to constantly look out for information that comes out from them. (T2)</td>
</tr>
<tr>
<td><strong>Engaging the young people</strong></td>
<td></td>
</tr>
<tr>
<td>1. Being different from the school</td>
<td>They were so used to just being told at school that they were badly behaved and when we actually sit down and say, “Well, what do you want to do?”, half the time they are shocked that you’re asking them because nobody really cared. (Staff2)</td>
</tr>
<tr>
<td>2. Protecting service user privacy</td>
<td>That’s a very unassuming building and that’s what we like about DST, that anybody from any walk of life can walk through that door and nobody knows what they’re here for. (Trustee1)</td>
</tr>
<tr>
<td>3. Opportunities to obtain a qualification</td>
<td>We are an SQA centre. It’s like youth work qualifications, football coaching qualifications, first aid qualifications. All things that if you are going to apply for a job, it shows somebody that you have taken an initiative to do something. That’s always a plus. (Staff1)</td>
</tr>
<tr>
<td><strong>Building and maintaining relationships</strong></td>
<td>I work with the local schools, the youth workers, the family workers from the schools, community cops, to deliver projects that basically get the kids off the street into something else or into employability. (Staff1)</td>
</tr>
<tr>
<td><strong>Securing funding</strong></td>
<td></td>
</tr>
<tr>
<td>1. Researching the funder</td>
<td>You need to know what the funders are looking to fund. It’s like you have to appeal to what they are funding for. Different councils want different things. So Angus council, they’re very interested in the VR because there’s nothing in the area. Or they [funders] might say, “We’re interested, but we want to change this” and then we would have to rewrite it slightly. (Staff2)</td>
</tr>
<tr>
<td>2. Evidencing</td>
<td>We’ve been working in partnership with the Prince’s Trust to trial them [employability services] and now we’ve got a better firm base of what we can do. (CEO)</td>
</tr>
</tbody>
</table>
4.2.2 Managing the duality of goals

CEO’s focus on social enterprise activities

According to the CEO, thinking of a charity in a business way is the most effective way of addressing a need because it ensures organisational sustainability:

If you have no ability to continue to run that, why would you start it in the first place? You’re not actually helping those people. You’re just building their hopes up to then dash them again. But we haven’t stopped. That’s the difference. That’s making sure we are business-like, but the business side of it actually helps people. (CEO)

The CEO’s influence is reflected in DST. DST is a registered charity but for a charity to be successful “you have to run it like a business” (CEO). The Board “administers the charitable company” (DST Annual Report 2022) but according to the two trustees interviewed in relation to DST, the Board meetings do not occur regularly, and the meetings are “to be there, accept an update and ask questions” (Trustee2). This brings the role of the CEO to the front. The staff speak highly of the CEO’s vision and leadership and attribute the success of the organisation to the CEO:

CEO is very good at networking and the funding side of things, and he drives us forward all the time. (Trustee1)

DST’s aim has always been to make their Dundee’s facilities self-sustaining and independent of external funding (DST Annual Reports 2003-2022). Of all the charities, DST has the largest proportion of commercial income (76%) in its funding structure, and during the interviews the staff often spoke in business language when describing their work and used the terms such as “marketplace”, “business”, and “selling.”

Meeting customer needs

For the SE model to be successful, one must be good at it and understand the marketplace. DST are based in “an old warehouse factory needing a lot of money” (Trustee2) but the customers “want a nice facility” (CEO). To be attractive to customers, their premises must match their standards and be of sufficient quality. For this reason, over the years DST has made significant capital investments into the upgrade of its facilities. For example, in 2018
they invested £89,000 to replace the roof, installed an eco-friendly lighting system, and fitted modern, 3D pitches. In addition to quality facilities, the customers benefit from lower fees.

The SE model requires the management of business risks. Solely relying on dance as an offer was perceived to be risky and DST expanded into sport and tech. Yet, they outsourced the running of the café in the building to a specialist company because they lacked expertise in this business:

Get a professional to do that and know what you are good at. (Trustee1)

In turn, DST believes that their SE model of income generation is attractive to funders because they can demonstrate their ability to continue without reliance on grants and other forms of external financing:

See when you apply for grants now, they ask you how you’re going to sustain this once the grant completes. We can say, “We’ve actually had grants that have stopped but we’ve kept going with what we do.” That’s making sure we are business-like. (Staff2)

Keeping the charitable mission in focus

The CEO claims that DST remains a charity despite their focus on the SE activities and argues that the SE approach helps charities be more efficient. The SE model, thus, becomes a tool to support the user because the money generated by their SE model is spent on supporting the user:

I still call it as a charity because we are a charity, so it doesn’t matter. This is where people get mixed up with this. But because we do so many bits of work across the community, in schools, we are still very much what we used to do, we are actually better at doing it now. (CEO)

Whilst they charge the public for their classes, they keep it at a lower than commercial rate because they “are mindful of the areas [they] serve” (DST Annual Report 2022). The same pricing policy applies to the hire of its facilities by community groups. For example, the hire of the football pitches for local youth teams costs £30 as opposed to £65 elsewhere. However,

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7 3G stands for a Third-Generation synthetic surface which consists of three elements: synthetic turf, sand infill and rubber infill. This combination of materials is installed with a shock absorbent pad to meet certain performance and testing criteria such as the FIFA Quality Concept, World Rugby Regulation 22, and RFL.
where required the fees can be completely waived because they “are here to support, so that people can still access it” (Staff1).

4.2.3 Linking with the local area

Building on the strengths of the local area

There are strong links between DST’s services and its location because in developing their services they build on the characteristics of their area. In other words, the use of VR and football as key mechanisms to deliver services to young people is not random. For example, they suggest that their football pitches are “goldmine” (CEO) because of the football culture of Dundee and the high demand for pitches. Despite the demand, there are not enough football pitches in Dundee, which makes their offer highly attractive, and as a result their pitches are always fully booked.

Developing distinctive local services

What they believe truly sets them apart is VR. They call it their “unique selling point” (Trustee1) as there are no local providers of similar services in the area. VR “catches everybody’s interest” (Staff2) and since it was introduced, it has attracted greater attention to their work. They provide a VR tour one day every week to local schools and suggest that VR has facilitated pupil attainment because “their ability to learn and understand just goes through the roof” (Trustee2) and this allows them to extend their services to other user groups, for example, young people with physical disabilities or autism:

If I’ve just done dance and sport that could have been fine. But now we have brought that, this has taken us to a different level again. (CEO)

They place a higher emphasis on using VR in their services and believe they can benefit from the growing interest in VR and Dundee’s supportive infrastructure:

VR is obviously very unique in Dundee, and nowadays the young people are so interested in computing and gaming. The funders are quite interested in that. [...] especially in Dundee, with all the investment going into the computer side of things. Abertay University obviously is massive for computer and cyber security and then we’re getting new games arena so that’s feeding into the future. (Staff2)
4.2.4 Linking with wider societal developments

The CEO notes that societal needs change, and to stay relevant, they must be aware of the developments in society and adapt accordingly. If they do not keep abreast of wider developments in society, they risk falling behind:

*If you stand still with anything, there is only so long you can go before culture, technology, whatever changes. People look at other things to do and look at ways to be engaged.* (CEO)

The employment project that they introduced in 2021 was a response to the new needs brought by the Covid pandemic, but they also linked it with the wider changes in employment policies and the Young Person's Guarantee, launched in November 2020. These changes presented them with a funding opportunity and helped secure contractual agreements with the council. Once again, the project is linked with the key prominent features of Dundee because VR and football are at the core of the project.

Their more recent project of a community centre built entirely from recycled materials is linked with a growing climate change agenda. It has received support of other environmental agencies and is presented to be the first construction of this sort in the UK. The community centre will offer VR training, and other services.

4.2.5 Complying with rules and regulations

As a charity, they closely monitor the regulatory landscape, and constantly look out for information that comes out from OSCR and follow the prescribed guidance because they must be “credible in the eyes of OSCR” (Trustee2). The trustees ensure their policies are aligned with charity law and OSCR and that the information they supply to OSCR is audited on an annual basis.

4.2.6 Engaging the young people

*Being different from the school*

DST has a good record of the young people’s involvement in their services. DST explains their success with the young people by how they contrast with the school and the home environment. The young people are allowed to choose how and when they want to engage.
They do not force any activities on the young people and let them decide how to spend time at DST. In terms of training that they provide, they make it more engaging for the young people and offer the activities that cannot be accessed at school:

*Whether it's sports or dance or whatever is to try and bring in lots of different elements to the training rather than just sitting in a classroom because that hasn't worked. So making it a bit more interesting for young people coming in.* (Staff2)

**Protecting service user privacy**

DST operates from three large warehouses and due to multiple activities taking place and a range of people in the building, this is an “anonymous building” (Trustee1) where the young people can blend in:

*They could come in and DST is a safe building, it’s a safe space. They could sit and watch TV, they could get a coffee, they could just use it as a recreational space. Or if they really needed me, they could come in and speak to me in the office.* (Staff1)

DST’s building is “not one single entity” (Trustee2) and when the researcher was visiting DST, the building looked busy, and a range of different activities were taking place at one time. There were large studios, pitches, rooms, and offices inside the building. Upon entering, the researcher heard music from a dance studio on the left where a group of little girls had a dance class. In a room opposite the dance studio a group of young women with kids had a counselling session. Further down the hall a group of teenage boys was playing football. The café was busy serving customers and in the back of the building a variety of the publics were exploring the VR headsets connected to large thick wires falling down the ceiling top. No single group of customers was apparent.

**Opportunities to obtain a qualification**

Their young people can also obtain qualifications from DST. As an accredited SQA centre, DST awards qualifications that are not offered by the local schools. These are “the things that if you are going to apply for a job, it shows somebody that you have taken an initiative to do something” (CEO).

User feedback, in turn, helps DST with funding applications. DST uses feedback from the young people to evidence both hard and soft outcomes of their work to the funder:
Feedback is massive. So not just a case of they attend, they leave and that’s it. It’s all about progress. So it’s about evidence. (Staff2)

4.2.7 Partnership working

DST’s approach is to “generally work in partnership with other organisations” (CEO) because it allows them to enhance their services. The partners in the network can exchange their resources and expertise for the benefit of the service user. The list of organisations with whom DST has cooperated is provided in Appendix 10. DST, for example, closely collaborates with another charity offering targeted employability support to the young people referred by DST. Their networks are more fluid compared to other organisations and the analysis of their documents (i.e., annual reports) show that many projects for which the funding was received were one-off. For example, during Covid-19, they ran a collaborative project with a community music group for the isolated young people. The fluidity of their networks reflects their belief that as services develop, networks must be adapted accordingly:

...there’ll be a huge shift in who’s responsible for funding and who the partnerships need to be built with. (Staff2)

Maintaining and building relationships with other organisations is necessary to make sure that DST is “known basically to be here” (Staff1). Networks help show the young person progresses from one stage of service delivery to another:

So usually, I would refer them on to the employability program at Street League so that you can see that they’re going on a journey, that they’re not just coming to us and it’s stopping. (Staff1)

While maintaining existing relationships is within the purview of the staff team who are in regular contact with the referral agencies, the CEO focuses on developing strategic partnerships, which are mutually beneficial for all. For example, the funding from F15 was secured after a meeting attended by the CEO, and according to the funder they continue to support DST with their expertise because the project “can become a demonstrator” of the funder’s work to others.
4.2.8 Securing funding

*Researching the funder*

DST believes that to be attractive to the funder, they need to understand the funder to be able to appeal to their interests. Dundee, for example, “is more of a sports culture” (Staff2), and therefore, the funders in Dundee are likely to be more attracted to projects with football at the core. Researching the needs of the funder also helps package the services in a way that meets those needs, and at DST they suggest that their service delivery model is flexible enough to do that:

*DST can adapt as well, so it can be sports based, it can be VR based, and it can be employability. You are not just stuck in one lane.* (Trustee1)

*Evidencing*

As was mentioned previously, in their funding applications DST emphasize that they have their own funds to be able to continue running the project they seek funding for. They follow wider trends in society to monitor changes in interests, keep abreast of policy developments to adjust services accordingly and seek to build on the core strengths of Dundee to enhance their service delivery. They engage in networking to develop new services and work with others to demonstrate how the user progresses from one stage to another. They also pilot services so that they have “a better firm base of what DST can do” (CEO). Importantly, they use stakeholder feedback to show value of their services to the community and evidence both hard and soft outcomes of their work.
4.3 Case study 3. Animal and Play Therapy

4.3.1 Background

APT is based in Selkirk and supports vulnerable young people, aged 10-18 years, on a referral basis. These young people are generally experiencing social, emotional and/or behavioural issues and are supported through equine assisted learning (EAL). It also offers a variety of equine services to the public including horse riding lessons and countryside hacking.

Selkirk is one of Scotland’s oldest Royal Burghs with a population of around 5,000 people (National Records of Scotland, 2022c). A highlight of Selkirk is the annual Common Riding celebration in June which hosts one of the largest cavalcades of up to 400 horses and riders in Europe (Selkirk Community Council, 2023).

They have 10 staff, and two teams. “The professional top” (Chair) of APT is the CEO and the Director of Children’s Services. The CEO has background in business development, and she has been with APT for over 10 years providing support to the Project Team. In her role, she is responsible for submitting funding applications. The Director of Children's Services is an equine specialist and a former family support worker, but she also supports the CEO with funding applications, building partnerships, and strategic planning. They have seven trustees who live locally and as the CEO suggested they tend to volunteer and help her with office admin, maintenance and even running classes for the young people. For example, the Chair whom the researcher met during the visit delivered a session for a group of three young people from the local high school later in the day. Two of the trustees, including the Chair, are the members of the local Rotary Club. The Board have a sub-fundraising committee who fundraise for APT via, for example, a pop-up shop at Christmas, raffles, home baking, and the Kiltwalk.

In 2020 the total revenue of APT was £456,124, of which 35% were generated by the commercial activities. The charity income includes £30,000 from commissioned work, and the charity gets an annual donation of £7,000 from the council to cover the costs for the young people.

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8 EAL is an educative method based on experiential learning processes, and addresses individuals’ emotional and behavioural difficulties through the presence of and direct contact with a horse (Dell et al., 2011)

9 Rotary International is a humanitarian service organisation that exists to provide community service, and advance goodwill, peace, and understanding in the world. There are over 46,000 member clubs worldwide, with a membership of 1.4 million individuals (Rotary, 2023).
people coming from Galashiels. APT is the only charity in the sample that has raised funds through crowdfunding. £15,000 were raised in 2019 towards a roof refurbishment. In 2022 they launched another crowdfunding campaign and reached their Crowdfunder target, raising over £40,000 in just eight weeks with 228 supporters (Crowdfunder website).

APT was originally set up in 1985 in Galashiels as a youth project (Figure 4.3). It started life under a different name and in a collaborative attempt between the local council, the police and social work to support young people at risk of truancy and offending. Initially it was funded through a service-level agreement with the local authority.

![Timeline of key events]

**Figure 4.3** APT – key events in the organisational history since 2008.

*Note.* Data compiled from APT’s annual reports 2008-2022

In 2008 APT obtained a charitable status and became a Company Limited by Guarantee after the council’s decision to put out the children’s services in the Scottish Borders to tender. The tender went to another charity, Penumbra[^10], and the funding to APT stopped because according to APT, they were small compared to the size of the contract. Obtaining the charitable status allowed APT to seek funding from large charitable funders including Children

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[^10]: Penumbra is a national charity with a turnover of £13m providing services for people with mild to serious and enduring mental ill health (Penumbra, 2022)
in Need, Big Lottery, Robertson Trust, and others and secure grants to run the three distinct projects that they had at the time:

- Alternative Routes — learning skills for life
- Chance4Change—befriending/mentoring
- “Stable” Life – equine assisted learning

In 2013, the charity was struggling to secure funding and after they researched “the possibilities for future developments and the sustainability of the organisation” (APT website), they made “Stable” Life the core service, took the lease on a riding centre in Selkirk and relocated there. Table 4.3 outlines the key processes that APT engages in to enact their legitimacy. These are divided into seven groups and each group includes several approaches that APT uses to gain approval, obtain an endorsement, or secure support of their environment.

### 4.3.2 Maintaining a balanced funding portfolio

**Prioritising the charitable mission**

The lease gave them opportunities to generate income through riding lessons, hacks, and hiring out of the school to the members of the public. It helped APT “change sustainability of the organisation” (Chair), however, unlike DST, they do not place an emphasis on generating higher levels of commercial income and believe that sustainability can be achieved by a more balanced mix of funding:

> We looked at how we could become more sustainable and in an ideal world, it would be a third from grants, a third from the commercial side and a third from commissioned work through the local authority. (CEO)

APT has a commercial arm and are familiar with the social enterprise concept, however they do not actively use the term when discussing their commercial riding centre, nor they explicitly call themselves as such. The term was mentioned once. "The point of APT was always to be where that would sustain itself” (Staff1) but the most important are “the people who use the services” (Chair).
## Table 4.3 APT – processes supporting organisational legitimacy

<table>
<thead>
<tr>
<th>How Seeks to Legitimise</th>
<th>Illustrative Quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining a balanced funding portfolio</td>
<td>At the end of the day, you don’t want the yard full of publics when we’re working with the kids with various issues. You want this privacy. (CEO)</td>
</tr>
<tr>
<td>1. Prioritizing the charitable mission</td>
<td>[...] now we’ve kind of said, actually do you know what, they’ve accessed their funded space so it would be a paid provision but again, it’s about me being able to have those conversations and evidence base what I do and what my team does. (Staff1)</td>
</tr>
<tr>
<td>2. Establishing a commissioning framework</td>
<td>Last year we were having the arena rebuilt almost. It was a shell. (Staff3)</td>
</tr>
<tr>
<td>3. Meeting customer needs</td>
<td>You get parents doing that (and then you get other people that have maybe heard through a relative or some friend. Sometimes it’s word of mouth, somebody is talking about it. Like the local Rotary group that is in Selkirk have been really supportive of us. (CEO)</td>
</tr>
<tr>
<td>4. Leveraging their local embeddedness</td>
<td></td>
</tr>
<tr>
<td>Linking with wider societal developments</td>
<td>A lot of what we do here will be dictated at some point by what’s decided by the Scottish Government and the local authorities as far as funding goes, as far as policies go, as far as the whole education thing, you know, we try to sell what we do here. (Chair)</td>
</tr>
<tr>
<td>Complying with laws and rules</td>
<td>You have to sit within the confines of the British Association of Play Therapists. You have to follow the guidelines. There's all the confidentiality, there's the ethics and everything that you follow. (Staff1)</td>
</tr>
<tr>
<td>Engaging the young people</td>
<td>It’s just such a calming environment. And it’s just away from school. And they come here and there’s no expectations on them and there is just no pressure to do well. (Staff2)</td>
</tr>
<tr>
<td>1. Being different from the school</td>
<td>The play therapy is non-directive. So, none of that would be led - that’s led by the child. They completely decide what they’re going to do and the theory behind it is that the individual has within themselves whatever it is that they need to heal themselves. (Staff1)</td>
</tr>
<tr>
<td>2. Non-directive services</td>
<td>We have to write up case studies, have them in a folder if we need to have evidence. Statistically we look at what we’re seeing, and we record that on Outcome Stars in the time that they've been in and we tend to use that data when we're applying for funding. (CEO)</td>
</tr>
<tr>
<td>3. Protecting service user privacy</td>
<td></td>
</tr>
<tr>
<td>4. It has to be about the child</td>
<td></td>
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<tr>
<td>Partnership working</td>
<td>It’s been the buzzword for a few years, you know, partnership, collaboration... You get more chance if you’re stronger basically. (Chair)</td>
</tr>
<tr>
<td>Building on staff expertise</td>
<td>I think that is what kind of helped with the Selkirk High School was the fact that because for them it’s helping the young people, but it’s also helping them with their figures. (CEO)</td>
</tr>
<tr>
<td>Securing funding</td>
<td>We offer something different. I can’t think of anything else nearby that offers what we offer in the EAL and rural skills. We’re pretty special in that sense. (Staff2)</td>
</tr>
<tr>
<td>1. Researching the funder</td>
<td>Somebody looking for funding has got to make sure that we’re right on the ball for what we want. That’s going to match exactly what these funders are looking for. (Chair)</td>
</tr>
<tr>
<td>2. Evidencing</td>
<td>There’s a lot of really good research now, which is quite handy when we do our funding bids. I bring why what we do works and who said it worked. (Staff1)</td>
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</tbody>
</table>
To protect the mission and maintain their legitimacy as a charity, they split into two separate teams: the yard team in charge of the riding lessons for the public and the project team who support the young people with EAL and play therapy\textsuperscript{11}.

Moreover, the commercial lessons are offered only in the second half of the day when there are no service users on the premises. This helps protect the privacy of the young people and maintain the focus on the core charitable aim:

\begin{quote}
We’ve got the charity here during the day, we cannot have a lot of customers coming in when we’re providing this therapeutic space for the kids. We’re always looking at ways to grow that [SE]. But at the end of the day, you don’t want it to impact on the charity so that the charity shrinks and we’re not actually supporting the kids as what we’re supposed to do. (CEO)
\end{quote}

They suggest that for this reason they do not actively promote themselves via the website and other social media. Occasionally they accept referrals from other local authority areas, but they are reluctant to expand to these areas because this would mean fewer places would be available for the local young people while their “constitution is supporting young people who require it in the Scottish Borders.” (Staff2)

\textit{Establishing a commissioning framework}

Establishing a commissioning framework between the charity and its referring partners is “the key pillar of APT’s medium-term business plan” (APT Annual Report 2022) and gaining the funding support back from the council has been a goal since the council removed it in 2008. A major difficulty, though, is that the local council is reluctant to pay for the services that it got used to receive for free:

\begin{quote}
The majority, 90 percent of our referrals come through education and social work. We have been able in the past to actually offer our services for nothing to the local authority because we’ve got our grant funding and then trying to change that mindset with the local authority has been and is an ongoing battle. (CEO)
\end{quote}

\textsuperscript{11} Play therapy is a form of therapy used primarily for children. A trained therapist can use playtime to observe and gain insights into a child’s problems, and help the child explore emotions and deal with unresolved trauma. It is practiced by licensed mental health professionals, like psychologists (Healthline, 2021)
Achieving progress with this objective has been difficult because all the children’s services in the area have been commissioned to another national charity, and “it should be [national charity] that are providing the service as such” (CEO). Changing their mindset involves continuous conversations and evidencing the benefits of the work that APT delivers. Prior to 2018 all the services of APT were free for the schools but in 2018 APT changed their funding arrangements with the schools who refer their young people (Figure 4.3). They first removed a policy of transporting the young people to and from the school. In 2018 they moved away from open-ended programs with unlimited support and introduced two structured programs of support, a 10-week individual program and a 17-week group-based program. Later, they placed a limit on the duration of free services that the schools could get, and if a young person is referred second time, the service must be commissioned through the local authority.

Meeting customer needs

APT’s objective is to grow their commercial income without losing sight of their charitable mission. Their riding centre is no different from a typical riding centre. Like DST, APT suggests that to attract customers they must be able to offer quality facilities and has, therefore, invested in refurbishing them. For example, in 2019 they raised £15,000 through a crowdfunding campaign to refurbish their indoor riding arena, which was “really on its last legs” (Staff2). This was not directly linked with the customers, though, because the arena is for the use by both the yard team and the project team.

During her visit, the researcher was shown around the stables and told that ponies can be of different sizes and differ in their abilities. These ponies’ characteristics determine what APT can offer to the public. Their ponies cannot handle heavy weights or perform tasks such as jumping, and therefore, most of their classes are for kids and/or beginners. Knowing their abilities is important to avoid harming the pony and to prevent creating a bad experience for a rider. Their ponies are also of a gentler character because they work with young people.

Leveraging their local embeddedness

APT is critical of national charities delivering local services and they have made attempts to influence the decision-making at the council level via their membership at Youth Borders, the umbrella organisation that represents the sector to the council. Joined by other organisations, they continuously encourage the council to work with the local organisations in the Borders:
It’s just like for years we keep saying, look at what is in the Borders locally because there is not only just us, there are really good organisations supporting young people and work with what you’ve got instead of just following down the line the other local authorities.

[CEO]

Nevertheless, the local community is aware of the work of the charity. The link with the local community is actively maintained by their trustees. For example, the Chair is the president of a local Rotary club that regularly fundraises for APT. Finally, APT raised funds through a local crowdfunding campaign. They achieved their target and were happy with the result, but it required a lot of advertising and promotion and “pushing it” (CEO). Most of the donors were locals.

4.3.3 Linking with wider societal developments

The growth of commissioned services was linked with the changes in the educational requirements to schools in Scotland or the Curriculum for Excellence. In 2019, APT ran a pilot of a two-year project to deliver SQAs to the local high schools. During the pilot, the SQAs were offered for free, and at the end of the pilot, a participating school added the SQAs to the list of subjects for their pupils. APT now delivers SQA qualifications in horse care and rural skills for the young people referred by the school and funded from the school’s budget:

The Scottish Government is now saying to schools that they want kids to leave school with at least four SQAs or something like that. For some of the young kids that are struggling if they can get two SQAs through us, and then if they get their English and Math with their high school, they’re almost reaching that target sort of thing. (Staff3)

What they believe has helped them achieve progress with commissioned services is that the school “bought into” (CEO) the fact that sending their pupils to APT to obtain SQAs improves their statistics:

It’s all about how many kids leave with qualifications. It’s a numbers game. (Chair)

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12 Curriculum for Excellence is the national curriculum for Scottish schools for learners from the ages 3–18.
In terms of funding, their adaptation to the environmental changes helps them develop new projects, and because they believe the funders are interested in funding new services, accordingly these projects will be attractive for them:

*Quite often it’s hard to get funding for projects that are already running, everybody wants to see a new project. So quite often we can do something.* (Staff1)

### 4.3.4 Complying with rules and regulations

APT will be liable to OSCR for reporting the wrong figures to the funders and if it happens, “then that can close [APT]” (Staff3). Therefore, to legitimise with regulators they must comply with the guidance of the charity regulator. APT also follows the guidance of the relevant professional body, the British Association of Play Therapists.13 To facilitate this, they have implemented the processes that allow them to evidence their compliance with requirements such as filing and tracking all the financial expenditures and others:

*When it's European funding, everything has to be triple crossed off and you're not claiming for something that wasn't in the actual original budget. [...] there's certain things that you have to have in like folders.* (Staff2)

The extra control is provided by a trustee with financial background who has “a very tight rein on what is going on in the finances” (Chair).

### 4.3.5 Engaging young people

*Being different from the school*

APT works with the children who often display challenging behaviours at school and/or at home, however, the staff suggest that these situations are rare, and they almost never observe the behaviours:

*You can read a referral and go, “My, this is going to be really difficult”, and they come in and they're nothing like what's written on the piece of paper and that happens a lot.* (Staff2)

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13 British Association of Play Therapists is a register for play therapists in the UK. It is accredited by the Professional Standards Authority as part of the Accredited Registers Programme (British Association of Play Therapists, 2014).
The staff explain it in terms of the space that they have at APT. They suggest that it is very different from the school environment, which they describe as too oppressive and hostile for the young people and believe that “for some the school environment is not good and they really struggle” (CE). At APT children learn in an environment that is safe, non-judgemental, and non-evaluative.

*Non-directive services*

There is little direct involvement of the staff in the delivery of services, and all the learning activities are based on play and interaction with a horse. The horse is “a therapist” (Staff3) and is one of the tools that they provide to the young people to help them “heal themselves” (Staff1). The child is matched with an appropriate service and appropriate staff because the staff have individual strengths, and some, for example, are more nurturing than others, and the kids are then allowed to choose how they want to engage:

> They can pick their own themes. They can choose to play. They can choose not to play. (...) it’s going to be much more effective for you than if I go, “I think you should try this” because that’s right for me, not for you. (Staff1)

*Protecting service user privacy*

APT suggest that they offer a safe space to the young people and protect their privacy not only from the public but also from the school. Going to APT for help instead of receiving it at school shields them from stigma because at school "all the eyes are on them" (CE).

*It has to be about the child*

EAL places the needs of a child to the centre, and accordingly, “it has to be about the child” (Staff1), but the difficulty that APT sometimes face is different expectations from teachers and parents as to what a child should achieve:

> Feedback is a bit of a double-edged sword because it can be very much dependent upon that person’s perception of what they thought the child should achieve. I think the difference is we work for the outcomes of the child. (Staff2)

APT has started to be more attentive to managing these expectations and engaging in more educational work with these groups, so that they can begin to have a better understanding of EAL and what APT aims to achieve in their sessions with young people.
4.3.6 Partnership working

The young people are referred from across Scottish Borders from agencies such as school, social work, the National Health Service, CAMHS and other voluntary agencies, who according to APT are very supportive of them:

_We’ve got fantastic relationships. We do a lot of partnership working with them, and they know the difference that we can make to young people, so they really sign off on us._ (Staff3)

APT believes they can do more for the young person and enhance services if they work in partnership with others but note that “everybody wants to protect their organisation” (CEO), and it is “that initial getting the partners on board” (Chair) that is important. They suggest that potential partners must perceive certain benefits from a partnership. For example, having learned about a growing number of referrals of younger children (whom APT usually works with) to Penumbra and the lack of their capacity to support this younger age group, they approached Penumbra with a proposal to submit a joint tender.

In terms of funding, the networks help in several ways. First, they improve chances of funding because “it’s been the buzzword” (Chair) and the funders are increasingly interested in joint bids. Second, because “you have got to come up with a different approach or a different result at the end of the day” (Staff2), together with other organisations they can propose new projects. The list of organisations with whom APT has cooperated is provided in Appendix 11.

4.3.7 Building on staff expertise

APT tends to be the “the last point of contact” (CEO) for referrers because previous interventions have not been effective. APT has a good track record of supporting young people who experience more complex social, emotional and/or behavioural issues. APT suggests that their good track record with young people is underpinned by the unique skills set of their staff, which makes them different from regular riding centres, but also from other charities that address behavioural issues.

APT’s staff have backgrounds in both supporting the kids and working with horses. In other words, the staff possess a rare combination of highly specialised areas of expertise, which allows them to apply a non-traditional approach to tackling mental health issues and
addressing more complex behaviours. Their backgrounds include counselling, trauma focused therapy, play therapy and nursing, but they are also professional or experienced riders, and all the staff at APT have all been trained in EAL and therapy. The young person is then individually matched with a project worker with the most appropriate background to deal with the issue, making it a customized, often one-to-one service. They believe there are few riding centres in the country that can match their services:

*I think it provides not just one thing. There’s a whole horse side to it and emotional support. I think nearby there isn’t anything else that offers the same. We’re pretty special in that sense.* (Staff2)

### 4.3.8 Securing funding

**Researching the funder**

Finding funding is “a never-ending battle” (Chair). The CEO believes that funders have different motives and a family trust, for example, is driven by individual beliefs of a family whereas bigger, national funders are interested in how funding charities can help them with their goals and fundraising appeals, and so researching their interests helps find alignment with what funders look to achieve, and describe a project in a way that communicates the fit:

*I’ve always been taught to never try and fit what you do to fit the funding. The funding should fit what it is that you do because then you just end up in a whole lot of a trouble.*

(CEO)

**Evidencing**

In their funding applications, APT includes evidence of their effectiveness. They suggest that they evidence base the results of their work to the funder using stakeholder feedback and supporting it with research on the benefits of EAL. They keep a repository of case studies and encourage the staff to update it frequently to pull the information when necessary because “that might be the bid that seals it for APT” (Staff1). Piloting a service becomes important because it helps build evidence base as when for example, through the trial of the SQA project they persuaded the high school to commission APT to deliver SQAs to their pupils.
4.4 Case study 4. Employment Training and Recreation

4.4.1 Background

Employment Training and Recreation’s (ETR) mission statement is “to improve the quality of life of young people, aged 9 – 29, in [town] and the surrounding rural area” (ETR website, 2022). They run youth clubs for children aged 9-14 and focus on the provision of employment and training opportunities for the young people. The mission is achieved via the “two social enterprises” (ETR website), Hostel and Functions. The hostel offers several types of rooms to cater for the different needs of customers and hosts functions but is used as a venue to offer Modern Apprenticeship (MA)\textsuperscript{14} opportunities to the young people. ETR is an accredited SQA centre and awards industry-standard qualifications. They deliver the Steps to Work programme\textsuperscript{15}, offer 1-1 sessions tailored to an individual’s specific needs and circumstances and help the young people write a CV, prepare for a job interview, and apply to college. They also source industry-standard qualifications externally. These include Food Safety certificates (Hospitality), SFA Coaching Awards (Football), First Aid certification and Higher English courses at local colleges.

ETR is based in a small town in a rural area and according to the National Records of Scotland (2022c) it has a population of 3,000 people. The town has scenic views to the nature and VisitScotland (2022) describe the town as “the gateway to the Highlands”. It is surrounded by forests, lochs, waterfalls, hills, glens, and mountains. It is “a bustling tourist town” (Undiscovered Scotland, 2023) with routes to explore natural and historical attractions in Scotland and is a popular tourist stop to and from the Highlands. There is plenty of accommodation on offer in the town ranging from small hotels, guest houses and BandBs. There is one high school founded in 1892 and educating pupils from a wide catchment area beyond the town. Yet, despite the picturesque landscape, it remains quite an isolated rural area. The town is 26 km away from a major city.

\textsuperscript{14} A Modern Apprenticeship is a job which lets people earn a wage and gain an industry-recognised qualification (Skills Development Scotland, 2022)

\textsuperscript{15} Steps to Work is designed to help vulnerable, disengaged, and hard to reach learners. Within the Steps to Work Awards there is a wide range of Units to choose from. This gives centres the flexibility to develop a program that best suits the needs and interests of their learners (SQA, 2013)
ETR has a very small core staff team of two people and a part-time fundraiser (ETR website). The CEO’s background is hospitality, and she joined ETR as the Head of Hospitality in 2014, to oversee the SEs but has become more heavily involved in the delivery of the youth service elements of their work. She became the manager of ETR in early 2020. She is an in-house Internal verifier¹⁶ and oversees the delivery of SQA-accredited qualifications. She is assisted by the Senior Youth Worker responsible for the youth clubs and employability programs, but the two often complement each other. They have three temporary staff who are the young people doing their MAs and who provide support while getting on-the-job training. Yet, the board tends to be quite hands-on, rather literally, compared to other case study organisations. During online interviews with the staff in their office held on different days, at least one or two trustees were always on-site helping run day-to-day activities. The researcher also met four of them during her visit. The fundraiser of ETR suggests that ETR has one of the strongest boards she has ever seen:

*It’s like he [trustee] physically works there. By that I mean building things and knocking things down and installing things.* (Fundraiser)

The involvement of the Board into day-to-day running of the organisation is likely to be related with the fact that ETR had “a series of what you might call project leaders” (F4) and effectively the Board was running the charity, which is what the Chair is trying to change:

* [...] everyone quite likes to get involved, and that’s not our job. The job of the trustees and the board is to set the strategy, and then let the staff get on with it.* (Chair)

67% of ETR’s funding is from grants and the remainder 33% is made up of the function income and accommodation income (ETR Financial Statements, 2022). Of the grant income, £10,000 or 3.7% is an annual donation from Stirling Council towards the youth club.

ETR presented a unique opportunity to explore the role of the funder in the development of the organisation. ETR was established in 1997 following the two young people’s suicides from the local high school to address the isolation and lack of access to amenities for the young people (Figure 4.4).

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¹⁶ Internal Verifiers manage the delivery and quality assurance of the assessment process, to ensure that workplace assessments of individuals’ competence and performance meet relevant quality standards (SQA, 2023)
In 2008, ETR got a 10-year grant from F4 to deliver a program in forestry and farming, but a year later ETR faced a perfect storm. The young people were not interested in these activities and ETR struggled to engage them. In the same year, the CEO resigned, leaving ETR in a precarious situation:

"[...] because she was so hands on, the Board had no clue what was going on. I was having a board member phone me and say, “How do we write checks to people because we’re getting bills and we don’t know how to do it.” (F4)"

F4 assumed control of ETR because their venture philanthropy model of the funder is “to provide long-term funding and development support” and “invest time, money and expertise in organisations” (website, F4). After consultations with the local community, the funder identified the need in a hospitality training centre in the area. The funder linked ETR with their network of “pro bono supporters” (F4) who helped equip and refurbish the hostel and train the staff in hospitality management, the use of the booking system and social media. In 2013 the hostel opened its doors. Soon after that, ETR obtained the status of an accredited SQA
centre to deliver industry-standard qualifications and secured funding from Skills Development Scotland (SDS) and other funders who support the delivery of MAs.

Table 4.4 outlines the key processes that ETR engages in to enact their legitimacy. These are divided into six groups and each group includes several approaches that ETR uses to gain approval, obtain an endorsement, or secure support of their environment.

4.4.2 Managing the duality of goals

Maintaining a diversified funding portfolio

Like DST and APT, ETR runs a SE, but the charitable and SE activities are more closely interlinked. The hostel generates income for the charity, but it also gives them the opportunity to offer work placements and MAs, which “is a very important part of what ETR do” (CEO) and allows it to “fulfil all their social objectives” (F4). The income from the hostel gives the charity “a bit of wiggle room” (Chair) because it is unrestricted and can be spent on where they see fit. Yet, the income is not sufficient to fund entire projects, and in 2018 they employed a fundraising coordinator to bring in other sources of income:

We’re always trying to be more innovative and to do more for young people rather than just settling on the amount that we can fund out of the social enterprise. (Chair)

The interviewees agree that having a diversified funding mix is important as relying solely on one source of income can be risky and can “work against you” (Fundraiser). In 2022 ETR expanded their accommodation provision by building four self-contained glamping pods:

We can’t necessarily make it off the social enterprise money. We’re actually putting in the camping pods to provide that sustainability. Our feeling was that we couldn’t increase social enterprise turnover in any other way, and we didn’t want to stray too far away from the business model that we were following, and we didn’t want to be really scrambling around for grant income to stay in operation year after year after year. (CEO)
Table 4.4 ETR – processes supporting organisational legitimacy

<table>
<thead>
<tr>
<th>How Seeks to legitimise</th>
<th>Illustrative Quotes</th>
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<tbody>
<tr>
<td>Managing the duality of goals</td>
<td>If we can say we're getting our match funding from the social enterprise, it actually works a lot better for us. (Chair) We're not a business. Everything we do is not to line somebody's pocket. It's to make sure that ETR can continue and be self-sustainable and that young people are always going to have something that'll help them and keep them going. That's why we've done the pods. (CEO) As they are ensuite and self-contained [pods] in the post-Covid world they're needed in terms of accommodation around here. The accessible pod is going to be a unique facility. (Staff1)</td>
</tr>
<tr>
<td>Linking with the local area</td>
<td>If you're staying locally and you're not going on to university, then it [hospitality] is one of the main areas for getting a job. (Chair). ETR is about supporting young people who live in a very rural isolated part of Scotland [...] they're all groups that have particularly suffered from the pandemic and funders are looking to fund in that area. (Fundraiser)</td>
</tr>
<tr>
<td>Robust governance processes</td>
<td>In youth work it's very important to have people who fully understand the safeguarding issues, and our board have got that experience in significant measure. (CEO) The grant giving community is relatively small in Scotland. if you fail to deliver, it pretty much gets around. Hence being honest and transparent is extremely important. (Chair)</td>
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<tr>
<td>Engaging the young people</td>
<td>The whole idea for ETR is to help as many people as they can, put them on all these different amazing training courses, give them experience, and then they can go on and get another job. It's like a steppingstone. (Staff2) In one-to-one work with referred pupils, I can keep it a bit lighter, a bit less dry than 10 worksheets to them that they have to work through one by one and check all the boxes, and it helps keep the young people engaged more. (Staff1) Funders like a mix of both. They want data and they want numbers, but they also want case studies and photos and all that stuff. We can use bits and pieces and just put together. (CEO)</td>
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<tr>
<td>Maintaining the link with key partners</td>
<td>The school speak to us. it's the regular progress meetings. The school checks with all the school leavers to find out what destinations people are leaving school to go to. (Staff1)</td>
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<tr>
<td>Securing funding</td>
<td>It’s important to make sure you know how each funder works. (Chair) When we trialled things, that worked really well for certain groups, and it didn’t work at all for other groups. Funders also really like that feedback. (Fundraiser)</td>
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</table>
The fundraiser suggests that a lot of the funders ask for match funding, and their SE income places them in a better position because they can match fund if necessary. Having some funding in place makes it a stronger application. The view is echoed by the CEO and the Chair:

*We’ve already got money for the equipment. We’re now looking to get all the refurb done and refit done. So, we’ve got part funding and the group we went to liked the fact that we’ve already tried to get funding.* (CEO)

However, ETR is mindful of the relative proportion of a particular source of income in the overall funding structure as for example, too much unrestricted income from the SE may in certain cases affect grant funding:

*There is also a danger that to be honest that if funders saw that you were basically self-sustainable, they’d probably be less inclined to give you grants.* (Chair)

**Prioritizing the charitable mission**

Despite the interlinkages between the charitable and commercial elements, the CEO and the Chair have both emphasized that above all they are a charity, and in the interviews the staff tended to stress their focus on training:

*We’re absolutely saying that we’re a youth project that owns a business. We’re not a business that has a youth project. We could run without it, but it allows us to train young people. Everything we do is geared towards what we can do for the young people in this area.* (CEO)

As a business the hostel must be managed properly but the charitable aims should always be a priority and any tensions created by the commercial side must be properly dealt with. Until 2020, ETR had two separate websites for the hostel and for the charity, which created difficulties because they were increasingly becoming recognised as the hostel. In August 2020 they created a new logo and brought the two websites together, so that whenever someone googles the hostel, they are taken to a booking page on the charity website. Another tension was created by the café in the hostel. They felt they “were being busy fools” (Staff1) because it absorbed the management time and moved the focus of the staff away from the charitable activities. They closed the café in 2018. Yet, they have emphasized the charitable objectives of their commercial eco pods project, and £75,000 of grant funding was raised towards the accessible pod since “the idea that the pod is not for us to make money” (Fundraiser) and
another £36,000 were raised towards the other three pods on the grounds that the income would be used to train more MAs.

**Meeting customer needs**

Even though the organisation and its members “are not here to run the hostel” (CEO), they “have got to take a business-like view of it” (Chair). ETR’s services for customers match comparable commercial services. The hostel and other facilities that ETR offers must be of good quality, and ETR has been investing into the upgrade of their facilities. When the researcher first interviewed the CEO in 2020, a record was made that the hostel was renovated in 2014. When the researcher visited ETR in 2021, the hostel had just been renovated again and they had installed new furniture and bathroom equipment. The researcher was taken on a tour around the hostel and the glamping pods. The rooms were bright, clean, and spacious with views to the nature and Ben Ledi. They had converted the dorms into separate rooms to comply with the Covid restrictions and to make it more attractive for families with children to come and stay.

Their glamping pods just opened, and each had a cosy porch to sit outside and enjoy the views. ETR contracted the architectural agency to design the pods but actively participated in the design feeding their ideas for the pods. One of the pods is larger than the other three because it has been designed for people with complex disability needs. The researcher met one of their trustees with the construction background there. He oversaw the implementation of the project and explained that it is a unique construction in central Scotland. As such, they believe it opens them up to a new set of customers. The remainder three are ensuite and self-contained, and were built in response to demand:

> The three pods are really popular. They like the view. It seems to have everything they need. The feedback and the reviews have been good. (Staff1)

### 4.4.3 Linking with the local area

**Linking services with the local needs**

Like for DST, there is a close association between ETR’s services and the area where they are based. "Catering and hospitality are the lifeblood of the area” (Staff2), and all the interviewees suggested that the economy of the town is based on tourism. As F4 was looking
to replace the program that failed to generate sufficient interest among the young people, they realised the significant role that tourism can play in local service provision. Subsequently they embraced the idea of providing hospitality training to the local young people:

Now actually the key skill in the [area] for young people is actually tourist support. Hospitality. It is not farming, forestry and all that other stuff. (F4)

The consultations with the local hoteliers revealed a need in qualified personnel and setting up a hospitality training centre was of benefit to the organisation and to the town. The staff explained that if the young people stay locally, then catering and hospitality are one of the main areas for getting a job. Even though ETR closed the café, during the pandemic they spotted an opportunity to provide training in catering to address the local need:

During Covid we had a chef volunteered in for the local community doing hot meals twice a week for vulnerable residents, and they were using our kitchen. We thought, “Here’s a way that we can give new training opportunities - we’ve got somebody who’s capable of doing it, we’ve got the premises, we know that there’s young people at the school who are interested in this, but we know that our kitchen needs to be upgraded.” (Chair)

Covid disproportionately impacting rural areas

Covid has had broader implications for ETR as it put a spotlight on the user groups supported by ETR. Compared to previous years when ETR struggled to get solid funding in place, “funnily enough with Covid this year has been somewhat easier” (Chair). The funding opportunities for ETR are increasing since the funders have recognised the impact of Covid on rural families and have a higher interest in supporting groups such as children and young people who are believed to have particularly suffered from the pandemic:

You know kids have left school not with the qualifications that they thought they would or are struggling to reengage back into education after the impact of lockdown. So, the need for having that paid training opportunity locally is really important. (Fundraiser)

4.4.4 Robust governance processes

Complying with laws and rules

ETR is accountable to OSCR and the Companies House and must comply with their regulation. Because they are engaged in youthwork, they must ensure the staff fully understand the
safeguarding issues. In addition, as an SQA centre they are accountable to SQA and SDS who audit them every year to detail the performance against SQA Accreditation’s regulatory requirements. According to the CEO, they keep the records for each MAs for six years. In addition, they must submit a quality action plan annually to demonstrate how they meet the requirements, which can sometimes be too demanding:

> It’s really difficult for us to get a lot of equality in here particularly because we don’t live in an area with a lot of ethnic minorities and every year we have to go back and say, “There is only two ethnic minorities in the school in this area so far.” (CEO)

Ensuring well-principled governance

The staff tend to emphasize that sound reputation is important for a charity. The “essence of reputation” (Chair) is delivering on the promises made. For example, in relation to funding they must ensure that the funding that they have received is spent in line with the conditions of the grant, and to maintain their trust, any difficulties that arise should be discussed with funders:

> You’ve got to be seen to be well run and be able to achieve what you say that you’re going to achieve and be successful in doing that. A good reputation is worth its weight in gold to be honest. (Chair)

They view accurate and transparent reporting as part of communication and relationship building with external audiences, and with a funder in particular. Because they have several funders to report to, they must “be very organised” (Chair), and for this purpose ETR has an internal database where they collect and store receipts, photos, stakeholder surveys and feedback from young people, case studies, and other statistics.

4.4.5 Engaging the young people

Building longer-term relationships

The engagement strategies that ETR uses depend on the age group of the young people. The younger groups are engaged though the play-based activities of the youth club. On the surface it “is all just about fun and having a laugh” (Staff2), but the actual purpose of the youth club is to build an early relationship between ETR and the young people so that they feel more comfortable to engage if they need help later:
It’s a lot easier to build the relationships now than it is going in cold in five- or six-years’ time when they maybe need more support with employability or social stuff or housing. If we have a relationship that we’ve already cultivated to fall back on, that’s a big help further down the line. (Staff1)

Offering a choice of qualifications

The employability programs tend to be for older groups of young people who are “hard to reach, have fallen out of education and have not got a job” (Chair). Older groups tend to engage if they perceive certain benefits from a service. The benefit of their Steps to Work program, for example, is that it helps young people finish school with qualifications while MAs provide both training and paid employment. According to MAs they were attracted by the opportunity to take the courses of interest for free:

I got to do so many cool training courses and experiences, which make my CV look a lot better now from the outdoor adventure aspect of it. (Staff2)

Maintaining a flexible approach

The Steps to Work program can be a “bit restrictive” (Staff1) because the young people must complete all the units to get an award certificate. Instead, ETR has a more flexible approach. They allow the young people to choose the training elements of the program that are of most interest to them, which helps keep young people engaged more. Yet, it is valued by the young people:

If I was really uncomfortable, they wouldn’t make me do anything that I really didn’t like.
If I didn’t like being on the bar, I would probably be helping serving food or preparing the food in the kitchen instead. (Staff3)

4.4.6 Maintaining the link with key partners

Compared to other case study organisations, ETR does not seem to have as many links and the main link exists between ETR and the local high school. The list of organisations with whom ETR has cooperated is provided in Appendix 12. This relationship between ETR and the high school has been particularly strong. The youth worker has regular progress meetings
with the Developing the Young Workforce School Coordinator\textsuperscript{17} at the school to “make sure that they are happy with how the sessions are going”. However, because the youth worker is based at the school, feedback tends to be more informal.

4.4.7 Securing funding

Researching the funder

Understanding the funder, their criteria and doing research around them also helps in finding the funder who “fits with you” (Chair). The fundraiser usually looks at their annual accounts to see what projects they have funded or how much funding they distribute in Scotland. This, according to her, helps her flesh out their interests which she can emphasize in her funding applications. Yet, the fundraiser suggests that an application should stand out. The fundraiser does enjoy writing, and her writing skills have been highlighted on several occasions in the feedback from funders.

Evidencing

Like other case study organisations, ETR emphasizes the use of evidence in funding applications. They include stakeholder feedback, case-studies, and relevant figures and stats. Piloting a service can be powerful prior to applying because it helps provide evidence. For example, training in catering was first run as a pilot and on the back of its success, they got funding for the new kitchen equipment and the chef’s salary:

\noindent It looked brilliant. I’d send a couple pictures of the chef with the young people that did the pilot and what they cooked. I mean it's a huge difference. (Fundraiser)

\textsuperscript{17} Developing the Young Workforce School Coordinator supports the implementation of a program of employer engagement aimed at increasing pupils’ career awareness and skills development as part of realising the Young Person Guarantee (Scottish Government, 2021).
Chapter summary

This chapter has presented the key themes that emerged within each case study organisation. Particularly, this chapter has provided an empirical illustration of the key elements that relate to organisational legitimacy and contribute to the legitimacy process. Evidence provided allows developing a better understanding of the different dimensions of organisational legitimacy, and establishing key mechanisms and constituencies involved in the legitimation process.

As illustrated in this chapter, the charities in the sample interact with multiple constituent groups including service users, customers, partners, referral agencies, regulators, funders, local community, and wider society. In these interactions they seek to legitimise with these groups and secure their approval, endorsement, or support.

All the charities have diversified funding streams but have different perceptions of what should constitute their funding portfolio. The findings have shown that funding decisions tend to be underpinned by the CEOs’ professional beliefs and experiences. DST puts a higher emphasis on SE activities, APT seeks a more balanced funding mix, ETR emphasises grants and SE income, and TSS focuses on grants and service level agreements.

APT, DST and ETR seek to legitimise with their customers by matching the standards of similar offers from commercial entities. For example, the ETR’ hostel has all the characteristics of a typical tourist accommodation such as the booking link and a website, and related guest services.

The findings suggest that the charities in the sample aim to keep pace with the changes that occur locally and globally. They consider the needs of the local area and seek to identify and fill gaps in local provision. TSS, for example, delivers services that none of the other organisations in the area offer. Wider societal concerns were also shown to have implications for charities. The impact of the Covid pandemic has created new needs and all four charities responded with adapted services with a focus on servicing these new needs.

Internal organisational procedures have also been shown to play an important role in the legitimation process. These systems and procedures allow for the collection of various data about their performance that they subsequently use in their reporting to the charity regulator, funders, and other external audiences. Service delivery processes are structured
around the user needs as to secure their engagement and participation. DST and APT, for
example, clearly emphasize their distinctiveness from schools and the privacy that their young
people can get. To enhance the services for the user and benefit from each other’s expertise,
the charities form partnerships with other like-minded organisations. Partnerships can also
be linked to strategic development, joint funding bids, growing profile, or influence.

The charities were found to act selectively when seeking funding. The case study
organisations have shown the need to research and understand the funder’s interests prior
to applying. The charities emphasise the importance of communicating the fit in writing.
Importantly, the findings have shown how the charities use evidence obtained elsewhere to
legitimise with their funders. These include feedback from the service users and other
stakeholders, referral agencies and the local community. The charities use their SE activities
to support their funding applications. Changes in the society, local community and policies
create new needs and if spotted and absorbed allow the charities to evolve and develop new
projects that might be attractive to a funder to fund.

The next chapter presents the findings as they relate to the funders of the case study
organisations.
CHAPTER 5: FINDINGS PART II. LEGITIMACY FROM THE PERSPECTIVE OF FUNDERS

Chapter overview

Chapter four outlined the processes that underpin organisational legitimacy of the case study organisations. Overall, 15 funding bodies were included in the study and 18 interviews with funding officers and fund managers were carried out. The findings reported in this chapter are also based on the analysis of 15 funding application forms, 15 annual reports and financial statements, six strategic plans and 13 websites of the funding institutions. The details of the funders linked with specific case study organisations were provided in Table 3.5 in the methodology chapter. For confidentiality reasons, all the names have been anonymised. This chapter first presents the key characteristics of the funding institutions. It then outlines the funders’ definitions of legitimacy and the processes that they use to establish it. It then continues by presenting the funders’ perceptions of organisational legitimacy of the case study organisations and comparing them on the key dimensions mentioned by the funders.

The chapter concludes by reflecting on the main themes emerging and their implications for this study.

5.1 Who are the funders?

The funders in the sample differ in several respects. Six were set up by individuals and individual families, five by public bodies, two by charities, and two by private companies (more detailed information is included in Appendix 5). The funders differ by their organisational type and the source of their funds (Table 5.1.). Despite that, there is some correlation between the two characteristics. The four trusts in the sample tend to administer private funds and distribute dividend or investment income earned on the capital donated by an individual, local councils allocate local government funding while most of the funders (8) operate with a form of public income raised directly from the public or channelled by state agencies.
### Table 5.1 Details of funders' financial models by organisational type

<table>
<thead>
<tr>
<th>Funder</th>
<th>Constitutional Form</th>
<th>Source of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>Company limited by guarantee (CLG) and registered charity</td>
<td>Public donations via annual public fundraising events</td>
</tr>
<tr>
<td>F2</td>
<td>Local council</td>
<td>East Lothian Council’s devolved budget</td>
</tr>
<tr>
<td>F3</td>
<td>CLG and registered Scottish charity</td>
<td>Private sector (individual philanthropists, other trusts and foundations, and corporate organisations)</td>
</tr>
<tr>
<td>F4</td>
<td>CLG and registered Scottish charity</td>
<td>Individuals, trusts and foundations, Scottish Government and local authorities</td>
</tr>
<tr>
<td>F5</td>
<td>Public sector organization</td>
<td>The Council’s devolved budget</td>
</tr>
<tr>
<td>F6</td>
<td>CLG and registered charity</td>
<td>The revenue generated through the players of a lottery</td>
</tr>
<tr>
<td>F7</td>
<td>Local council</td>
<td>The Council’s devolved budget</td>
</tr>
<tr>
<td>F8</td>
<td>CLG and registered charity</td>
<td>Member’s donations and surplus funds from the parent company</td>
</tr>
<tr>
<td>F9</td>
<td>Trust</td>
<td>Income from properties rental gifted by the founder and his family</td>
</tr>
<tr>
<td>F10</td>
<td>Trust</td>
<td>Dividend and interest income from capital value donated by the founder</td>
</tr>
<tr>
<td>F11</td>
<td>Non-departmental public body</td>
<td>Revenue generated through the players of a lottery</td>
</tr>
<tr>
<td>F12</td>
<td>Trust</td>
<td>The founder’s shares in the family business and continued contributions of the wider family</td>
</tr>
<tr>
<td>F13</td>
<td>Trust</td>
<td>Dividends from the controlling shareholding in a private company (Edrington) donated by the family</td>
</tr>
<tr>
<td>F14</td>
<td>CLG and a registered charity</td>
<td>The Scottish Government</td>
</tr>
<tr>
<td>F15</td>
<td>Public sector organization</td>
<td>The Scottish Government and the Program’s funds</td>
</tr>
</tbody>
</table>

Source: annual reports and websites of the funding institutions

Each funder has a funding focus that they variously refer to as funding themes, priorities, or programs. These could be, for example, tackling mental health issues (F1), improving life skills, education, and employability (F3) or addressing deprivation, poverty, and inequality (F12). The funding themes are not fixed, and almost all the funders periodically review them. For example, F1 performs a strategic review of the funding themes every five years. Others do not have a set period and the timing of the review is at the discretion of the trustees (e.g., F12) or when the funds are exhausted (e.g., F4). The funders explain that the review process is driven by “big developments” (Strategic Plan, F7) such as racial equality and climate change (F1), most pressing social issues (F4), and SDGs (F6). The change in funding themes reflects an aspiration to “fit with how the charity sector is evolving” (F8) and stay relevant:
We recognise that the world around us is changing at an unprecedented pace, and that in order for us to be of most use in this evolving landscape, we need to consider our role. (Strategic Plan, F14)

Only one funder, F10 claimed that the themes have remained relatively stable, but for others the changes were rather substantial to the extent that they required amendments to the Trust Deed to ensure that “[the founder’s] wishes in the original deed were articulated in a modern context” (Annual Report, F9). Other funders may consult with stakeholders, commission a piece of research and benchmarking against other funders:

We would look at existing grant holders. We would be looking at our connections with other funders. We would be looking at SCVO, other third sector agencies, and, you know, local authorities, Scottish government, where they're supporting the funding. So that sort of landscape in terms of where are gaps and who's funding what already. (F14)

5.2 Defining legitimacy

The funders have described legitimacy of TSOs in a variety of ways (Table 5.1). These descriptions included organisational characteristics as well as behaviours and even values. Most often legitimate organisations were associated with trust and credibility. Legitimate organisations were “genuine”, “merited”, “right”, “authentic”, “realistic”, “transparent” and “safe”. They had a cohesion with the funder’s priorities and demonstrated that they could meet them. “We will not give you £200,000 because we do not know you” (F11), or on the contrary “we know them, so we have comfort with that” (F12) suggesting that funding, legitimacy, and trust are closely interlinked. The definitions proposed by the funders in Table 5.1 imply that legitimacy of an organisation is established in the funding application process, which some of them call due diligence:

For us each of the organisations that we work with the legitimacy of the organisation is about the due diligence that we do around the construct of the organisation first and foremost. (F2)
Table 5.2 Funders’ definitions of legitimacy

<table>
<thead>
<tr>
<th>Funder</th>
<th>Legitimacy</th>
<th>Illustrative Quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>trust, realistic, safe</td>
<td>Ultimately it is trust based, but we try and ensure that we have enough due diligence processes in place to reassure ourselves.</td>
</tr>
<tr>
<td>F2</td>
<td>legal, have a cohesion to our own agendas, credibility</td>
<td>The legitimacy of the organisation is about the due diligence that we do around the construct of the organisation […]</td>
</tr>
<tr>
<td>F3</td>
<td>fits with the priorities, really identified the need, realistic</td>
<td>In the first instance is how strongly it fits with the overall priorities of the fund. If it does, it goes for assessment.</td>
</tr>
<tr>
<td>F4</td>
<td>right, robust, merited, be in good faith</td>
<td>You make sure you’re choosing the right entities in terms of due diligence and how application processes are followed.</td>
</tr>
<tr>
<td>F5</td>
<td>not different from our concept</td>
<td>We need to see what their concept is to make sure it is not different from our concept.</td>
</tr>
<tr>
<td>F6</td>
<td>Trust</td>
<td>[…] we put a lot of trust into these groups. […] but we trust our processes […] to catch that.</td>
</tr>
<tr>
<td>F7</td>
<td>trust, true partnership, right</td>
<td>We’ve got data that the partnership is right and the trust can be there.</td>
</tr>
<tr>
<td>F8</td>
<td>demonstrate the need and impact, be within our program areas</td>
<td>It will really demonstrate the need for their project and that it impacts people who fall within our program areas.</td>
</tr>
<tr>
<td>F9</td>
<td>trust, relationship</td>
<td>[…] we’ve built up that relationship with them. We have comfort in that as well. But we still do all the same governance checks and everything.</td>
</tr>
<tr>
<td>F10</td>
<td>meet the criteria, realistic, effective</td>
<td>They meet the criteria set by the person who set up the trust.</td>
</tr>
<tr>
<td>F11</td>
<td>meets outcomes, achievable, credible</td>
<td>We want to know whether it meets outcomes. […] the people are making great claims, we don’t just take that on face value.</td>
</tr>
<tr>
<td>F12</td>
<td>trust</td>
<td>It is about trust.</td>
</tr>
<tr>
<td>F13</td>
<td>genuine</td>
<td>When they say they’re working with disadvantaged young people, those are genuine.</td>
</tr>
<tr>
<td>F14</td>
<td>safe pair of hands, robust, transparent</td>
<td>[…] they are a safe pair of hands that will turn things around quickly for you.</td>
</tr>
<tr>
<td>F15</td>
<td>not to have 100,000 job, transparent</td>
<td>They have all the required things in place.</td>
</tr>
</tbody>
</table>

Establishing legitimacy of an organisation in the assessment process helps the funders justify that “the money is well spent” (F1) to the donors, who may have different profiles. For example, public bodies are held accountable for public funds and must evidence that they
deliver best possible value and achieve set outcomes “because of the scrutiny” (F2) that they face. So are other publicly funded organisations:

*We do our due diligence process to make sure that we're funding legitimate organisations because at the end of the day the funds that are going out of the door are raised by [individuals] so they are stakeholders. So, we need to make sure they have a 100 percent faith in us distributing that funding.* (F6)

The trusts that were set up by an individual claim not to have the same level of public accountability, but they still ensure that they fulfil the obligations and aims set by the founder:

*[We must] make sure that we do everything legally, according to the articles of the trust, which we are obliged to follow and we’re meeting the aims of the trust as set down by [the founder].* (F10)

5.3 Funding application assessment process

All TSOs are required to submit a funding application and include supporting documentation. All the funders require a governance document such as a constitution or memorandum and Articles of Association, audited financial statements, and relevant policies set individually by each funder. Other information may be requested such as bank account details (F11), management accounts (F1), research and reports (F2), organisational structure chart (F12), and details of referees (F6).

Application assessment process might be time consuming and involves collecting vast amounts of information about the organisation (for a full overview of the application requirements and decision-making process please see Appendix 13). The funders’ decision-making process varies from funder to funder but is usually a 3-stage process. In the first stage, an application is evaluated by a funding officer followed by a peer review. The next step will depend on the size and capacity of the funder. For larger funders upon passing an initial review of the funding officer, the application is passed on to a team, which is usually made up of funding officers and the funding manager who give it another closer look. If successful, the application is then sent to a decision-making committee where the Board makes final decisions. For smaller funders, the application may be sent directly to the Board, but equally the decision is not made by a single individual. This helps them ensure the application receives support from a group of people who make a collective judgement:
If I've got something wrong, my colleagues can correct me, and if my team does something wrong, the committee can correct my team. So when something does get funded, there's at least 10 people in the organisation supporting it, and the same with applications that are unsuccessful. It's generally because the group feel that it shouldn't be recommended for funding. It's not just one person saying, “I don't like this application”. (F11)

To promote further transparency and fairness, the make-up of decisions-making teams can be diverse and involve individuals with expertise in the issue and members from the community. For example, F3 involves members of the community council and the wider community. F14 includes beneficiaries or people with lived experience. This way, the decisions can be made by a diverse group of people from both within and outside the organisation. According to the funders, this improves their decision-making and promotes a better distribution of funds:

I remember reading bids once and, in my mind, I thought there was some really clear decisions about which projects should get funded, and which shouldn’t. But when I went to the assessment panel, they almost turned it around on its head. So sometimes when you read the application, the information you have in there is limited, and that's where having the local knowledge can really bring life to those proposals. The locals are assessors and none of them will lie. (F14)

5.4 The funders’ perceptions of case study organisations

The section draws on 18 interviews with the funding officers and program managers. In most cases, they had direct knowledge about the organisation because they were engaged in the assessment process. F6 and F9 provided general information about their engagement with the organisations because the particular funding officers who were interviewed either were not involved into the assessment process of that particular organisation or had confidentiality clauses. The data is presented across six dimensions identified during the coding process. These dimensions are Organisational mission, Evidence of the need, Project, Capacity to deliver, Organisational procedures, and Other considerations.
5.4.1 The funders’ perceptions of TSS’ legitimacy

Organisational mission

Six funders were surveyed in relation to TSS. F2 described TSS as having a passion for young people and wanting to make a difference to the young people’s lives in a positive way. They “do a fantastic job” (F6) and are a “friend and part of what we do” (F4). F2, F4 and F5 also claimed to have good personal relationships with the CEO.

The location of TSS seemed to play an important role for the funders because it was mentioned by three of them. Two of these are locally based funders. The third funder was attracted by the TSS’ clear geographical focus:

They are a very well centred organisation in terms of [...] they’re very geographically focused on where they’re trying to work and the types of people they work with. So there’s nothing but positives about any charity that does that. (F4)

TSS works with the young people at risk of being excluded from school or not in education, employment, or training, and five funders suggested that TSS’ delivered benefits that they were looking to achieve with their funds:

A lot of these young adults have experienced a lot of trauma in the life, and have not got a lot. With Covid, [this project] could enhance their digital skills. It links in with our area plan in terms of reducing inequalities. (F5)

Evidence of the need

According to all the funders, TSS thoroughly considered the beneficiaries and the needs of them, which helped influence the decision to support the organisation. They provided a clear description of the types of the young people who needed support and evidenced the need using data and stats to show that there were marginalized young people in Midlothian and East Lothian who needed help:

They work with disadvantaged young people, and they work in an area where there was a lot of disadvantaged young people, so they could reach their target market. [...] they provided a lot of data and stats to demonstrate the quality of their work. (F8)
F2 and F8 commented that TSS identified the need from their work with the young people and an understanding of the new issues caused by the Covid-19 pandemic, and therefore, they viewed it as addressing the needs of the community:

*TSS see the young people, they can identify the issues and the problems that are coming through on a daily basis. With Covid, [...] it’s meeting the needs of the wider community, they are going to use this to gain more skills, etc.* (F5)

Project

Five funders felt the activities that TSS proposed were appropriate for addressing the need and noted that TSS offers tailored support and a comprehensive package of services from emotional well-being support to rehousing. F2 emphasized that the level of intervention is determined in conversations with other stakeholders relevant to the young person (e.g., police, social work, etc.), and F4 highlighted the great care with which TSS handles each of their young people:

*In some cases, they had young people who were exclusively caring for elderly relatives, in some cases abusive relatives. Completely different set of barriers to progressing their lives. They handle each of their young people as almost like a case file, and they have a very clear picture of how they work with them depending on their profile.* (F4)

Capacity to deliver

*Track record.* Five funders highlighted the fact that TSS is a well-established organisation with a proven track record, which they interpreted as an indicator of competence and experience:

*We’ve been working with TSS for some time. We know their work. They have previously been successful with the funding that we had given them and met their targets and outcomes. [...] when the next application comes in we’ve got that comfort that they’ve spent the grant that we’ve provided them previously well.* (F9)

Four funders have worked closely with TSS on other initiatives and stated that they have developed trusted relationships with TSS:

*I know TSS quite well. They’ve got credibility. They’ve proven that they can and do really great work. They’re very experienced, they’re good role models in the sector.* (F2)
Skills. Four funders highlighted the high calibre and professionalism of the staff. F2, for example, stated that the professionalism is evidenced by the trusted conversations that TSS has about the young person with the police, and education and health sectors.

Networks/collaborations. Three funders have also mentioned established referral routes with the local schools, children's social work services and GPs, and the networks linking TSS with other key stakeholders:

They are working with peers in the police, in social work, in education, in health. They do that in a very professionally collaborative way. (F2)

Organisational procedures

Governance. The funders tended to emphasize the professionalism of TSS, for example, by the presence of strong safeguarding policies and reporting mechanisms (F2, F5) and a focused approach in supporting the beneficiaries (F4):

A lot of our third sector partner organisations don’t really know the charitable laws, the governance obligations. That sort of nuts and bolts of being an effectively functioning charitable organisation takes a bit of time and energy. So the TSS project are a bit of a shining light. (F2)

F4 also helped TSS set up a new accounting system because “if they are operating better, they will deliver better” (F4).

Finance. F2 and F8 defined TSS as sustainable, and they both defined sustainability in similar ways. F2 said that TSS had sustainability because they have survived for a number of years and were successful at finding other funding streams. F8 pointed to their strong financial position, other outstanding funding applications at the time of applying, and their ability to sustain their work over the years.

Other considerations

According to the funders, the funding they gave to TSS was dependent on their fit with the funding programs.

F2 views TSS as an essential core part of the education and children's services functions in the area and the service might disappear if not funded:
What would we do if we didn’t have it? How would we support those young people if we didn’t have TSS? I think my education and children’s services colleagues would hang their heads and really worry if we didn’t have it. (F2)

However, when asked about the possibility of a service level agreement with TSS, the funder expressed concerns that this would compromise TSS because it invites other organisations to the area and “that’s a big competing to provide a service”.

F4 is no longer funding TSS because the criteria for a new fund have changed. F5 believes that having a connection with TSS is beneficial because they can refer to TSS but also through their work learn about the issues and new needs in the area.

Summary

In summary, the funders describe TSS as a highly professional organisation delivering professional services. It has demonstrated robust governance and has been successful in securing support of a diverse set of funders. The funders tended to emphasize their focused work in the area that they saw as “narrow” (F4), “marginalised” (F8) or where they “don’t have many youth-based third sector organisations” (F2). In their applications TSS justified the need using data, stats, and their own experience. They offer tailored support and can support young people in several ways. TSS is a well-networked organisation and does partnership work with other organisations. The fit with the funding themes was an important criterion to fund TSS, while other considerations were learning more about the need from TSS and the lack of other organisations who can offer a comparable service.

5.4.2 The funders’ perceptions of DST’s legitimacy

Organisational mission

Of the seven organisations that were surveyed in relation to DST, six provided financial support, and two provided both financial support and in-kind financial support (e.g., access to its pro-bono network). In addition, the interview was conducted with one of the partners (PAR), a national charity with a focus on bringing different organisations to work on joint projects. Five of the funders have a history of funding DST.

All the funders of DST share a view that DST’s fundamental mission is to support the young people and that there is a high cohesion between their aims and what DST does:
It’s trying to help young people move into a better space and move into a better place. And that’s the attraction to us. (F12)

The funders expressed their willingness to offer ongoing support to DST because DST is “doing very good work” (F10) and because DST fit with their aims. Four funders suggested that DST fills an important gap in the provision of services for young people by giving them opportunities that they would not otherwise have had such as access to affordable leisure, advanced technologies, and training opportunities. DST “have added massively to the facilities for young people” (F4), are “giving people a destination” (F3) and are “terrific at helping these people” (F10). Six funders suggested that the reason for supporting DST is their good engagement with young people and success that they had with them:

Young people are valuing what they’re getting on. They seem to turn up in big numbers. And that to me is the best barometer. If an organisation is doing something that attracts young people to come on a voluntary basis, then they’re doing something right. (F14)

Evidence of the need

According to F4, the dance project with which DST applied to them was endorsed by the teachers from the local school. The school had witnessed the suicides of two young people and a growing number of school dropouts and believed that dance was an effective tool to re-engage the young people:

The head teacher was in attendance […]. She said, I’ll tell you, we have tried everything, we’ve tried psychological counselling, we’ve tried teacher counselling. The only thing that has worked with these young people when that happened is when we said they can come here to go to a dance session and for two or three hours, they just lose themselves and dance. (F4)

Building on their initial success, the work of the organisation has started to get traction and get noticed. This was important for F14 who uses a peer assessment model to distribute funds. The local assessors who evaluated DST’s application were aware of the positive outcomes it was generating for the young people.
Project

Six out of seven funders emphasised the role of the service delivery model of DST in engaging the young people and suggested that it had an influence on their decision to fund the organisation. DST have a good understanding of the young people because “they are not planning things that young people do not want” (F14) and propose interesting projects:

> It was a great idea. What you need to do is find something that young people can lose themselves in so that they can recover from whatever’s happened to them. But you’ve got to provide that escapism if you like to allow them to heal. (F4)

Their model is “not just treating a single issue” (F3) but addresses multiple needs. DST provide training opportunities, qualifications, and family counselling sessions. They use football, dance, roller hockey and VR, and the funders believe the nature of activities is good for mental and physical health, forming friendships, and building self-confidence. These activities are a good hook that DST uses to engage the young people in other activities:

> Now most young people would think that was just a gaming centre. I always thought that was very clever. Every child likes that, every young person, so bring them into the place through that, and then there’re other things that may come from it because there’s very few young people that wouldn’t love to just play in there. It’s a good hook. (F12)

Four funders have also emphasised that the services at DST continuously develop, and new initiatives and projects are being proposed. Moreover, F12 and F14 describe DST’s premises as safe for the young people because the local community actively use the facilities as well. Yet, it is “a sign of a successful organisation when you see that engagement from their local community” (F14).

Capacity to deliver

Networks/Collaborations. Four funders commented on the networks of DST that in addition to the local schools included links with the local council, the police, and other organisations with whom DST ran collaborative projects. Due to their focus on collaboration, they can bring a fresh look to the work that they do:
The thing I particularly like about DST is they actually bring in different partners, it’s not always just your traditional youthwork. But you know, they are always bringing in a bit of a new angle to it. That’s what makes them stand out. (F14)

Skills. The one feature that stands out in relation to DST in comparison to other organisations is the role of the CEO, who is also the founder of DST and its Chair. All the funders describe him as highly credible and trustworthy, and highlight his leadership skills:

Above all, it’s the quality of leadership. The people in the Trust are very impressed with [CEO]. We have a very high regard for [CEO] who is a bundle of energy and he has had a number of initiatives in the city. (F10)

Oftentimes DST was described in terms of what the CEO has done. It is not DST-the-organisation that was being discussed but DST-the-leader, and the organisational characteristics of DST that the funders have found to be important are closely linked to the profile of the CEO, his personal characteristics, and achievements. For example, “his aims very much fit in with what we are trying to do” (F3), “he helps with so many other things in the city” (F12) and “he had a track record of really strong results” (F15). In this sense, it is the aims of the CEO that the funders have found alignment with, the networks of the CEO, and his track record in the delivery of similar projects that the funders tended to discuss more in relation to DST:

It’s an incredibly successful organisation. They’ve just grown out of all recognition way, way past than anything that we could have expected, which is largely down to [CEO] and the fact that he has an influence with the local council and with the police, etc. (F4)

Track record. The funders once again attributed the track record of DST to the CEO, and his reputation was a key factor for supporting DST for all the funders:

[CEO] has got a very good track record. So that’s very important. He’s got good ideas and he delivers. And he’s been terrific at helping these people. (F10)

Organisational procedures

Governance. In terms of the governance, only F15 explicitly mentioned that DST had a board with diverse set of skills and was transparent. Five funders did mention the high quality of reporting and that they get information that they need to evaluate success:
Their reporting has always been good. [CEO] always reports on time. He’s really, really good at that. (F14)

Finance. Six funders felt the organisation was sustainable because of their focus on own income generation and SE activities. F12 and F14 stated that DST is different in that sense because they only apply if there is a real need for external funding, and they do not rely on external financing to the same extent as other organisations:

The sustainability is a really strong factor because there is many organisations, “funding junkies”, that completely rely on funding all the time. [CEO] was very different. He had come along and just said, “We could deliver this for you.” (F15)

Other considerations

Most of these additional considerations have to do with the funder’s self-interest. F3, F12, F14, and F15 suggested the benefits that they could get by demonstrating the impact of their funds to others:

I know we’ll do it, and it will be a showcase to the world of what you can do. (PAR)

Other reasons included access to DST’s network (F12), the high effectiveness and relatively low costs of the model compared to other interventions (F4), a possibility for a quick return because DST “will turn things around quickly for you” (F14) and a general preference for SEs (F3).

Summary

In summary, DST was able to meet all the funders’ major criteria. It showed fit with the funders’ aims. The need for the projects was confirmed by the schools and their work was endorsed by other local assessors. The funders emphasized the service delivery model, which proved to be very effective at engaging the young people. DST was praised for its ability to network with others, propose new projects and achieve positive outcomes for the young people all underpinned by the strong leadership and governance skills of the CEO. His personal track record added credibility to the work of DST, and his focus on achieving sustainability made DST look different from others.
5.4.3 The funders’ perceptions of APT’s legitimacy

Organisational mission

Four funders were interviewed with respect to APT. All the funders of APT have funded it before. F13, for example, has been funding APT since 2004. They claim to have trusted and open relationships with APT and believe that “they are there for a genuine reason”. The application for F1 was assessed by a local assessor with the background in mental health, and it was concluded that “APT's experience of doing this type of work was good”. F7 believes that there is a “true partnership with APT” and is finding working with them easy. According to F9, APT does good work with young people.

All four funders agreed that APT fitted the aims of their fund:

*What they were looking to do really fitted nicely with the outcomes that we were looking for and the type of partnership work that we're also looking for in the project.* (F1)

The funders believed that an individual package of support developed for a young person reflected their needs and was effective at supporting “a very targeted group of beneficiaries” (F13) with which APT was working, which include trauma experienced or care experienced young people, young people with mental health issues and addiction, and young people who have disengaged from education:

*Often APT are able to provide a very bespoke purpose driven package of support. A lot of our young people who attend APT are trauma experienced. So that connection with a living being, that's not a human necessarily is really important for their well-being.* (F7)

F7 suggested that the young people “always turn up to attend APT and engage really well with APT.” They can quantify the high number of children who have gone through their service and the positive outcomes associated with it while F1 and F13 used the high volume of referrals to gauge the benefits that APT was delivering:

*[…] the numbers of young people that they're working through demonstrate […] there was somebody on the waiting list who needed support.* (F13)

Evidence of the need

In relation to APT, it was common among the funders to comment on how APT used their knowledge learned from experience to justify the need. F1 found the project attractive
because in their new project for the funder they included a counsellor to work with the young people. F13 noted the widening of the support to the whole family rather than focusing exclusively on the young person. F7 was attracted by a newly developed package of qualifications that APT specifically designed for schools. The funder commented that the project “fills a gap of identified need” for the schools who have growing evidence of trauma experienced children due to Covid. These projects have demonstrated that APT have been continuously expanding the scope of their activities based on experience and shown that their skills and experience within their area “grew, grew and grew” (F13).

Project

Often, much of the funders’ discussion was focussed on their interest in the service delivery model of APT because “one of the greatest assets of APT is that they really epitomise outdoor learning” (F7). The use of equine therapy and the involvement of horses was perceived to be different, and the funders tended to highlight APT’s unique approach in tackling mental health issues:

We felt APT was particularly interesting because they use the equine therapy, which stood out. You know, the approach seemed very suitable for mental health around the kind of the activity itself. So riding a horse. It’s different. It’s like an individual activity. So we see the value of individual activities to support mental health. And tailoring the support for the young people was really important. (F1)

Capacity to Deliver

Networks/Collaborations. APT was perceived to be open to partnership working, and F1 suggested that collaborations are preferred in areas such as mental health, and thus the involvement of the counsellor had an added value. The networks and referral pathways that they have created with key partners in social work, CAMHS, local authority, criminal justice teams, and others served to demonstrate their credibility and the value of the services to the community:

In terms of the referral pathways that they’ve created with key partners, that really demonstrates how targeted their service is. The fact that they have these pathways really shows that when they say they’re working with disengaged young people with
particular barriers, you know those are genuine because of the volume of referrals that shows how much they’re valued by those services. So that’s a big tick. (F13)

Skills. Another characteristic that the funders tended to emphasize in relation to APT is their unique skill set and experience in bringing together highly specialised areas of expertise, i.e., horse-riding, equine therapy, and work around trauma. F1, for example, suggested that the equine therapy made it “quite a sophisticated model”, which nevertheless was easy for APT to implement. F7 added that all staff at APT have background in several areas:

They have really high-quality staff who understand children and understand trauma and are actually able to relate with their skills and experience very well mostly to the children that we commission them for. (F7)

Track Record. As was mentioned previously, all the funders have a history of funding APT and have evidence of the impact of its past projects. They found it attractive that the APT’s projects were grounded in the area that they had experience in. F13, for example, invited APT to apply for continuation funding based on its previous track record and because they were able to demonstrate the impact of the services. F7 have had a number of funding arrangements with APT in the past, and accumulated evidence of its impact:

We’ve worked with them for so many years. [...] they meet the required outcomes for our children and young people. So we’ve got data there actually that confirm for me the partnership is right and the service can be continued to be commissioned. (F7)

Organisational procedures

Governance. There were no direct references to the governance of APT.

Finance. Only F1 commented on the funding mix saying that the funding that APT had from other established third sector funders helped them see that other people were interested in their work and were finding it successful, and, therefore, APT clearly knew what they were doing.

Other considerations

According to F1, they were intrigued by the equine therapy element of the project and wanted to learn how it can support mental health. Yet, APT can be used in fundraising campaigns of the funder to showcase the impact achieved through the projects that they fund:
Selfishly, part of our remit really is to have nice stories that we can tell to the public to encourage them to give us some money. And, you know, something like APT is a real - that's real potential on that front actually. (F1)

F13 is willing to offer ongoing funding support to APT and has not suggested any reservations except for when APT must take a 12-month break before they can apply again.

F7 claims to have a limited budget and is uncertain about what their next year budget will be, and therefore, have refrained from committing any long-term funding for APT. However, they are interested in continued partnership working with APT:

At the moment I'm confident that APT for me is the only charity that I think can meet the needs of our children in that particular way for that particular location in Borders. (F7)

Summary

In summary, the funders perceived APT as an established organisation with a proven track record. All the funders have a history of funding APT, and the organisation showed fit with the funders’ priorities. They evidenced the need with their experience and showed the value of their services. They are open to partnership working and have the support from the community and the young people. They have proved their competence, but what was attractive for the funders is their service delivery model, unique skill set and experience in this type of work. Yet, there were a few other considerations that were pragmatic in nature. These were “storytelling” to encourage public donations, learning about equine therapy, and achieving objectives as part of the funders’ professional remit.

5.4.4 The funders’ perceptions of ETR’s legitimacy

Organisational mission

Six funders were interviewed with respect to ETR. The funders agreed that ETR exists to support the young people in Callander and that they “do good work” (F9). F4, for example, described it as “one of the best organisations in Scotland” that they would like to continue the connection with while for F3 ETR is an “amazing organisation that [they] absolutely love.”

When discussing ETR, the funders tended to make multiple references to the location of the organisation. Three funders stated that ETR was selected because of the issues the young
people experience in a rural area. F13 elaborated that the need for the project was justified by the lack of accessible services in the area and how these may lead to issues such as mental health, school dropouts, and the heightened risk of offending:

> It's a small touristic village. They would be heavily impacted by the pandemic. A lot of the employment is seasonal, it's low paid. In rural areas it's only a bus...what...every two hours or something. If you don't have a car, you're really very isolated. [F13]

All the funders suggested that ETR fit their criteria. ETR provides “really good resources” (F3) for the young people who may experience multiple issues caused by a feeling of isolation such as mental health, challenging behaviours, and substance misuse, or have difficulties making the transition from school to work. F4 suggested that ETR was selected on that basis. It offers opportunities to develop work experience, get placements and obtain qualifications linked to the need:

> They had that kind of holistic approach where there was a quite clear correlation between the identified issues and what they were delivering and how that would impact on overall outcomes for these young people. (F13)

**Evidence of the need**

Four funders stated that the beneficiaries have been well considered and that the ETR’s application was addressing a local need that they had identified via consultations with the community and the young people. F6 suggested that “making it a bit about beneficiaries” and including them as part of the application, it was easy for them to appreciate how ETR supported the community and enabled the user participation in the proposed activities.

**Project**

The example of ETR and their experience with F4 has brought to the fore the importance of the proposed activity in achieving positive outcomes for the young people. According to F4, they approved the “wrong program” because when the project began, the young people were not interested in the proposed activities which at the time were learning farming, forestry, and other rural skills. The funder held consultations with the young people, board members, and the school to explore the type of activities that would be of interest to the young people and benefit the area, too. These conversations led to the set-up of their youth hostel. The hostel matched the needs because the training opportunities and other activities in the hostel
were attractive for the young people, and it was beneficial for the local community that lived off tourism:

*What ETR now has, in terms of the community, is a great place for young people to gather on an evening of a weekend, they've got the cafe, they've got the rooms and it's great for local employers because they are trained. They are a great example of young people that really want to learn and participate in community.* (F4)

**Capacity to Deliver**

*Networks/Collaborations.* Four funders have also noted the links of ETR with the high school and further education providers. According to them, it helped them see how the young people progress through stages, i.e., from the initial referral to obtaining qualifications, placements opportunities or work experience:

*If ETR didn't have the partnerships with the school and the presence in the school, that would have made it a much weaker application if they didn't have the connections to the further education and work experience.* (F13)

*Track record.* All the funders have funded ETR before, and, therefore, have evidence of their past performance, “good track record” (F9) and “good reputation” (F11). Interestingly, when ETR first approached F11, the 30 years of their operational history served as an indicator of their credibility and success:

*When an established organisation comes in to you for the first time, you can have some confidence that they know what they're doing, that it's not a fraudulent application, and that the project will be a success. That was the thing we had with ETR.* (F11)

**Organisational procedures**

*Governance.* The governance was not directly discussed. Only F3 mentioned the quality of ETR’s reporting in that they supply the funder with the information allowing the funder “to evaluate the success.” It might mean that governance was not of concern most likely because F4 who was heavily involved with the organisation between 2008-2018 helped ETR set up financial processes, and upskill the staff in account management, reporting, and hotel management, which helped strengthen the organisation but also manage their public profile:

*The problem with running a hostel is that you've got all sorts of risks as far as young
people are concerned because there’s a lot of cash lying about. You’ve got to be careful that you know there are fraud policies in and stuff like that. My nightmare was always that the young people would get involved with the drink [...] and the Stirling Observer saying, “This is appalling.” (F4)

Finance. Four funders were attracted by the SE approach of ETR and the fact that the hostel was a source of income for the charity. Yet, F13 described ETR as a robust organisation because they had support of other funders who are known to have rigorous selection processes, which the funder interpreted as a “quality seal”.

Other considerations

When asked about their motivations to fund ETR, the funders claimed that ETR fit their criteria, but interestingly they presented situations that would prevent them from funding ETR. F3, for example, suggested that a proven track record does not always guarantee funding because organisations must first and foremost match the priorities set by the donor:

*I think probably opportunistically, they fitted programs that we've had. We do get really amazing organisations that we love but because we don't hold any of our own funding, we can't always support where we want to. We do have funders, who, very unfortunately, have a priority.* (F3)

F4 in turn believed that their work with ETR finished because ETR no longer needed their support and were “absolutely secure.” F11 makes decisions based on the amount of previous funding received by an organisation, and prioritises new applicants:

*We'd look at how much funding they had in the past and whether we think they should be going to other places in future.* (F11)

Summary

The long organisational history, track record, and established networks added credibility to the work ETR was doing while the involvement of the community into the development of the project ensured it was relevant to their needs. The location of ETR was a key factor for the funders, and the characteristics of the area were used to justify the need. ETR supports the young people who feel isolated and addresses the needs of the tourism-oriented, rural area. ETR has strong relationships with the local high school and is linked with others to
deliver training. ETR is well governed and is supported by other large funders. It does not depend on a single funding source and generates own income through its SE. Organisational characteristics such as good reputation and track record do not guarantee funding, however, and fit with the funding themes remains crucial.

5.5 Comparisons of cases

A comparison of the funders’ perceptions of the case study organisations is provided in Table 5.2. All the organisations were perceived positively by the funders. They were described as well-established and well-run organisations that have proven value of their work and have a genuine purpose to support young people. In addition to their missions, the funders of ETR and TSS noted their location. Both organisations serve the young people in a narrow geographic area where young people experience lack of opportunities. ETR made a stronger links to the needs of the area by emphasizing its rurality and tourism as the key features of the area.

All the funders suggested that the organisations were funded because they fulfilled their criteria and showed fit with the funding themes. These themes were individual to the funders, but the organisations were able to link the benefits they expected from the projects with the aims of the fund. The equine therapy of APT is effectively tackling mental health issues. ETR’s hostel is used as a place to train the young people in skills needed in the area. TSS does not have one single speciality and offers a range of support from mental health to housing and employment. Using dance and sport DST diverts the young people away from engaging into criminal activities, and these activities are good for physical and mental health. Of all the criteria, the fit with the funding themes was found to be key because an organisation may have a good track record, be respected and well-governed but the lack of fit with the funding themes may compromise its chances to receive funding.

All the organisations were able to evidence the need but used different sources. ETR consulted with the community and included the views of young people in their project planning and linked their needs with the needs of the area. Both APT and TSS were perceived by their funders as experienced organisations and as such their knowledge and previous work were used as evidence of the need. In turn, when DST first started, they had no firm base and were based in a “pretty draughty old hole” (F4), but “the young people were totally involved
in this dancing” (F4). Their work was endorsed by the stakeholders in the area who saw the positive response of the young people to dance and other activities that DST was offering (e.g., school, local assessors).

**Table 5.3 Comparisons of ETR, APT, TSS and DST on key dimensions**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>ETR</th>
<th>APT</th>
<th>TSS</th>
<th>DST</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mission</strong></td>
<td>Training and employment</td>
<td>Tackling mental health, addiction, trauma</td>
<td>Therapeutic work, training employment, or housing</td>
<td>Physical and mental health, diversionary activities</td>
</tr>
<tr>
<td><strong>Area</strong></td>
<td>Rural, isolated, poor area</td>
<td></td>
<td>Focused geographical area</td>
<td></td>
</tr>
<tr>
<td><strong>Project</strong></td>
<td>Training and work at the hostel</td>
<td>Equine therapy, horses</td>
<td>Counselling and skills development</td>
<td>Dance, sport, and tech</td>
</tr>
<tr>
<td><strong>Evidence of the need</strong></td>
<td>Consultations, research</td>
<td>Previous work</td>
<td>Data and stats, previous work</td>
<td>Local network</td>
</tr>
</tbody>
</table>
| **Capacity to deliver** | • Established track record, reputation  
  • Organisational age  
  • Established networks and referral pathways | • Established track record  
  • Staff skills  
  • Established networks and referral pathways | • Established track record, reputation  
  • Organisational age  
  • High calibre, professional staff  
  • Established networks and referral pathways | • Established track record, reputation  
  • Personal track record of the CEO  
  • Established networks  
  Established networks and referral pathways |
| **Governance**     | Well established Received support from F4 | Well established             | Effectively functioning charitable organisation | Well-run                                 |
| **Finance**        | Social enterprise, funded by large charitable funders | Social enterprise, funded by large charitable funders | Funded by large charitable funders | Social enterprise                        |
| **Other considerations** | Amount of funding already received | Potential to promote the funder's charitable cause and objectives | Lack of a comparable service | Potential to promote the funder’s charitable cause and objectives |

The organisations demonstrated their competence, and their funders highlighted the long track record of the organisations. The average age of the four charities is 30 years, and their longevity served as an indicator of success and credibility. They have run successful projects and were known to the funders via their previous work with them. DST is the youngest organisation, but the CEO’s personal track record which he had already built prior to setting up DST, was more important for the funders of DST.
Developed networks help identify “genuine” (F13) organisations because organisations “parachuting into areas, delivering work and parachuting out again” (F14) do not build relationships at a local level. Networks are also used as an indicator of value of the services to their communities. The fact that they had established networks with referrals agencies was important for all charities. DST’s networks were also used to show their competence, but what their funders also noted about DST is that their networks continuously grow. They bring in new partners, which “is not always just your traditional youthwork” (F14).

The role of skills as an indicator of competence was emphasized for APT, TSS and DST. APT brought together expertise from two very different areas, youthwork and equine therapy, and the staff had knowledge of both. TSS’ skills demonstrated their professionalism. In relation to DST, the role of the CEO was highlighted by the funders who noted his leadership and networking skills, and who found him “personally compelling” (F15), credible and trustworthy.

The organisations have different service delivery models. All four work with the young people on an individual basis although a small proportion of their work is group based. As the example of ETR has shown, finding the right tool is critical. It must be “a good hook” (F12). Of the four organisations, the service delivery models of APT and DST were particularly emphasized by their funders and made them stand out. For APT, the use of animal therapy made them unique in their work with the young people while dance and sport were seen as highly effective at engaging the young people.

There were fewer references with respect to how the organisations are run. The funders only highlighted that they are all well-established organisations. Of all the procedures, the funders only noted the good reporting of all four. TSS was the only organisation where the high governance’s standards were noted by their funders.

All four organisations were perceived to be in a good financial position. ETR, APT and DST generate their own income via their SEs and were seen as financially sustainable. The funders of DST in particular noted that DST does not rely on external financing to the same extent as other organisations and “[CEO] only applies when he actually needs the money” (F14). TSS differs from the rest in this respect from other organisations because they do not generate their own income, but they have a diversified funders’ base.
Among other considerations that were mentioned by the funders were their more narrowly defined self-interests. APT and DST appealed to their funders for their potential to attract the attention to the causes supported by the funder and secure support of donors and other stakeholders. The funders may sometimes be constrained in their choice because there are few organisations that can meet their criteria. TSS is one of these organisations who operate in a narrow geographic area. There is no similar provider who can offer a comparable service in the area where it is based. While APT has a small focus area, too they face competition from a large national charity that provides all the children’s services in the area.
Chapter summary

This chapter has provided further empirical evidence to address the research questions of this study, which will be discussed in the next chapter. It has presented the key themes that emerged in relation to the funding institutions and how they perceived legitimacy of each case study organisation.

The findings have uncovered the diversity of the funding bodies in terms of origins, aims and budgets, but several similarities were identified as well. First, legitimate organisations tend to be associated with trust and credibility. Second, legitimacy is established in the assessment of a funding application. Third, the assessment is done in stages and may include external evaluators, so that eventually a collective judgement is made on the application.

From the perspective of the funders, all the case study organisations satisfied the funders’ criteria, and proved to be credible, genuine, and trusted. They fit the funding themes, demonstrated collaborative work, competence, and capacity to deliver proposed projects, had a good track record, and were in a stable financial position. Particular features of each organisation were highlighted as well. ETR tended to be associated with its location, TSS was highlighted for their professionalism and location, APT was described in terms of their service delivery model and unique skills set of its staff, and DST for the novelty of their ideas, good engagement with the young people and the leadership of its CEO.

Chapter 6 provides a discussion of the findings presented in this and the previous chapter. It aims to address the research questions posed in this study and relate and place the discussion within the extant literature.
CHAPTER 6: DISCUSSION

Chapter overview

The study aims to explore the legitimation process of TSOs and has three purposes: (1) explore how TSOs define their organisational legitimacy and how they seek to legitimise (2) understand the funders’ definitions of organisational legitimacy and (3) explore the contingent factors influencing the legitimation process.

This chapter discusses the findings presented in the previous chapter. The discussion is based on the integration of the relevant literatures on organisational legitimacy, non-profit financing, and public service ecosystems. The chapter presents a reflection on the key themes arising from the cases studies by contrasting them with the extant literature.

The study contributes to the non-profit literature in two major ways. First, the study suggests that traditional models of legitimacy that focus on a dyadic relationship between the funder and the TSO cannot account for the complexity of the legitimation process. Legitimation is not just dyadic; it requires other processes to occur within an ecosystem composed of individual and organisational actors, service delivery processes, institutional rules and norms, and beliefs. The interactions of these elements shape the legitimation process, to which the service user, the staff, and organisational networks are integral. The second contribution of the study is that it shows that the ecosystem’s elements have varying degrees of legitimising potential for the organisations. Consequently, there may be different models or approaches towards legitimation inside the ecosystem. For every organisation there is a prime mover or core element in the legitimation process to which other elements can be added like satellites. Consequently, three models or approaches towards legitimation are proposed in the chapter.

Legitimation or the process through which legitimacy is achieved (Hybels, 1995; Maurer, 1971) is socio-political, imperfect, and boundedly rational (March and Simon, 1958), and both the organisation and the legitimating environment will seek the information necessary to correctly understand, interpret, and evaluate each other (Kostova and Zaheer, 1999). This chapter divides the discussion of the findings outlined in the previous chapter into five sections.

Section 6.1 will first outline the theoretical lens informed by the abductive reasoning approach that guided this study. It will then explain how the original ecosystem framework
from the PAM literature was adapted in the study of TSO legitimacy. Section 6.2 will then outline the elements and processes of legitimation of the four case study organisations using the adapted ecosystem model. This will address the first research question. Section 6.3 will explore the funding process from the perspective of the TSOs and complement the discussion of organisational legitimacy of the case study organisations from the funders’ point of view. This will address the second research question. Section 6.4 will then present the four ecosystems of the case study organisations, discuss how they compare and identify the key elements in their respective ecosystems. This will address the last research question. Section 6.5 will synthesise the previous three parts together and outline an over-arching framework of organisational legitimacy of TSOs from the ecosystem perspective.

### 6.1 The adaptation of the ecosystem model

This section explains the theoretical lens that guided the study and provides the details of the abductive reasoning process that shows how the original ecosystem framework was adapted to the non-profit context.

The discussion in this chapter was informed by the public service ecosystems lens from the PAM literature. Specifically, the study adopted the public ecosystem framework of Osborne et al. (2022) and subsequently adapted it to the context of the third sector. The ecosystem lens in the PAM literature has allowed the researchers to shift the focus from studying dyadic relationships and models to consider a wider set of factors in the study of a phenomena (e.g., Best et al., 2019; Laitinen, 2018; Petrescu, 2019). Accordingly, the present study sought to borrow the conceptual apparatus of the framework from the PAM literature to locate the findings in the wider context and develop a better understanding of TSO legitimacy.

As described in detail in the methodology chapter, the environmental definition of legitimacy was not something the study adopted at the beginning of the research process. The abductive reasoning approach allowed room for exploration of multiple perspectives of the phenomenon and the relevance of the public service ecosystem framework emerged from data, and from the iterative process between data collection and analysis. The analysis of findings was painting a complex picture of organisational legitimacy going beyond dyadic models of interorganisational relationships (Hewitt, 2000).
First, the findings revealed a number of interactions between the charities and their constituent groups, and their overlapping and interdependent nature. When seeking to enact their legitimacy, the charities actively interact with the service users and the organisations in their network, the local community, and the funders. For the charities that run SEs, the customers are another important constituent group. These are not separate, dyadic interactions but the ones that can influence the outcomes of interactions with other elements. To give an example, interactions between the service user and the staff may influence the outcomes of service delivery. Parents, schoolteachers, or social workers refer to these outcomes, in order to make judgements of organisational effectiveness. These stakeholders may then decide whether to endorse the charity or not to others. Through ongoing communications with these stakeholders, the organisation in turn may influence the expectations and standards of these stakeholders according to which their work will be judged by them.

Second, these interactions are contextualised, and their nature is contingent on the factors both within the charity and their environment. For example, the organisations have different strengths that play a major role in their organisational legitimacy, and the local milieu has significant implications for service delivery in terms of what is deemed appropriate and desirable by the local community.

Third, organisational legitimacy is determined with reference to social norms, individual needs, formal regulation, and professional standards. Thus, for example, to legitimise, all TSOs must comply with the regulative framework of the Scottish charity regulator and yet simultaneously fulfil the individual pragmatic needs of the user. Finally, to add another layer of complexity, legitimation processes are underpinned by the individual values of the non-profit leaders and the institutional world of societal values.

Suchman and Deephouse (2008) suggest that future research should examine legitimation at multiple levels – within organisations, among organisations, and within organisational fields. They also suggest that this should include the interactions among the levels. This necessitates the “nested systems” view (Holm, 1995). However, the limitation of a systems approach is that the systems are viewed as a collection of resources (i.e., people, technologies, organisations, and shared information) involved in exchanges (Jackson et al., 2010) while unwritten rules, taken-for-granted schemes, norms, and beliefs that are significant
The determinants of organisational legitimacy are largely missing from this perspective. In other words, the systems approach does not provide the full conceptual apparatus with which organisational legitimacy can be approached and analysed. In contrast, the ecosystems lens emphasizes the central role of institutions, i.e., norms, meanings, symbols, and laws, and institutional arrangements that represent these institutions (Trischler and Charles, 2019). These institutions are central to legitimation because they represent the foundations of legitimacy claims (Scott, 2014). Yet, because individuals have their own judgments of social acceptability (Bitektine and Haack, 2015), the individual values and beliefs must be accounted for. Therefore, the present study adopted and adapted the public service ecosystem framework developed by Osborne et al. (2022) which at the point of writing is the most evolved ecosystem model in the public management literature.

The authors present a heuristic of the PSE over four interacting levels: the macro level of societal values, rules, and norms, the meso level of organisational actors, networks and norms/processes, the micro level of the individual actors, and the sub-micro level of individual/professional beliefs and values. The salience of all these elements in the legitimation process of the case study organisations made the use of the public service ecosystem framework highly relevant and appropriate in the discussion of the organisational legitimacy as it allows for the exploration of these interactive processes between the key actors, service systems and individual norms, and shows that legitimacy is enacted across multiple stakeholders in the ecosystem, and not just in dyadic relationships between the funder and the TSO.

The PSE approach has become a dominant framework to understand the complexities of public service delivery, and the key argument of this study is that the ecosystem is an effective heuristic for understanding the complexities of organisational legitimacy. The study, however, adapted the original model to the context of the third sector. The legitimacy ecosystem of the case study organisations comprises four levels, denoted differently from Osborne et al.’s (2022) framework. Within the meso level, the present study distinguished the civic society as an important element of the legitimacy ecosystem. TSOs are often contrasted to and distinguished from organisations in other sectors of the economy, because they operate on their own logic, have different institutions, and are guided by different norms of acceptable behaviour. Because of the nature of TSOs as value-based organisations, they have stronger
links with both the institutional level and the individual level than private business or public sector organisations. Institutional values and personal beliefs have a more immediate impact upon them than they do upon a public sector organisation or a private sector organisation. This level was thus introduced to acknowledge the unique characteristics of TSOs and denote important elements pertaining to it such as TSO regulators and other professional associations, and associated standards, rules, and norms of behaviour ascribed to TSOs.

The present study explored organisational legitimacy from the perspective of the charities, and because legitimacy cannot be observed or measured, an indirect measure of legitimacy was needed. The ecosystem of charities can be made up of a potentially large number of distinct values, processes, and norms, and have multiple constituents. The study focused on the instances when the interactions of the case study organisations with these elements of the ecosystem suggested that the charities were not seeking passive acceptance, but “protracted constituent intervention” (Suchman, 1995). Because resources are the media by which approval and consent are expressed (Hybels, 1995), for the purposes of this study “protracted constituent intervention” in the form of an endorsement, engagement and/or supply of financial and non-financial (e.g., expertise) resources to the charity were selected as indicators of legitimacy. In the section that follows the ecosystem levels and the processes of legitimation of case study organisation are outlined.

6.2 Legitimacy ecosystem: levels, elements, and legitimacy processes

Section 6.2 addresses the first research sub-question: How do TSOs seek to legitimise within their environment and how do they seek to use their legitimacy to secure financial resources? The section first discusses how the case study organisations define their legitimacy and proceeds with the discussion of the ecosystem’s levels and processes of legitimation using the adapted ecosystem model.

6.2.1 TSO’s definitions of legitimacy

The study found that across the four case study organisations, the staff had a clear sense of the organisation’s charitable mission and was wary of “mission drift” or engaging in work that was not directly related to the organisational aims. All the organisations suggested that they
are legitimate because they exist to meet the needs of young people as set in their mission and have proven value of their work as evidenced by the positive changes in the lives of young people. This finding suggests that the case study organisations justified their legitimacy or right to exist in terms of fulfilling their charitable mission and delivering positive outcomes for young people, which closely maps onto the definition of moral legitimacy, i.e., what they have accomplished (Suchman, 1995).

TSS defines their legitimacy in terms of identifying and filling the gaps in provision for the young people. They emphasize their strong reputation, a good track record of the young people who have been through their services, and good relationships with the referral partners. DST defines their legitimacy in terms of keeping their focus on serving the needs of the community. They suggest that by adopting business-like approaches to running a charity and keeping pace with what the public is interested in can help them grow and support a larger number of young people. ETR defines their legitimacy in terms of focusing all their attention on the young people from the local high school, whose needs they were set up to serve. The relationship with the local high school has been maintained since ETR was established. APT sees their legitimacy in the long-term benefits that they have delivered for the young people in the Scottish Borders. They highlight their highly regarded experience in supporting the most vulnerable and challenging young people in the area. These sources of legitimacy are situated at different points in the ecosystem and are not just a product of their relationships with a funder.

Given the importance of the mission in how the organisations described their legitimacy, in this study, adherence to the value base or core mission of the organisation in terms of what work the organisation chose to do and how it chose to do it, were taken as indicators of moral\textsuperscript{18} legitimacy. In this, the study follows Nevile (2010) who argues that moral legitimacy of third sector organisations rests on their distinctive value base, which provides the rationale for the work of the organisation, and it is clear if a chosen strategy compromises the moral legitimacy “when a choice is being made” (Edwards and Hulme, 1992, p. 213). For APT and TSS that meant not moving beyond their particular area where the user is based, for DST and ETR it meant activities had to be consistent with an overarching goal of community support.

\textsuperscript{18} Also referred to as “normative legitimacy” in most other accounts
These values are therefore an integral part of organisational legitimacy and must be included in the ecosystem.

6.2.2 Ecosystems levels and elements

The section that follows presents the levels of the legitimacy ecosystem and covers the key elements in each. It also discusses how the interactions within the ecosystem relate to organisational legitimacy. It shows how the organisation attempts to make sense of the legitimacy requirements of the institutional environment by observing, learning, interpreting, and even influencing those requirements (Doz and Prahalad, 1980; Weick, 1993) and crafting the services “of value” (Suchman, 1995) to the key constituent groups.

6.2.2.1 Macro level

The macro level consists of societal/institutional values, rules, and norms (Huijbregts et al., 2022), and Osborne et al. (2022) suggest that the institutional level legitimises which types of values are socially desirable. Values, in turn, may influence and be influenced by regulation (Kostova and Zaheer, 1999). The government in its role as policy maker, funder, and legitimiser (Chew and Osborne, 2009) can provide an enabling policy context to enhance organisational legitimacy. The four charities have been able to secure funding for the projects that were linked with the changes in the macro level institutional environment. For example, the projects addressing the impact of the Covid-19 pandemic on the young people have all received the support of the funders. This study, therefore, suggests that the new conceptions of values can increase the organisation’s legitimacy.

The enhancement of organisational legitimacy can occur in two ways. First, previous research has shown that appealing to the societal rather than individual values can be a powerful way of legitimating (Tost, 2011; Zelditch, 2006). For example, the schools have long resisted to pay for referring the young people to some of the services of APT. However, the educational rhetoric has changed to promote the view that the schools should teach life skills and support children’s learning outside of the school environment19. Because APT’s courses in Horse care and Rural skills are based on learning by doing, one of the local schools added the courses onto their list of school subjects. Because APT aligned with the institutionalized, collective

19 One of the explicit curriculum entitlements is “opportunities for developing skills for learning, skills for life and skills for work” (Scotland’s Curriculum for Excellence, 2023)
legitimacy judgments as to what is appropriate, the individual schools were less likely to challenge the organisational legitimacy of APT even though they might not be endorsing the organisation privately (Bitektine and Haack, 2015). Second, all the elements in the ecosystem share institutional arrangements at the macro level and are guided by institutional logics that permeate the ecosystem (Wieland et al., 2015). For example, technologies have become so taken-for-granted in society (Suchman and Deephouse, 2008) that by building a technology-related service DST enhances their organisational legitimacy because they link with the elements of the environment that are unquestioned or taken-for-granted (Hannan and Freeman, 1986).

The alignment with the institutional environment, however, can happen naturally for the charities whose mission fits with the new institutional norms. For example, ETR and TSS suggested that Covid has had a greater impact on the user groups that they support and received a greater attention from both the charitable and government funders. This was further confirmed through the interviews with their funders who referred to Covid as one of the key factors that influenced their funding decisions. The charities, however, can be actively seeking this alignment. DST and APT are the two charities that have been found to enhance their legitimacy by seeking a greater alignment with the government policies. APT identified and built on the changes in the national curriculum requirements in the Scottish Curriculum for Excellence and secured a contractual agreement with the local high school. DST has taken one step further and rather than waiting for the institutional norms to change in their favour they actively identify and select which institutional norms to align with. Not only did they adjust their service delivery to meet the new needs of the users brought about by Covid, but they also responded to the changes in the employment policies for the young people (Young Person Guarantee) and linked their services with the societal discourses about the climate change and the technologies for the future.

6.2.2.2 Meso level: Civic society, local milieu, organisational structure and processes, and networks

It is the level where the organisations create services and it includes their networks, service delivery processes, organisational systems and norms, and the engagement with the local community (Osborne et al., 2022), and as such a greater number of interactions takes place at this level. Within the meso level the study distinguished the civic society element to
highlight the nature of TSOs as mission-driven organisations and to point to the stronger links that exist between TSOs and the institutional and individual levels.

**Civic society level.** This level captures elements that apply to the third sector. They represent the norms, standards, and rules of the game for specific fields within which TSOs operate. All TSOs must show regulatory compliance with OSCR, but also with other sector-relevant agencies and organisations with legitimate power to influence norms and standards. Some elements may be shared with other sectors, for example, SQA, a public sector body accrediting educational awards. SQA qualifications can be delivered by approved colleges, private businesses (e.g., training providers and employers) and TSOs, but all operate according to the SQA standards.

Schools are an important ecosystem actor for all the case study organisations because the charities work with young people. Schools are often the key referrers of young people to the charities. In addition, the schools are one of the major reference points in funding applications of the charities, and their feedback is used to evidence base and support the claims that the charities make in the applications, which helps endorse the aims, impact and motivations of the charities. TSS, for example, partners with all six schools in East Lothian. Their staff attend key school meetings with headteachers. ETR has a primary aim to serve the local young people from the local high school and has a major relationship with the school. So does APT that operates on a referral basis and receives most of their referrals from the schools in Scottish Borders. All three organisations work closely with local schools to ensure the young people are continuously referred, and the organisations fulfil their missions. In addition, for APT and DST the schools are sources of funding themselves while for TSS they are a link between TSS and the local council funding. In contrast, DST links with local schools are less strong. This is because they have a wider set of partners, of which the local police and the local council have more salience than others. In addition, Dundee and Angus are wider catchment areas with a larger number of schools making it difficult for DST to feasibly cover them all. However, the schools play an important role for all four charities because they are the source of young people and key endorsers of the work of the charities to others.

The funders in the sample also appear at this level. Larger funders tend to operate with public funds and be more susceptible to the institutional environment as will be discussed later in Section 6.3. They tend to develop their funding programs with reference to the wider
institutional environment while smaller funders are more driven by their individual beliefs as to which causes should be supported. For example, F1, a large national funder, incorporated climate change and diversity as part of their new agenda (Appendix 5). F4 commissioned nation-scale research to identify specific vulnerabilities of young people and determine the scope of intervention required while F13 commissioned a report revealing the complexity of the lives of people facing multiple disadvantages in Scotland. These two reports shed the light on certain societal needs. They honed the focus of the funders and influenced their funding programs. At the same time, F9, F10, and F12 are largely driven by the wishes of the founder.

The civic society element is closely linked with dominant public discourses at the macro level, for example, user co-production which has come to dominate the public policy reform and implies an expansive public participation in governance, policy development, decision-making, service design and delivery (Brandsen and Pestoff 2006; Cook, 2017). This new paradigm of partnership knows as New Public Governance (NPG) (Osborne, 2010) may exert coercive mechanisms on organisations, including the funders, to develop related practices (DiMaggio and Powell, 1983). The findings that were outlined in section 6.3 of the findings chapter have shown that user involvement in the design of a project is a key funding criterion by the funders. In addition, the funders experience normative pressures from other funders because they tend to benchmark their practices against each other. For example, the Hard Edges report commissioned by the Robertson Trust received a wide media coverage and acted to strengthen the norm that user co-production is key to addressing the failures of public service delivery.

The case study organisations acknowledge the importance of the funder. After all, with the funders’ financial support the charities can bring some of their services to life, and to make it available to the service user rather than leaving it as something that exists only on paper or in the manager’s head. The findings do suggest that the case study organisations do act selectively when it comes to financing their services. The CEOs and the trustees in this study are wary of the mission drift and highly cognizant of the importance of matching the funding streams with their mission. The charities seem to apply the mission filter and choose the

20 Hard Edges highlights the complexity of severe and multiple disadvantages and brings further evidence that public services must be delivered in a more coordinated way. In particular, it brings to the fore the issue that public services designed to tackle disadvantage do not consider the views of the people affected by it (Hard Edges, 2019).
funders who can be most supportive of the mission. This provides support to the study of Chang and Tuckman (1994) who found mission to be an important driving force in the funding choices. The charities take it seriously as reflected in how they take measures to protect their mission from the funder’s influence. These measures included researching the funder, maintaining flexibility of services, maintaining diversified funding base, and using persuasive writing.

Rather than fitting into what the funder is prepared to fund, the case study organisations seek the funder who can best fit with them suggesting that the relationship is not one way at the very least. Despite the tight funding environment, APT and ETR, for example, were quite optimistic and suggested that there is always someone who will be interested in what they do, and they just need to do their research. When looking for funding opportunities, all the charities research the funder to get a grasp of how close their interests are and stress those touchpoints in their applications. This is where the role of the language in constructing legitimacy is most apparent and important. TSS and ETR emphasized the role of writing skills and persuasive language in communicating the fit, and how getting the right information in the right quantities across is very important. This suggests that the case study organisations were interested in the funders who shared their goals to avoid the mission drift and used communicative techniques to persuade the funder of the closeness of their interests.

Creative packaging or presenting a project in a way that corresponds to the preferences of funders (Ossewaarde et al., 2008) was not the preferred choice of the organisations. This is likely because all the organisations were cognizant of their reputations that they wanted to preserve. Instead, the charities preferred to maintain flexible services that can be tweaked or re-packaged to be attractive to the funder while still preserving the mission (Nevile, 2010). APT had a different approach of shielding their mission from the funders’ influence. Rather than tweaking the services, they add incremental improvements to make their services look different from what they were previously. Whether this flexibility of services has indeed affected the mission of the charities is not the focus of the current study and should be explored in further research.

The charities suggested that the processes that they have in place to collect and communicate the key information about their performance support them in the funding application process. For example, TSS maintains an internal database pooling information from
stakeholder surveys, progress reports and case-studies. The fundraiser then retrieves this information for funding applications. ETR keeps all the formal assessments of their MAs, which is audited on an annual basis by the funder. Evidence can also be obtained from piloting services and APT, for example, used the evidence from a pilot to secure school funding.

The charities emphasize the features that make them look different from others. For APT, it is a combination of highly specialised areas of expertise and non-traditional approach to tackling mental health issues. TSS points to their long waiting lists and leverages the fact their services are unmatched in the area where they deliver. So do ETR who addresses multiple needs of the young people from the local school in the rural area, while DST emphasizes the VR element of their service delivery model.

The charities diversify their funding sources to enhance community “buy-in” from other funders, thereby increasing the perceived legitimacy of the organisation (Bielefeld, 1992; Galaskiewicz and Bielefeld, 1998). The charities enhance their legitimacy by participating in collective efforts with other non-profits to address community issues or problems (Nevile, 2010). This can be expected because charities are established to provide benefits to the community, and participation in these types of collective efforts is likely to signal that the organisation is concerned and willing to comply with this norm, adding value to the services they deliver. The charities seek to co-create value with the service user and engage them in service planning and/or delivery. Their engagement with the young people is a powerful endorsement of value of their work to the funder. This representativeness or “downward accountability” adds credibility and boosts their legitimacy (Edwards and Hulme, 1995; Hudson, 2002; Pearce, 1997). Yet, they respond to the institutional values and norms to deliver value through public services.

Local milieu. Few studies have examined the role of the local institutional environment as an enabler of organisational legitimacy while research has shown that service delivery systems are localised and evolve to meet contextual opportunities and challenges based on local priorities (Leutz, 2005) and suggested to ground analysis in “practical locality” (Laitinen et al., 2018, p. 866).

In line with these studies, the present study has shown that the locality can be a key enabler of organisational legitimacy and the charities have all been able to enhance their legitimacy by more closely associating themselves with the prevalent cognitive and normative
institutions characterising the area. The local area as a powerful enabler of the organisational legitimacy is particularly evident for ETR where the rural, tourism-oriented community has provided the strong basis to legitimise both the service delivery model of ETR and the SE activity. For the external audiences such as the funders the existence of ETR “made sense” (Suchman, 1995) because their links with economic (tourism), social (rural isolation) and geographic (small, isolated village) characteristics of the area provided the strongest justification for the existence of the organisation in the funders’ eyes.

The influence of the cognitive and normative institutions characterising the local community on the legitimation process of the charity is similar to the influence of the macro level, but on a smaller scale. The effects are observed because the cognitive and normative institutions (the shared social knowledge and the values, beliefs, and social norms) tend to be location specific since they are typically shaped through processes of social interaction within their borders (Kogut, 1991; Kostova, 1996) while most rules and regulations are often the outcome of local political processes (Kostova and Zaheer, 1999).

The same effects can be observed in DST that legitimises via the cognitive and normative institutions linked with the football culture of Dundee and its reputation as a UK’s tech city. Yet, DST’s claim that they exist to support poor and disadvantaged communities sounds more credible because they are located where those communities reside - in the part of Dundee characterised by a high level of poverty and organised crime, giving further support to its normative legitimacy because DST is close to the young people from these families.

TSS’ services were not found to be linked with any cognitive and normative schemes associated with Musselburgh; however, TSS’ legitimacy is supported by the favourable regulatory environment maintained by the local council who have not opted for public procurement of the services that TSS deliver, which supports the TSS’ legitimacy in the eyes of the local community. This localism in terms of how the local governments in Scotland choose to deliver public services has been the defining feature of public service delivery in Scotland (Alcock, 2009; Roy et al., 2015; Sinclair et al., 2018). Local authorities have different traditions of working with TSOs in their localities (Kelly, 2007). Yet, previous studies on non-profit legitimacy overlooked the implications of this localism for the organisational legitimacy. In this respect TSS can be contrasted with APT where the local council put out the children’s services to tender which had implications for the funding model of APT. The finding is
consistent with Sinclair et al. (2018) who suggested that the possibilities of partnership and co-production are limited by the self-interest of the local authorities, who engage with the third sector out of necessity due to resource constraints and expenditure cuts and noted that in Scotland local politics plays a key role in the patterns of the engagement of TSOs in public service delivery.

The links between Selkirk and APT are less strong, albeit Selkirk hosts one of the largest horse parades in Europe. Yet, organisational legitimacy can be considered to depend on conformity with dominant discourses (Grillo, 1997) and identification with legitimate symbols enhances an organisational legitimacy (Dowling and Pfeffer, 1975). These legitimate symbols, such as “the local”, “partnership”, “user-led” are created by dominant discourses such as new public management (Lister, 2003; Nevile, 2010). APT emphasizes their local knowledge and embeddedness and have been critical of national organisations who deliver public services in their area. The trustees at APT are all recruited locally, and the residence of board members and the actual participation of stakeholders in decision-making have been found to be the mechanisms for increasing the endorsement of the community (Leardini et al., 2019). The Board of APT are active members of the local community, and the Chair is a member of the local Rotary club. The Board engage in regular fundraising events, and APT is the only organisation in the sample that has used crowdfunding to raise funds from the local community. Resident board members foster greater community’s trust in the organisation because they are perceived to be “one of us” and strengthen the perception that APT is close to its territory and more legitimate for acting for a common interest (Leardini et al., 2019; Swindell, 2000). They have close links with locally based TSOs and have partnered with them to deliver services. Their orientation to partnership work has been noted by the funders.

Yet, the close association between the organisational legitimacy of DST, ETR and APT and the area is likely to be related to the commercial activities of these charities. The local economy of ETR’s catchment area based on tourism is influenced by the natural characteristics of the area, suggesting that the physical location offers the highest potential to generate economic rents (Barney, 1991) and as such building on these key rent-generating resources in the area is rationally and economically justified (Oliver and Baum, 1991). For DST these key rent-generating resources are Dundee’s football and IT industry; horse riding and equestrian pursuits are a fundamental part of Selkirk, and the county is rich in stable yards, riding schools.
and riding holiday centres, which makes rational sense for APT to use these relative strengths of the area to develop their commercial activities. However, the SE activities of the case study organisations are not purely driven by the logic of economic rationalisation. Linking their commercial activities with what is commonly accepted or taken-for-granted in the area, the organisations invoke the public’s familiarity with the existing social structures, which provides the strong basis to social justification of these activities (Zukin and DiMaggio, 1990). For example, tourism is likely what most people would associate the town where ETR is based with, and thus it makes it easier for ETR to demonstrate their appropriateness to the local community (Hargadon and Douglas, 2001).

Case study organisations often co-evolve with the local milieu showing a great degree of adaptation to the local environment. DST is a prime example. Their VR project has expanded simultaneously with the growth of the gaming industry in Dundee. ETR’s eco pods projects addresses the growing demand for this type of accommodation in the area. APT identified the issue with long waiting times for CAMHS appointments in the Scottish Borders. Finally, the purpose of construction employability courses directly responded to the demands of local construction companies experiencing a lack of qualified staff.

Organisational structures and procedures. The service systems, technology and processes that frame the service journey (Osborne et al., 2022) are another powerful tool that help the charities enhance their legitimacy. Embracing socially accepted techniques and procedures serve to demonstrate that the organisation is acting in good faith to achieve valued outcomes (Scott, 1991). Suchman (1995) refers to this as procedural legitimacy that he describes as an indicator of an organisation's capacity to perform specific types of work.

The ongoing fulfilment of the expectations of the constituent groups is a necessary condition for survival (Ashforth and Gibbs, 1990). The charities suggested that fulfilling their obligations is part of their reputation and emphasized the importance of internal data management and reporting systems in maintaining their legitimacy. For example, because the funders fund a particular service, the charities have systems that trace costs and expenditures to specific services rather than pool all the costs together. This was done to report accurate financial figures. Further, their systems include various measurement tools such as SHANARRI or
Outcomes Star\textsuperscript{21} to record and evidence the outcomes of their work to external audiences. These internal systems allow them to prove the effectiveness of their work and maintain credibility, but the charities suggested that they should maintain honesty and transparency irrespective of these systems. For example, the charities suggested that any deliberate attempts to mislead the funder, whether conscious or unconscious, will have a detrimental effect on their reputation, and if for example, the project is not going according to plan, they discuss it with the funders rather than seek to hide it. Because of the defining characteristics of TSOs is that they are “values-based” organisations (Lyons, 2001, p. 22), the charities sought to institutionalize their values in their procedures and in their relationships with the constituent groups to support their normative claims of legitimacy (Taylor and Warburton 2003; Ossewaarde et al., 2008).

This research has also confirmed that legitimacy management builds on communication between the organisation and constituents. To legitimise it is generally not enough for the organisation’s activities to be congruent with societal values; this fact also needs to be communicated to constituents (Branco and Rodrigues, 2006). In line with previous research the study found that the annual report\textsuperscript{22} is the principal formal means through which management communicates with stakeholders (Yuthas et al., 2002). The study also found website disclosures and social media activity as means of communicating less formal narrative information about the organisation to the public (Dhanani, 2009; Saxton and Guo, 2009). These forms of communication are used to seek a more formal regulatory approval as well as demonstrate their effectiveness to donors, funders and other evaluating audiences (Costa, 2011).

However, the importance attached to other forms of communication with the constituent varied among the charities. Organisations can obtain legitimacy by deploying different accountability mechanisms with which to demonstrate that the values, beliefs, and successes of the organisation are commensurate with stakeholder expectations and demands (Gray et al., 1995). TSS, for example, published other voluntary documents for their stakeholders.

\textsuperscript{21} SHANARRI is a system that classifies well-being in terms of eight indicators, e.g., healthy, safe, achieving, etc. (Scottish Government, 2022) while Outcomes Star is a tool for measuring and supporting change when working with people (Outcomes Star, 2023)

\textsuperscript{22} Annual report is used here to refer to documents which comprise an organisation’s annual financial statements plus any narrative management reports
Their annual reports were longer and more detailed, and the information about the progress made by the young person was shared with the schools at the school meetings that TSS required the project workers to attend. The CEO in turn attended meetings with the local groups comprising the key referral agencies and represented TSS on the panels of other local partnerships set up by the local council. Thus, TSS used the data to communicate with a larger number of constituent groups including the partners and the general public.

This does not mean that other case study organisations de-emphasized the role of communication. On the contrary, all of them acknowledged the role of social media in enhancing their organisational credibility. The ability of the charities to engage in extensive communication with their constituent groups is likely to be determined by the availability of resources. For example, while APT believes they must be more actively engaged in communicating their achievements to the public via the social media, they have limited staff resource to do so. So do ETR whose staff already perform multiple tasks and rely heavily on the board in the day-to-day running of the organisation. This is consistent with previous research that found links between voluntary disclosures and size of an organisation (Tremblay-Boire et al., 2016) and suggested that they require an investment of resources (Ostrom, 1990).

Unlike ETR and APT, TSS is supported by the core funding from the parent charity. TSS has been consistently investing these funds in developing the supportive service delivery infrastructure which, for example, includes the case management systems, IT systems, financial management and reporting procedures, and reporting and communicative mechanisms. Every project worker submits regular progress reports in a standard format to a central database. The data is then retrieved by the fundraiser to be used for reporting, fundraising and profile-raising purposes. Compared to the other three charities TSS has achieved a greater degree of formalization. Suchman (1995) suggests that formalisation is a way to convert legitimacy from episodic to continual forms and as such this can be interpreted as TSS’ attempt to strengthen the legitimacy that they have already acquired. The focus on formalization reflects TSS’ emphasis on their reputation as the key basis of their legitimacy claims and the underlying belief that their good relationships with key stakeholders have been a source of ongoing support for the organisation. As such, they must invest time and resources to preserve these existing relationships and seek to build new ones. By codifying informal
procedures (Zucker, 1988), TSS aims to protect accomplishments and ensure consistency, predictability, and reliability of their services (Suchman, 1995). Much of the TSS’ legitimising activity involves ongoing communication targeted toward specific organisational audiences (Ashforth and Gibbs, 1990). TSS was the only organisation that felt the need to be accountable to the referral partners. In doing so, TSS, is however, concerned with preserving organisational interests because the referral partners have been the key supporters of TSS in the local council who provide a large proportion of the TSS’ funding. This suggests that communication systems can be powerful means to enhance organisational legitimacy (Prado-Roman et al., 2020) as TSS’ ongoing communication with the key referral partners contributes to the creation and maintenance of the institutional environment (Cornelissen et al., 2015; Yim and Park, 2019), and justifies placing more effort on the more salient groups who have the power to influence organisational outcomes (Gray et al., 1996; Mitchell et al., 1997).

In an attempt to legitimise, organisations often pursue professionalisation, thereby linking their activities to external definitions of authority and competence (Scott, 1991). This approach is evident in ETR who closely aligns with SQA and SDS to support their core activity around the provision of education and training to the user. This, in turn, determined the relative importance of these standard setters in comparison to the other organisations. As the accredited SQA centre, ETR tended to show a greater need to comply with the requirements of SQA.

The legitimacy ecosystems of TSOs are built on relative rather than absolute terms. This does not mean that others were less diligent in managing the regulatory requirements or had weaker data management systems – it is how the organisation sought to achieve its mission that determined the level of importance attached to a particular constituent group. ETR expressed their legitimacy in terms of their mission to deliver training to the local young people while for the other three charities training is an important part of the service but not the core of their mission. Hence, ETR attaches a greater importance to SQA and SDS than its counterparts.

A powerful way of enhancing organisational legitimacy is user participation, which according to Suchman (1995) represents an organisation’s willingness to be co-opted by part of its affected audience. The co-optation took different forms in the case study organisations from involving the user in the decisions regarding the service design (co-design) to letting the user
choose how and when to engage (co-production) (Osborne et al., 2020). Co-production of public services with the user has been widely discussed in the third sector and public services literatures as means to enhance quality of services that the user receives (Pestoff, 2014), reflecting the view that greater user involvement and representation make organisations more responsive to user needs (Charity Commission for England and Wales, 2000; Locke et al. 2003). However, the staff at case study organisations highlighted a “felt” responsibility to involve and get feedback from the user as a way of giving such individuals voice and sharpening service delivery.

It is likely that the charities co-opted the user not to provide symbolic reassurances to constituents (Pfeffer, 1981), but rather to “provide cultural insights to managers” (Suchman, 1995, p. 595) and perceive emerging demands of the user as the final decisions about the service design and delivery were made by the leadership of the organisations. Once again, TSS was emphasizing user participation to a greater extent and sought to institutionalise user participation in their organisational structure by developing their Young Ambassadors program. With this the study did not find evidence of a potential conflict between a focus on donors and a focus on beneficiaries contrary to what much of the previous literature suggested because an input from the user is one of the key criteria according to which the case study organisations were selected for funding.

**Networks.** Networks form part of the service journey and were one of the key tools that the case study relied upon when legitimising with the funder. The charities referred to every organisation in their network as a partner irrespective of the nature of the relationships with them. However, the findings revealed three different purposes of partnerships. Partnerships are formed to exchange referrals, enhance services, and influence funding decisions.

The partners in the referral network identify the user who needs targeted help. The support network involves partnerships between the organisations who give their expertise and non-financial resources (e.g., access to networks) to support particular services. An example of this type of a partnership is DST’s cooperation with Abertay University to develop a VR-based training program. The strategic network has more direct implications for funding because the organisations are involved in joint service delivery. For example, APT managed to secure a long-term grant in partnership with mental health services. DST tends to have a more developed network of support partners, TSS has emphasized the referral network, while APT
prefers strategic partnerships. ETR focuses all their attention on the link with the local high school, from which most of their service users come.

When seeking funding, the charities evidenced their moral legitimacy by referring to their networks. The findings showed that partnerships play a key role in the funders’ judgments about organisational legitimacy. They influence legitimacy judgments of individual funders because partnerships represent a collective that has accepted the charity as appropriate (Johnson et al., 2006), and therefore evidence their appropriateness for others (Bitektine and Haack, 2015).

6.2.2.3 Micro level. The service user and the staff; the customer and the staff

The service user and the staff. Satisfying the pragmatic needs of the user is important for charities not only because this is what they were set up to do but also because the users are first and foremost interested in the service that they are getting and have, for example, little interest in participating in charity management or administration (Connoly and Hyndman, 2017). Yet, the ETR’s experience has shown that the failure to interpret the user needs correctly can challenge the very existence of the organisation unless the charity can find other means to engage the user. When charities struggle with user engagement, the past achievements, the donor support, and the endorsements of the network can become irrelevant because as argued by Osborne et al. (2022) eventually it is the user who is the arbiter of the value he or she gets from a service. The user’s contribution as a co-producer of public services is not only unavoidable but is also crucial to the performance of the service (Osborne et al., 2016).

While this study did not include the views of the user (except for ETR’s MAs and a group of young people from APT) and the particular benefits that they got from the charities cannot be ascertained, it can be argued that a better understanding of not just the needs of the user, but their context, i.e., the individual circumstances affecting them, can help the charities enhance their organisational legitimacy. For example, DST suggested that the young people from the dysfunctional families where parents may have drug and alcohol issues or a history of offending, value the privacy that they can get at DST because it meets their needs and fits their context. This is consistent with the service management literature that value is always experienced by public service users in the context of their own lives (Grönroos, 2019). While the charities have no influence over the subjective value emerging from the user’s interaction
with the service, the study has shown that the charities like DST can create conditions to “win them over” and enhance their organisational legitimacy. Yet, a child of 7 is not always able to articulate their needs due to their immaturity. This is the case for APT that tends to work with younger groups. It then becomes a task for their staff to interpret the needs correctly with reference to the user context. The staff at APT noted that the children’s troubling behaviour is linked with their relationships at home, and they started doing more formal work with the families of these young people. Legitimacy can be more easily managed if the charities not only understand the user needs (e.g., IT illiteracy, lack of recreation opportunities, mental health issues, etc.) but also consider some aspects of their lives when developing a service proposition. The two charities that do so are DST and APT.

These two charities are more attuned to the school environments and relationships with peers and family that the service user has. The findings indicated that DST and APT deliberately distanced themselves from schools and focused on creating less intrusive and traumatic experiences for the service user. They showed an understanding of the user vulnerabilities stemming from their family and/or school environment. They adopted different communication styles with the users and created the conditions that protected their privacy and promoted a feeling of safety and comfort. They were cognizant of stigma that the users were wary of. The service delivery models of DST and APT involve little direct involvement of the staff, and the therapeutic effects are achieved via indirect means. For DST, the means is dance, sport, and VR, for APT - horses and games. Even though the activities are still supervised by a member of staff, they remain to be non-directive, and the therapeutic mechanisms are “sneaked” into the activities. The service delivery models are more empowering because the staff gives control to the young person who can choose the activities that they are more interested in. This suggests that these two organisations focused on the experience of the public service rather than its outcome (Osborne et al., 2022), and these micro level interactions (Grönroos, 1990; 2011) helped manage the user behaviour and secure their engagement (Farmer et al., 2012; Munoz et al., 2014). As such, their service delivery tools proved to be successful among the young people and are one of the key enablers of their organisational legitimacy.

The findings also show that legitimacy is dependent on the relationship between the user, the organisation and their family and friends (Powell and Osborne, 2020). APT sided with the user
in the argument with the stakeholders over value emerging from the user interaction with the service and involved in intensive communication with these stakeholder groups to align their expectations with the user needs and what APT does to achieve those needs.

The same applies, albeit to a lesser extent, to ETR’s youth club activities that are fun and engaging but lay the ground for the engagement of the user at later stages in their lives. ETR’s mission is more about work experience and training and the charity does not engage in any form of therapy. They tend to work with a variety of young people, and not just with those who display challenging behaviours or severe mental health issues, and as such, the young people do not risk being stigmatised. Still despite their focus on training, unlike schools they avoid placing rigid requirements on the young people to keep them engaged.

On the contrary, the project workers of TSS have a direct engagement with the young people and have high presence in the school. Suchman (1995) warns that any attempts to legitimise may attract unnecessary scrutiny, in this case the user scrutiny. Because TSS works in close relationships with the schools, the pupils are aware of TSS and feel reluctant to engage with TSS for the fear of being stigmatised. Their service delivery model does not naturally contain empowering characteristics, and these had to be created artificially. For example, the staff are in discussions to release some of their powers to the young people by letting them choose how to engage and involve them in key decisions around the work plan with the young person. They also make a greater use of character references, i.e., the Young Ambassadors, who are willing to vouch for the reliability of the charity to the young people who are feeling apprehensive of TSS (Bernstein, 1992).

The customer and the staff. Maintaining a diversified funding mix was important for all the charities, and hence all the charities sought to satisfy the pragmatic demands of the customer groups (Suchman, 1995) and adopt the characteristics of typical commercial models that their SEs represented. For example, the ETR’s hostel has all the characteristics of a typical touristic accommodation, i.e., the booking link, guest services and presence on all major booking platforms. In certain cases, the case study organisations were able to undercut competition by offering lower prices (DST) or unique facilities (ETR’s accessible pod).

All the organisations emphasized their charitable objectives and acted to prevent the tensions created by their commercial activities. In general, the findings showed that the charities are very aware of these tensions and are generally better able to cope with their influence on the
charitable mission when compared with the impact of the charitable funders. DST rejected a profitable commercial project with Coca-Cola, ETR closed the café, TSS decided not to profit from their intellectual property on a soft skills measurement tool and made it free to the third sector and APT rejected the idea to expand their clientele at the expense of the user. The study showed that these decisions were made by the non-profit leaders, and their professional and personal beliefs will be covered separately. They did so because they believed this would lead them astray from the charitable mission.

They were however less able to control the changes in the grant financing. For example, a tightening funding environment that forced TSS, APT, and DST to relocate might have affected the user who was based in the areas they have withdrawn from. In addition, both APT and DST rationalised their services and introduced structured, time-bounded programs of engagement with the user to increase throughput in their quest to secure contractual agreements with the local authorities. This finding challenges the view that the commercial activities are eroding the distinct value of the charitable sector leading to a loss of identity and a loss of legitimacy (Bush, 1992; Powell and Owen-Smith, 1998; Weisbrod, 1998). On the contrary, it suggests that the charities can comingle business-like and prosocial goals (Dart, 2004). Moreover, the research suggests that self-support activities are the tools that enhance the non-profit legitimacy in the eyes of the funders, whether government or charitable because the funders have a clear preference for funding TSOs with diversified income base. The SE income, thus, helped attract additional funding, and acted as a catalyst to obtain other valued resources, i.e., grants (Gronbjerg, 1991).

Nevertheless, commercial activities must be carefully managed. ETR expressed concerns that too much SE income (unrestricted reserves) might put the charitable funders off, and the findings also showed how it impacted DST’s ability to pursue grant financing. The study thus confirmed both the crowding in (Andreoni and Payne, 2011; Brooks, 2002; Smith, 2007) and crowding out (Kingma, 1995) effects of SE income on the charitable funding. It does seem to be a matter of what the funders view as too much unrestricted income as the findings showed that every funder has a threshold of the acceptable level. It can be argued that the crowding out effect starts to dominate when that threshold is exceeded, and further research can seek to determine that level. Staff (organisational knowledge). The staff in all the charities play a crucial role in promoting the charitable mission of the organisations. For example, each of
TSS’ experienced staff specialize in a specific service that TSS offers, e.g., housing support, mental health, employment services, etc. and they all hold professional qualifications and accreditations. However, when comparing the charities on this dimension, important differences can be revealed. While, for example, the staff in all the charities plays a critical role in managing the moral legitimacy of charities, the skill set of the staff at APT is rather rare when for example compared with the staff at TSS who are very skilled but are not difficult to replace. During the two years of TSS’ participation the composition of their team has changed dramatically in comparison to the other three charities – at the time of writing this thesis three of the interviewed members of staff have left while five new staff joined. APT’s members of staff are all experienced horse riders yet have backgrounds in social work, family support, and community learning and development. This combination of skills makes them different from regular riding centres and from other charities working to address trauma in children. They possess rare expertise, focus on a narrow area and work with particular issues (trauma). All these characteristics point to a niche specialism. Previous findings have confirmed the impact of niche specialism on enhancing organisational legitimacy (Baum and Oliver, 1991; Ruef and Scott, 1998). Thus, the staff plays a greater role in the legitimation process of APT because its ability to attract normative legitimacy is related to the scope of its market niche (Hannan and Freeman, 1989).

A niche strategy focuses on serving a particular group of service users, a geographic area, or providing a type of service better than other providers (Porter, 1980). Ruef and Scott (1998) explain that the narrower focus of expertise in specialist organisations will often enhance their legitimacy above that of comparable generalist organisations because specialism leads to distinctive competencies and external evaluators will favour the organisation’s strong commitment to a limited set of services. In the case of APT, their scope fitted well with the needs of the user (tackling mental health and challenging behaviours) and attracted the attention of the funders with similar focus and aims but who became interested in the highly specialised service model. As Baum and Oliver (1991) suggest a narrower focus plays a more important role in success and survival of more specialised organisations because provision of a narrowly specified service may encourage funders to maintain its commitment to, and legitimation of, this service, enabling the organisation to continue providing its service.
6.2.2.4 Sub-micro level. Individual beliefs of organisational leaders

This study focuses on the values and beliefs of the CEOs. The four organisations have different management structures, and there are some terminological differences in titles among the organisations. All are governed by the Board and are run by the CEOs (Manager in ETR). All TSOs can be said to have a “management team” but the boundaries between the roles are somewhat blurred. For example, the Director of Children’s Services at APT is simultaneously a member of the management team and a key project worker. ETR’s CEO is assisted by the Assistant Manager who is involved in operational matters yet performs service functions, too. TSS is an exception because they have another management layer of heads of services with more clear role boundaries. DST does not have any of these additional roles.

Different decision-making patterns emerged when the staff interviews were aggregated. The CEOs in all remain the key figures, but for APT, another key decision-maker was the Director of Children’s Services, and for ETR – the Chair of the Board. TSS and DST were more CEO-dominated. Therefore, no clear links between the size of the organisation (as in the number of employees) and the decision-making patterns were found. Moreover, the findings also show a high degree of congruence between the CEOs of all organisations and the trustees in how they viewed the funding sources (Kearns et al., 2014). This study, however, did not have further data to explore the different power dynamics within the organisations other than observations and what the interviewees suggested themselves, and the whole discussion of whose values come to dominate in the organisation may constitute a separate topic for further research. This research could further benefit from comparing larger and smaller TSOs.

The present study will focus on the values of the CEOs because the non-profit CEOs play the single important role in non-profit organisations and are personally involved in virtually all aspects of the organisation (Dargie, 1998; Riggio and Orr, 2004). Importantly, the CEOs of the case study organisations were the ones who made key decisions with regards to the service planning, delivery, and funding, and there is evidence of the personal role of the CEOs in securing funding for the organisations. TSS’ CEO, for example, converted one of their council’s grants into a service level agreement thanks to her contact in the council. After many years of negotiations with the local council that required persistence, persuasion, and supportive evidence base, the CEO of APT managed to secure a contractual agreement with the school. The links of DST’s CEO with the council coupled with his awareness of wider policy changes
helped DST secure funding for their employability courses, and the CEO of ETR developed a business plan for the loan element of the eco-pods project. The findings confirm the results of previous research that funding portfolios of non-profits are designed and managed by the leadership of the organisation (Axelrod, 2005; Herman and Renz, 2000) and suggest that the CEOs of all case study organisations could influence the composition of the funding mix. This research does not suggest that the CEOs have absolute power over what funding sources must be in the funding mix because the mission, access to resources, organisational size and historical legacies have significant impacts on the financing of any given non-profit organisation (Kearns et al., 2014); it only suggests that the non-profit leaders can alter the funding mix (Ashforth and Gibbs, 1990) in light of perceived strategic opportunities and threats (Kearns, 2006).

The strongest influence of the organisational leader on the organisation was identified in DST. The personal qualities of the CEO of DST that were noted by the staff and the funders alike such as a sense of strategic vision (Bass and Avolio, 1993), high personal credibility (Sears et al., 1985), demonstrated expertise, and past successes are a necessary condition for the attribution of charisma (Conger, 1989). His own self-presentation as an entrepreneur aligns closely with the qualities ascribed in the classic literature on social entrepreneurs which describes them as being driven by a strong vision (Dees, 1998; Roberts and Woods, 2005) and possessing a strong charisma (Chaves and Sajardo-Moreno, 2004). The CEO is also the founder, and the founder-run organisations are characterised by a culture that reflects the founder's vision and values (Hollander and Ellman, 1988), and this culture then shapes the operational style and the development of the organisation. The “founder centrality” (Kelly et al., 2000) and the personal charisma of the CEO have strongly influenced DST. The CEO of DST sides with the advocates of the SE model in the charitable sector and believes that running a charity in a business way drives efficiency and supports the mission attainment. He is very critical of the charities who rely on external financing which according to him is short-termistic, and the staff involved have internalised his views (Balser and Carmin, 2009). He believes that the SE must always look ahead, and therefore, he is more attentive to the societal trends and policy changes to develop the service offer. He is a good networker and has contacts with the key public sector organisations in the area. As a result, DST has extensive networks, is partnership focused and commercially oriented. Importantly, his personal
legitimacy, which Suchman (1995) describes as the charisma of individual organisational leaders, strongly influenced the funders’ positive perceptions of the organisation.

In summary, section 6.2 presented the four levels of the ecosystem, and the key elements in it. It showed how the elements contributed to organisational legitimacy and that the charities differ considerably in terms of which elements were more important in the legitimation process. Importantly, legitimacy is not a product of two primary actors and does not occur at the intersection of the organisation and its environment. It occurs within the ecosystem.

Before constructing the ecosystems of each case study organisation, a closer look at the funding approaches of the organisations will be helpful to glean further insights and complement the discussion of legitimacy of the case study organisations from the point of view of the funders.

6.3 The funder-fundee relationship in context

This section aims to answer the second research sub-question: How do the funders define and determine legitimacy of the TSOs? It aims to zoom in to the TSOs’ relationships with the funder to complement the analysis of the TSOs’ ecosystems, and to confirm or identify more elements in the ecosystem that play an important role in the legitimation process. The key findings in relation to the funders’ decision-making will be outlined, and importantly their views of what constitutes legitimacy of the case study organisations will be presented.

6.3.1 Funders’ definitions of TSO legitimacy

One of the original research aims of this study was to understand how the funders define legitimacy of TSOs, explore their motivations and define what constitutes funding success, i.e., how organisations are selected for funding. However, for the reasons discussed below the exploration of funding success was omitted from the study and the original aim was then modified to understand how the funders interpret legitimacy of the case study organisations, and how their views can enrich an understanding of legitimacy from the ecosystem perspective.

The iterative data analysis process suggested that the funders’ decision-making process is not an isolated phenomenon but is contextual and is influenced by the factors internal to the funder (e.g., founder aims, beliefs of the decision-making committee, relationships with the
donor), and with reference to a range of external factors (e.g., wider third sector norms, societal needs, service user’s beliefs, etc.). In other words, the decision is not made on its own, but through a complex and interactive process. A necessary condition for funding is the fit with the aims of the funds or what the funders variously refer to as thematic focus, themes, or programs. The funding themes or which causes should be supported are individually determined by each funder, and because of the diversity of the funders and the small sample size, a deeper exploration of what constitutes the funding success proved to be difficult and thus were out of the scope of the study. Even the small sample of 15 organisations brought under the umbrella of the “charitable funder” in the study demonstrated their variety in terms of their procedural and organisational characteristics, aims, origins, and the make-up of the decision-making teams.

Not only do the funders have complex decision-making patterns. The study also showed that the funding themes themselves are shaped through a complex interactive process between the funder and their institutional environment, where the individual beliefs of the founder, where the funder is based, and the importance attached to the wider institutional environment are only some of the contingent elements. For example, the trusts have expressed a greater responsibility to fulfil the founder’s wishes and because they tend to be locally based, they are more attuned to addressing the issues in their local area. They tend to be less concerned about their public appeal (Botetzagias and Koutiva, 2014) and have simpler decision-making involving fewer people whose viewpoints will be important in deciding whether an organisation is aligned with what the funder is looking to achieve with the funds. On the contrary, the funders who operate with a form of public funding pay more attention to the institutional environment when setting their funding themes, may have up to five layers of decision-makers often brought externally. For example, a large national funder who fundraises annually via public appeals has expressed a greater need to consider wider societal developments such as the focus on climate change, diversity, and the Black Lives Matter movement. They outsource part of their decision-making to an external committee made up of the CEOs of large charities, but prior to that an external local assessor or expert (e.g., a mental health practitioner) performs an initial evaluation of the proposal to decide whether the project is indeed needed in the local community. There could be a number of other

\[23\]
contingent factors influencing the funders’ choice of which causes to support among which the study identified their current priorities, the preferences of powerful stakeholders (i.e., the main donor) and historical factors. Thus, the funders’ definitions of what merits funding may have a contingent nature and must be explored further.

A common theme running across the analysis of the funders’ motivations is that the funders have their own charitable missions. Unlike the TSOs that realise their missions via projects and services, the funders do so via their thematic funding programs. Examples of these are the funding programs to provide employment opportunities for the user, tackle a poverty related attainment gap, or address mental health issues. Another common theme is that the funders view TSOs as their key partners in the realisation of their mission. They do not support the user directly and value TSOs for their proximity to the service user and expertise in solving social issues, the characteristics that are usually ascribed to the third sector (Harlock, 2019; Rees and Mullins, 2016).

In the Findings section of the thesis the funders defined legitimacy in terms of credibility and trust in organisational claims, pursuits, and processes. The analysis of the funding application process showed that the fit with the thematic focus, the organisational character, competence, and practices were the key organisational characteristics that the funders were interested in. In this, the findings are in line with Bitektine (2011, p. 159) who suggested that when individuals make legitimacy judgements, the “[organisational] processes, structures, and outcomes of its activity, its leaders, and its linkages with other social actors” bear the most relevance. It is these characteristics on which the legitimacies of the case study organisations will be compared.

6.3.2 Legitimations of the case study organisations

There are numerous typologies of legitimacy in the literature (Table 2.1 in the literature review chapter). For the purposes, of this study the four most used classifications from the literature were selected: pragmatic, moral/normative, regulative and cognitive. Cognitive legitimacy is related to conformity to established cognitive structures in society, what is often described as having “taken-for-granted” status (Kostova and Zaheer, 1999). Normative legitimacy is granted by any audience (including but not limited to professionals) on primarily normative grounds (Suchman, 1995) and includes norms and values of the profession and the
larger social system (Greenwood et al., 2002; Suchman, 1995). Pragmatic legitimacy arises from an organisation’s capacity to achieve practical outcomes in its immediate environment, i.e., it must show that the organisational structure, characteristic, or practices are fit for purpose. Regulative legitimacy arises when the organisation complies with formal regulative processes and rules (Scott, 1995).

A summary of the key dimensions of organisational legitimacy of the case study organisation is provided in Table 6.1. When making judgements of regulatory legitimacy of the four case study organisations, all the funders in the sample first and foremost referred to OSCR to check whether the organisations comply with the rules and are approved by the regulator and the independent auditors. The funders’ norms themselves were developed with reference to OSCR. For example, the funders often emphasized that TSOs’ good governance structures should include the board members who are unrelated, in line with OSCR’s guidance. By classifying the case study organisations into a pre-existing category of the charitable class or organisations cognitive legitimacy of the organisations was also established (Bitektine, 2011). Both cognitive and regulatory legitimacies are closely associated with the civic society element at the meso level discussed in section 6.2.2.2 earlier.

The next important category is normative legitimacy. The funders described the work of the organisations in terms of the positive impact that they had on young people and their contribution to promoting equality, social inclusion, and well-being, i.e., the values that are maintained by society-at-large. Normative legitimacy thus shows close links with the institutional level discussed in 6.2.2.1. The funders treated the organisations as if they were possessing of a personality (Zucker, 1987) and ascribed them with positive qualities, i.e., trust, genuineness, and credibility (Table 6.1). These qualities contributed to the construction of an image of a good character of the organisation (Suchman, 1995) which in turn helped the funders establish the normative alignment of these organisations with the wider societal values (Goering et al., 2011; Handy, 2000). This perception of the moral character of the case study organisations was established through the funders’ own experience of the organisation (“I know TSS quite well, they’ve got credibility, and they’ve proven that they can and do really great work”), but also with reference to other constituent groups, i.e., the feedback and endorsements from service users, referral agencies, local community, and other stakeholders. These organisational stakeholders are grouped under “character references” in Table 6.1.
Table 6.1 Comparisons of legitimacy dimensions of the case study organisations

<table>
<thead>
<tr>
<th>Legitimacy dimension</th>
<th>ETR</th>
<th>APT</th>
<th>TSS</th>
<th>DST</th>
</tr>
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<tbody>
<tr>
<td>Based on Bitektine (2011), Botetzagias and Koutiva (2014), Scott (1995) and</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Suchman (1995)</td>
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<tr>
<td><strong>Cognitive (status)</strong></td>
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<tr>
<td>Registered charity</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td><strong>Normative (organisational qualities and norms)</strong></td>
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<td></td>
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<tr>
<td>Characteristics of good character</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Registered charity</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Character references (service user, stakeholders, referral agencies)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Established links with referral agencies (referral pathways)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Partnership working (joint service delivery)</td>
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<td>✓</td>
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<tr>
<td><strong>Pragmatic (ability to achieve outcomes)</strong></td>
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<tr>
<td>Established track record</td>
<td>✓</td>
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<td>Reputation based on...</td>
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<td>...local knowledge</td>
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<td>...staff expertise</td>
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<tr>
<td>...local knowledge</td>
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<tr>
<td>Organisational age</td>
<td>✓</td>
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<tr>
<td>Service delivery model based on...</td>
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<tr>
<td>...equine therapy, horses</td>
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<tr>
<td>...dance, sport, and tech</td>
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<tr>
<td>Service systems and processes</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Diversified funding (social enterprise and/or large charitable funders)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>CEO’s personal baggage (track record, leadership skills and networks)</td>
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<td></td>
<td></td>
<td>✓</td>
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<tr>
<td><strong>Regulatory (rules)</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Compliance with OSCR’s guidance</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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</tbody>
</table>

The character references, or the individuals who are willing to vouch for the organisational reliability and the quality of their services (Seitanidi and Crane, 2009; Valor and Merino de Diego, 2009) played an important role in the legitimation process because their endorsements communicated value that they were getting from these organisations. The
interaction of the organisations with the service user was a key funding criterion because the funders see themselves as conduits of service users’ interests (Connoly and Hyndman, 2017). User involvement is a mechanism through which the funders seek to reinforce their normative model (O’Dwyer and Unerman, 2010). The involvement of the user in the design, planning or delivery of the service provide the funders with assurances of mission achievement, and is associated with greater legitimation (Wellens and Jegers, 2011). Therefore, the funders’ judgements of normative legitimacy of the case study organisations were influenced by what their user groups say about them. Thus, further sources of normative legitimacy are contained at the micro level outlined in section 6.2.2.3.

Another source of normative legitimacy of the case study organisations in Table 6.1 is organisational networks. The funders of all organisations noted the established referral routes of the organisations, and their embeddedness in the networks of service delivery with other organisations. The organisational networks relate to the organisational level discussed in section 6.2.2.2. Acceptance by other organisations in the network supported organisational credibility. Organisational networks were important indicators of value that the case study organisations were delivering for their communities (“[networks] is another way to demonstrate that the work that they are doing is valuable to the community that they are working in”). It shows an important role of the collective judgments of legitimacy on the perceptions of the individual funders (Bitektine and Haack, 2015). With respect to joint projects delivered in partnership with other organisations the funders noted APT and DST. DST, in particular, was perceived to be open to partnership working. The funders suggested that DST uses networks to propose new projects and enhance the services for the young people, which had a positive effect on DST’s legitimacy.

Normative and pragmatic legitimacies are closely interlinked. The funders’ beliefs about the good character of the organisations were rooted in the past performance and achievements of the organisations because, as noted by Suchman (1995) assumptions of good character generally require an established record of consistent performance, i.e., demonstration of pragmatic legitimacy. To legitimise, organisations must demonstrate that they are competent in what they do. Once again, this past performance of the case study organisations was established through the funders’ own experience of the organisation and with reference to other constituent groups. The past performance is an important indicator of pragmatic
legitimacy or organisational competence (Suchman, 1995). The case study organisations differed on their sources of pragmatic legitimacy and some of them include their track record, age, reputation, governance, organisational leader, and organisational processes (Table 6.1). Pragmatic legitimacy is thus closely associated with the organisational level discussed in section 6.2.2.2.

Across all the organisations, the funders noted that they are all well-established organisations with a proven track record. The competence of ETR was expressed in terms of a less direct measure, the age of the organisation. The funders used organisational age as a proxy for their past successes, confirming the results of past research on the positive effect of age on legitimation (Oliver and Baum, 1991; Ruef and Scott, 1998). Interestingly, and contrary to the funders’ claims that the need must be suggested by the community, the funders accorded sufficient authority to the organisations themselves in the identification of the need and trusted their expertise (“TSS see the young people, they can identify the issues and the problems that are coming through on a daily basis”). This suggests that the funders’ judgments rested on the organisations’ “reputation in related activities” (Suchman 1995, p. 588).

Reputation defined as a social comparison among organisations on a variety of attributes, includes the regulative, normative or cognitive dimensions of legitimacy (Deephouse and Carter, 2005). Reputation emphasizes the organisational attributes that can be inferred from the past and is focused on what is "different" (Whetten and Mackey, 2002). In relation to APT, it was common among the funders to comment on the staff’s experience in the identification of the need or the reputation of its key personnel in previous endeavours (Suchman, 1995). The funders tended to highlight a rare combination of their skills in professional disciplines, i.e., horse-riding, equine therapy, and trauma informed care. This combination made them different from other applicants, and consequently, the funders’ discussion of APT also focused on their interest in the service delivery model of APT, which presented a different approach in tackling mental health issues. DST’s reputation was rooted in their engagement with the young people. The funders suggested that DST has close relationships with the young people and understands their interests (“they’re not planning things that young people don’t want”) and that the service delivery model of DST based on dance, football, and VR, in particular, is a good “hook” for the young people. With respect to ETR and TSS, the funders noted their
focussed approach on supporting the user in a narrow geographical area, and their long organisational histories. Both were selected because the funders perceived them to have a very good knowledge of local needs. Interestingly, the funders tended to make multiple references to the location of ETR, and some of them explicitly stated that ETR was selected because it was a rural area. Previous research found support in the positive impact of reputation on organisational legitimacy (Kostova and Zaheer, 1999; Staw and Epstein, 2000). The findings indicate that when the organisational past record and quality of performance were considered, the funder made implicit comparisons of the case study organisations with other socially accepted organisations and was interested in what distinguishes the particular organisation from others of its kind, and therefore their distinct reputations based on unique organisational features vouched for their future performance (Bitektine, 2011) and played an important legitimating role in the perceived ability of the organisations to create value for stakeholders (Rindova et al., 2006).

There were no direct references to the governance of the organisations, and how they were run generally, except for the high quality of their reporting. The only organisation that was noted for the robustness of their service systems and internal processes was TSS. The funders paid more attention to the financial structure of all the organisations, and diversified funding mixes of the case study organisations irrespective of whether the source is commercial (SE) or charitable (grants from other funders) supported their pragmatic legitimacy, i.e., the presence of effective structures and processes supporting the mission achievement.

In terms of the leadership of the case study organisations, much of the funders’ attention was drawn to the personal legitimacy of the CEO of DST, his personal charisma, values and “the quality of leadership”. The funders described him as highly credible and trustworthy and their judgments about DST’s legitimacy were often fused with the judgments about the CEO, for example, normative evaluations (“he was personally compelling”, “they won’t find anyone better than him”), and pragmatic considerations (“he delivers”, “he does various areas”), and as a result the profile and personal reputation of the CEO had a spill over effect on DST. The funders were particularly attracted by his focus on own income generation via SE activities and stated that DST is different in that sense from other organisations because they do not rely on external funding to the same extent as others. The personal qualities and beliefs of the CEO relate to the sub-micro level discussed in section 6.2.2.4.
The funders had more narrowly defined self-interests and needs. For example, APT and DST were appealing to their funders in terms of their potential to attract the attention to the causes the funders were supporting and promote their organisational interests. This could help the funder gain support of donors and other stakeholders. Of all the funders, the local councils tended to have more instrumental motivations. TSS, for example, was seen as a core part of the education and children's services functions in the area for the lack of a similar provider of services. On the contrary, APT has been struggling to secure funding support from the local council because the council funds a large national charity to deliver the children’s services in the area. Interestingly, of the 15 funders, only three funders (one national, and two trusts) were interested in building long-term relationships with the funded charities and as long as the organisation maintained the fit, they were willing to offer ongoing funding support.

6.3.3 Summary

To summarise, the funders want to make sure that they deal with a bona-fide, competent organisation the aims of which are in congruence with those of the funder. These abilities and qualities are not ascribed on its own but are informed by the elements that exist in the wider ecosystem, i.e., societal values, regulatory standards, organisational networks and the views of the service user, and the people involved in the evaluation of the funding applications. This suggests that funding success is only one dimension of legitimacy in the ecosystem. Even though the dimensions on which the four case study organisations were judged were sometimes different, all of them successfully enacted their legitimacy.

Cognitive legitimacy of the organisations was confirmed via their association with the broader social category of a charitable organisation and was linked with the civic society element of the ecosystem. Normative legitimacy reflected a positive normative evaluation of the case study-organisations (Aldrich and Fiol, 1994) and impacted the funders’ beliefs that the organisations were effectively promoting societal welfare, as defined by the socially constructed value system (Suchman, 1995). The sources of normative legitimacy were found throughout the ecosystem and even in the values and beliefs of the individuals involved. The organisations were perceived to have a pragmatic ability to achieve practical outcomes, and it was evaluated in terms of their past record, reputation, organisational skills, the leadership
of the organisation and robust organisational procedures. Pragmatic legitimacy is thus drawn from the organisational level. Regulative legitimacy was confirmed via their association with OSCR and other relevant regulatory agencies, once again showing the links with the civic society element.

Because the case study organisations secured funding from the funders in the sample, the data was largely skewed towards the examples of successful legitimation and did not contain enough examples of the situations and/or funders when the case study organisations were rejected funding. Considering the competitiveness of the funding environment in which rejections are common, the study was only the first attempt to uncover some of these processes at play when the funding decisions are being made and a deeper understanding of these is required. The study did not have enough data to explore how the funders’ perceptions of congruence are formed, and what exactly constitutes the fit and therefore suggests that this should be the focus of future studies in their own right.

6.4 Ecosystems of case study organisations

The discussion of legitimacy from an ecosystem perspective has shown how important it is to consider a complex view of legitimacy. The dyadic models of legitimacy are rather simplistic and may conceal deeper issues related to legitimacy. In the non-profit literature legitimacy is assumed to derive from a combination of accountability, performance, and representativeness, and implies that the correct organisational structures and procedures will ensure legitimacy (Lister, 2003). It masks other important relationships and processes that are present in the ecosystem. When compared across the TSOs, the various elements that make up the ecosystems of the organisation have relative degrees of legitimising potential – more important and hence more prominent for some while less apparent and obvious in others. The charities in this study differed markedly in terms of the legitimising potential of some of the common elements in the ecosystem. This section presents the legitimacy ecosystems of the case study organisations and uncovers three main approaches to legitimation within an ecosystem. In doing so, it aims to answer the third research sub-question: What are the factors influencing organisational legitimacy of the TSOs?

Some clarification is needed prior to discussing the ecosystem of each (Figures 6.1-6.4). The ecosystem of each case study organisation consists of four levels outlined earlier: the macro
level of societal values, rules, and norms; the meso level of norms and rules of the third sector, organisational networks, organisational processes and norms, and local community as the milieu; the micro level of individual actors; and the sub-micro level of individual and/or professional values and beliefs. Yet, there is one core element, that is more stable, more enduring than others and which serves as a firm base for other elements. It is this element that determined the classification of approaches to legitimation used by the case study organisations:

➢ Sub-micro level approach based on individual professional values and beliefs
➢ Micro level approach based on staff expertise
➢ Meso level approach based on local milieu
➢ Meso level approach based on organisational processes

The description of the TSO’s ecosystems is what follows next. It will identify the key element in the legitimisation process of the case study organisations and discuss how the interactions of the various elements generate legitimacy of the case study organisations.

6.4.1 ETR’s legitimacy ecosystem

_Meso level approach (local milieu)._ The elements that make up the legitimacy ecosystem of ETR are presented in Figure 6.1.

ETR’s mission centres around the needs of the rurally disadvantaged young people and eventually aims to contribute to a more inclusive, fair, and equal society, and thus their mission reflects normative values and norms at the macro level.

At the meso level as a charity ETR must legitimise with and meet the regulatory standards of the charity regulator as well as SDS and SQA, the two public agencies with statutory responsibility to oversee and enforce education-related standards and policies. These two agencies provide further support to organisational legitimacy of ETR because training forms the core of their charitable mission. By satisfying the requirements of funders, ETR has been able to legitimise with them and secure funding support to deliver their mission. In particular, by passing the more robust assessments of larger funders, they have generally become more credible in the eyes of all funders.
Figure 6.1 ETR’s legitimacy ecosystem

The strongest base of ETR’s legitimacy is the local milieu. The local milieu characteristics including the economic (tourism orientation), geographic (distance from the major administrative centre), and social (isolation) characteristics of the area create the need in additional services for the young people in the area and justify ETR’s right to exist. Interestingly, the area is simultaneously a cause of the issues and their solution. Rurality and distance from the main amenities have created the need in an organisation like ETR to address the needs of the young people who live in a rural area. At the same time, this rural area is popular among tourists for its scenic views, convenient location, and easy access to explore other parts of Scotland. ETR has been able link the two and use the strongest asset of the area to address its weakest parts. Had ETR been set up elsewhere, it is likely that they would have
looked completely different and worked in a different way. The needs of the area continue to shape the services of ETR. The link between ETR and the only high school in the area has remained strong since its inception, and the local high school together with other primary schools have been a major source of endorsement for ETR to other actors, including funding bodies, by testifying the value of ETR’s services and the need in additional educational resources. ETR is also linked with other providers of educational resources for young people boosting their legitimacy as a training provider. ETR is least networked, but this is because the core relationship is between ETR and the local high school. The funders of ETR highlighted the role of the area in their evaluations of ETR’s organisational legitimacy, and the location alongside community endorsements and links with other organisations helped ETR secure the funders’ support. All these interactions constitute separate processes but they all feed back into an overall organisational legitimacy of ETR. In these interactions among ecosystem actors, prevailing norms, beliefs, and formal rules, the ecosystem feeds their acknowledgement of pragmatic, normative, regulative, and cognitive propriety to ETR. The common feature of these elements is that they all come from the outside of ETR.

The core dimension of legitimacy that exists within ETR is their long operational history since 1997. Unlike APT, TSS and DST they have always been tied to one place. They are located literally across the local high school, where most of their young people come from, which means that they have been serving the needs of the same user group for over 25 years, ensuring high consistency of their mission and the accumulation of experience. Their operational history thus serves to demonstrate their competence and effectiveness and satisfy the pragmatic needs of the constituent groups.

At the micro level the support for ETR’s legitimacy comes from the young people from the local area. The user plays a crucial role in organisational legitimacy of all case study organisations, and legitimising with the user is key. ETR has shown that the lack of interest and engagement on the side of the service user can challenge the very existence of the organisation if they misinterpret the needs or fail to sufficiently engage with the young people to understand their needs properly. ETR does not just provide training and extracurricular activities. They are the tools to tackle social isolation. In addition to tangible benefits such as certificates, their service has a social aspect to it because the young people socialize and feel less isolated. The realisation of these benefits is supported by the staff who use flexible
approaches to keep the young people engaged. The benefits for the young people are acknowledged by relevant stakeholders (schoolteachers, family workers, parents, etc.), and the young people themselves via feedback mechanisms. A somewhat separate group is the customer, i.e., hostel guests to whom ETR provides a paid service. The engagement of the customer with the service ensures that ETR has an additional source of income to deliver the mission. Thus, ETR must ensure that their internal processes and structures work to fulfil individual needs of users and customers because the engagement of these individual actors with ETR at the micro level is an important indicator of value that they are getting from ETR.

At the bottom, there are the individual beliefs and values of the current CEO of ETR. She emphasizes that ETR is legitimate because they are a youth project that owns a business, and not vice versa. To them, the hostel is a tool to train young people. As a hostel, they must offer a quality service to the customer but in doing so, they achieve their charitable aims, which supports their mission.

During Covid-19 more elements were added to the legitimacy ecosystem of ETR – the pandemic generated new societal concerns at the macro level that cascaded down the ecosystem causing ecosystem-wide changes. New individual needs appeared in the ecosystem and new norms and expectations as to what is deemed appropriate were formed. The whole ecosystem readjusted to the external shock. Covid put a spotlight on the work of ETR because they can make up for the learning that young people missed and created more opportunities for ETR to legitimise. For example, ETR discovered that the social isolation rules revealed the need to train young people in cooking skills, and they were able to secure the Covid-related funding to install a new kitchen.

The ecosystem shows the interactions between ETR and other elements in the ecosystem, in which the legitimating environment communicates their approval and acknowledges organisational propriety with respect to established norms, rules and needs while in turn ETR assures the environment of their organisational efficiency.

6.4.2 TSS’ legitimacy ecosystem

*Meso level approach (organisational structures and procedures)*. Another meso level approach, albeit rooted in a different part of the meso level, is applied by TSS (Figure 6.2). For TSS, the parent charity’s ongoing support allowed it to achieve a high degree of formalization.
The rigour of internal structures and procedures noted by the staff and the funders alike is the basis on which TSS builds their legitimacy. Their tried and tested approaches have been institutionalised and if removed, it is likely that the organisational survival will be threatened. Put another way, if some of the staff leaves or the new manager takes over, it is likely that the existing ways of work will persist for some time because they are deeply embedded, have become part of the organisational culture and routine and are reproduced by the staff without being questioned. It does not mean to suggest that the organisation is standing still, though. On the contrary, they are a dynamic organisation seeking to uncover the needs of the user, and even sometimes acting ruthlessly by getting rid of the services (and staff) that they think no longer deliver value. For TSS, the charity that expressed legitimacy in terms of their
reputation, there is a higher focus on the processes that help maintain their reputation – various forms of communication and the formalised structure to protect what has already been achieved. TSS maintains their legitimacy via ongoing communication and relationship building with the organisational and individual actors whom they view as important partners in their continuing endeavours to create value for the user.

TSS’ mission to support the young people with getting back into school, finding a job or an apprenticeship, or improving their confidence eventually aims to contribute to a more equitable, fair, and inclusive society, and is in close alignment with the societal ideals and values at the macro level (Figure 6.2). At the meso level OSCR provides their regulatory approval. To legitimise with the funders, both local and national, they draw support from their interactions with service users, referral agencies and other partners, which is further supported by the procedures, location, and track record of the organisation.

They interact with a large number of other elements in the ecosystem. They draw their legitimacy from their affiliation with the locally based Volunteer Centre East Lothian (VCEL), which is the Third Sector Interface in East Lothian. VCEL was created to ensure third sector participation and representation in local planning and delivery. It has themed forums and TSS is a member of several of them (e.g., Third Sector Forum, East Lothian Third Sector Children, Young People and Families Forum). These forums create an overarching agenda for the locally based TSOs because they set the standards and expectations in the delivery of local public services, and being part of the network enhances TSS’ normative alignment with these expectations.

The analysis of TSS has revealed a stark contrast between the local councils in how they engage with the third sector. The local council in East Lothian is more involved with the third sector and has created more opportunities for the local TSOs to participate in service planning and provision compared with Scottish Borders Council. The latter opted to commission all the children’s services to a large national charity and withdrew grant funding from the local TSOs that used to provide these services. TSS thus benefits from a more supportive local environment endorsed by the local council. TSS does have close links with specific departments within the council (Housing department, Inclusion Support Service) and service teams (East Lothian Health and Social Care Partnership, East Lothian Works, Midlothian and East Lothian Drug and Alcohol Partnership, East Lothian One Partnership, and Musselburgh
Area Partnership). The aim of all these partnerships is to coordinate the design, delivery, and evaluation of relevant services across East Lothian and Midlothian. This gives opportunities to TSS to use these links to reinforce their legitimacy because as a member of these partnerships who participates in setting action plans, they can influence legitimacy standards. TSS is indeed actively looking for opportunities to shape normative expectations of their audiences. For example, as a member of Third Sector Forum, they have formed a consortium with five other TSOs and commissioned a piece of research on the needs of the third sector in East Lothian that they will present to the local authority to enhance their legitimacy.

Unlike other case study organisations, TSS have a muti-disciplinary practice team and their services cluster around particular needs, e.g., employment, education, housing, mental health, and caring responsibilities. This allows TSS to draw support for their legitimacy from a larger number of sources to demonstrate their professional competence and adherence to professional values and norms. These include LAYC (membership-based umbrella body for local youth work charities), Borders College, Young Carers Network, Children’s Services Network Midlothian, construction companies and others.

Despite the reluctance of some young people to engage with TSS, their services for the young people have no set time limits, which gives the staff sufficient time to build trust with the young person before they start engaging with the support that they offer. These micro level interactions between the staff and the user are important because it is the positive feedback that the young people and other stakeholders give to TSS that helps TSS legitimise with others. This, however, would have been difficult to achieve without the active agency of the staff who use their skills to engage the young people.

The CEO of TSS has previously occupied leadership posts and worked in the voluntary and public sectors setting up and running nation-wide youth projects and schemes. She believes that TSS’ legitimacy is related to good relationships that they have with the referral partners, the local council and the parent charity, and thus, she focuses on cultivating existing and forming new relationships by raising TSS’ profile via networking, representing TSS in local partnerships and strategic groups, and making her way to the council’s key decision-makers. She is of the view that TSS’ mission is based on offering unique services that will be valued by the stakeholders. The local milieu has been supportive of TSS: they take advantage of the lack of comparable services in the area and deepen the dependence of the user and other
stakeholders on them by developing services that are preferred and desirable. The meso level organisational structure and processes (the element with the highest legitimising potential) is the core of their legitimacy. They use this element in the legitimation process with others, including their funders to assure the organisational environment of their propriety and organisational efficiency based on their internal processes.

6.4.3 APT’s legitimacy ecosystem

*Micro level approach.* APT’s legitimacy ecosystem is presented in Figure 6.3. For APT, the core legitimising support is rendered by the staff whose rare combination of knowledge and skills allows them to practice therapy and treat trauma in an orthodox way.

<table>
<thead>
<tr>
<th>Macro level</th>
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</thead>
<tbody>
<tr>
<td>Societal norms, rules, and discourses</td>
</tr>
<tr>
<td>Promoting social inclusion, reducing antisocial behavior</td>
</tr>
<tr>
<td>Public and media attention to mental health</td>
</tr>
<tr>
<td>Public concerns about Covid-19 impact</td>
</tr>
<tr>
<td>Education policies and legislation in Scotland (Curriculum for Excellence)</td>
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<table>
<thead>
<tr>
<th>Meso level</th>
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</thead>
<tbody>
<tr>
<td>Sector-relevant norms and rules; local milieu characteristics; networks; organisational rules, norms, and processes</td>
</tr>
<tr>
<td>OSCR</td>
</tr>
<tr>
<td>BAPT</td>
</tr>
<tr>
<td>SEBC</td>
</tr>
<tr>
<td>Third sector funders (national and regional)</td>
</tr>
<tr>
<td>Referral partners</td>
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<tr>
<td>Local council</td>
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<tr>
<td>Local TSOs</td>
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<tr>
<td>Youth Borders</td>
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<td>APT</td>
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<thead>
<tr>
<th>Micro level</th>
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<tbody>
<tr>
<td>Individuals</td>
</tr>
<tr>
<td>Service user (and other stakeholders)</td>
</tr>
<tr>
<td>Customer</td>
</tr>
<tr>
<td>Staff</td>
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<table>
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<tr>
<th>Sub-micro level</th>
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<tbody>
<tr>
<td>Values and beliefs</td>
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<tr>
<td>CEO’s professional/individual beliefs</td>
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*Figure 6.3 APT’s legitimacy ecosystem*
The staff addresses deep trauma-related experiences of the service user and pay more attention to the experiential/phenomenological features of the service. Unlike DST that also focuses on how the young people experience a service, APT aims to dig a little deeper and treat trauma. The staff of APT was the only among the four charities to explicitly state that value is created by the user, and they can only co-create it with the user by giving the young people the tools to self-heal. In contrast, DST appeals more to the interests of the young people albeit this does not mean to say that value of their services is inferior or of lesser importance. It is different. APT is supported by their space, i.e., the fields, nature, the stable yard, and the farm where they create a comforting and safe experience for the user, and it is likely that without the staff they would have been no different from a regular riding centre, and the unique value would have been lost. APT’s approach based on the principles of EAL places the needs of the user in the centre, and the young people at the micro level react well to unobtrusive and nondirective activities. The individual customer at the micro level has a different set of needs, served by a separate staff team who are experienced instructors. The interaction between the user and the customer is minimized so as to avoid harming the charitable mission, on which APT’s legitimacy claims are based.

APT’s mission is more closely associated with the public ideals of inclusivity and safety for all because APT addresses social, emotional, and behavioural issues in young people. These behaviours often push them to feel excluded from their school and community and engage in antisocial behaviour. At the meso level, compliance with OSCR’s regulations ensures the approval of the regulator, but more support for organisational legitimacy of APT is rendered by two professional bodies setting the standards for professional practice, the British Association of Play Therapists (BAPT) and the Society of Equine Behaviour Consultants (SEBC). Affiliation with these bodies is dictated by the nature of APT’s services. The core tool that APT uses to tackle social issues is EAL and play therapy, and compliance with professional standards set by these two umbrella bodies boosts their professional competence and credibility.

At the meso level further support comes from the organisation’s partnerships with other organisations. Of all the case study organisations APT is partnership oriented in the way ascribed to the sector – they emphasize how they can increase value for the young person if they cooperate with other organisations. As such, their networks contain more partners with
whom they deliver services jointly. This helps them legitimise with the funder, but they seek collaborations not out of instrumental reasons to obtain funding but because they genuinely believe in the value of collaborative work. They tend to have the core support of those three funders in the sample who are interested in maintaining longer-term relationships with funded organisations. Their local milieu has not been particularly supportive because they are forced to compete with the large charities that deliver children’s services in the area as per the contract with the local council, however they have the strongest support of the local community as in residents who have fundraised for the charity.

Organisational legitimacy is also supported by the CEO’s belief that the mission of APT is to serve the needs of the young people in the Borders. Despite funding opportunities available from other local authorities, the CEO’s firm belief is that accepting referrals from other local authority areas will take up the space of the young person who lives in the Scottish Borders, and thus expanding beyond the area will compromise their legitimacy. She is personally critical of the large national charities who provide local public services and believes that the council must be more supportive of the local charities. There have been continuous efforts to secure funding from the local council.

These are the main characteristics of APT ecosystem that shape their legitimacy but the individual, micro level is the basis of it. There are thus continuous interactions between APT and these elements in the ecosystem, in which the organisational propriety with respect to established norms, rules and needs is met with the assurances of organisational efficiency based on the knowledge of staff. The common element in all these legitimation processes is APT’s unique organisational knowledge and skills.

Like for ETR, there are elements in the legitimacy ecosystem of APT that are relatively new. The impact of Covid has already been discussed. In fact, Covid has affected all the four charities in a similar way in that they were all seen as “appropriate and desirable” in addressing the issues created by Covid. Of relevance to APT is the recent change in the Scottish Curriculum for Excellence framework at the macro level. The policy set new performance standards for schools and thus generated new needs in schools and service users. APT responded to the need with their SQA NPA Level 4 in Horse Care and Rural Skills, which increased the choice of school subjects for young people and addressed the gap in the provision by the local high school. The high school in turn endorsed APT to the local council
and helped APT secure a commissioned piece of work. The possibility to do SQAs in other subjects and learn outside of the school was also perceived positively by the young people who were not interested in traditional subjects offered by the school. Another boost of legitimacy for APT was related to an increasing public attention to mental health issues and growing criticisms in the media outlets about the inability of the public mental health system to cope with it (e.g., BBC, 2023; Kelly et al., 2022). APT’s approaches have proved to be effective at handling mental health issues in particularly vulnerable young people. APT linked with a registered Counsellor (British Association for Counsellors and Psychotherapists) and a fitness trainer and developed a service intervention that attracted funding support of a large national funder. This not only shows how partnerships are used to legitimise with the funders but also that there could be different legitimation paths. The last two examples involve different elements. In the former, it was a combination of macro level policy changes, meso level endorsement from the local high school coupled with the need of the service user in a wider choice of school subjects at the micro level. In the latter, it was a growing public attention to a certain issue at the macro level, and the forming of meso level partnerships.

6.4.4 DST’s legitimacy ecosystem

Sub-micro level approach. DST’s legitimacy is underpinned by the personal charisma of the CEO, and for them the individual, sub-micro level is the basis of legitimacy (Figure 6.4). The CEO’s personality acts like a gravitational pull attracting multiple supporters and high degrees of respect, trust and even admiration of the staff, the funders, the partners, and the service user. He is an active networker and DST is well-linked with a number of referral, support and strategic partners. The analysis of their ecosystem reveals multiple other interactions and interconnectedness with the macro, institutional level as well as the importance of the local milieu and partnerships at the meso level, and the specifics of their interactions with the service user at the micro level, that all have a bearing on the legitimation process. However, on close examination if the CEO is removed from DST, they become almost meaningless. They are rather enabling factors, and their PSE can be said to consist of a larger number of enabling factors contributing to their legitimacy.
DST makes dance, sport and accessible for the young people who are educationally, socially, or rurally disadvantaged. They aim to tackle inequality, reduce antisocial behavior, and support deprived communities promoting well-being, equality, and social inclusion, and thus their mission reflects widely held societal norms and beliefs (Figure 6.4). DST’s work is also linked with dominant public discourses and media attention to climate change and technological progress. These discourses set the new standards according to which the propriety of organisations is judged and linking with these new conceptions of the preferred and desirable supports DST’s normative legitimacy. At the macro level further support for DST’s legitimacy is drawn from their close alignment with the aims of welfare policies.
One of the policies that DST used to legitimize is aimed at closing the poverty-related attainment gap of young people and the other has a goal to provide young people with volunteering and work-based learning. Both policies aimed to support vulnerable groups and DST linked them with their focus on deprived communities. In 2018 they opened their VR centre, the climate-focused project took off in 2020 while the employability project that they developed in relation to the Young Person Guarantee started in 2022.

Due to their recent emphasis on climate change agenda, DST linked with Zero Waste Scotland, which is currently a key endorser and partner for DST at the meso level. This environmental agency of Scottish Government uses their legitimacy to link DST with other partners and funders.

Similar to TSS, DST’s meso level is populated by a dense network of partners, funders, referral agencies, and also the rules, norms and expectations of the network. It is also shaped by the two most prominent features of Dundee – football culture and tech industry. The schools have been the key endorsers of DST’s work since its inception. They were the first to observe that the young people were attracted to dance and engaged well with DST. The key umbrella body for DST is the local Social Enterprise Network, with which the CEO is actively engaged, and this professional affiliation at the meso level is important for DST because they legitimize their business orientation with reference to the professional standards set by the agency. DST has developed networks of support partners with whom they deliver joint services. The key partner is the locally based leading technology university. The collaboration with it enhances DST’s legitimacy to deliver tech-based interventions.

DST’s dance, sport and tech turned out to be effective tools at engaging the young people at the micro level. The project staff avoid putting pressure on the young people and act in an unobtrusive manner which helps keep the young people engaged. The individual customers of their services also fulfil their pragmatic needs by accessing DST’s services. For example, members of the local community use DST as a leisure centre and as a place to spend time together and socialize. DST provides the customers with highly demanded football pitches that are of high quality and at lower prices.

Thus, DST draws support for its legitimacy in these interactions, which in turn help DST attract funders. These are the characteristics of their ecosystem that shape their legitimacy, in which...
the organisational propriety with respect to established norms, rules and needs is communicated to DTS while it also seeks to demonstrate their efficiency and outcomes.

It is clear that the macro level plays an important role in the legitimation process of DST, in general and when compared with other case study organisations, as it provides them with opportunities to deliver their mission in new ways. However, it is the CEO’s vision for DST as a dynamic, agile, and always developing organisation that makes DST appear more externally focused and follow the latest societal developments. His ideas shape what the final service will be, and he draws support from the macro- and meso level institutional environment to be able to fulfil the pragmatic needs of the user and the customer at the micro level. The CEO of DST sides with the advocates of the SE model in the charitable sector and believes that running a charity in a business way drives efficiency and supports the mission attainment. He is very critical of the charities that rely on external financing which he believes is short-termistic. He believes that DST is legitimate because of their community focus and is critical of national charities that according to him have turned into state-like bureaucracies. He suggests that SE, climate agenda, dance, tech, and sport are just the tools to support the young people in deprived communities, and that they can change the tools without losing the focus on communities and therefore maintain their legitimacy.

### 6.4.5 Summary

Section 6.4 has presented the four legitimacy ecosystems and identified three possible approaches to enacting legitimacy within an ecosystem – the meso level, micro level, and sub-micro level. The ecosystem view of the charities suggested that the elements are not created equal. The study shows that legitimacy has a core element. This element has more legitimising potential than others and acts like a base on which other elements are layered to produce the desired legitimating effect. Another analogy is that this core element tends to be a constant in the legitimation process and allows the charity to continue delivering its mission. If removed or changed, the charity’s survival may be compromised. For DST the core is the CEO, APT-staff, ETR-local milieu and TSS-organisational processes and procedures. These core elements do not act on its own, though, and require other interactions. For example, the CEO of DST relies on the local milieu to enhance legitimacy of DST, TSS-ongoing networking, ETR-maintaining the status of a training centre, and APT-service delivery tools (i.e., the horse). Yet,
levels may play a more enabling role for some charities and less for other charities. It is clear that the macro level institutional environment plays a greater role as an enabler of organisational legitimacy for DST, the charity that develops their services with reference to the institutional environment, and as such, receives a greater prominence in the legitimacy ecosystem of DST. Thus, understanding organisational legitimacy requires an understanding of the whole ecosystem, and there is no one universal way of enacting legitimacy. In the final part of the chapter, the study will propose an overarching framework of the legitimacy ecosystem.

6.5. Towards the ecosystem view of legitimacy

The focus of this last section of the Discussion chapter is to bring together the insights from the previous three parts and answer the main research question of the study: What constitutes the legitimating environment of TSOs with different funding structures, and what are the contingencies of a TSO’s legitimacy in it?

The chapter will present a model of organisational legitimacy through the lens of the ecosystem perspective. The analysis of legitimation processes of the case study organisation has shown that legitimacy is a multi-level, multi-dimensional and multiple stakeholder construct, and reducing legitimacy solely to the study of a dyadic relationship between the funder and the TSO risks ignoring the importance of numerous other constructs and processes of the institutional environment. A weakness of an institutional theory approach that is common to the range of organisational theory literature is that by focussing on inter-organisational relationships it fails to consider other important concepts (Hewitt, 2000). Viewing legitimacy as a multi-faceted construct, with different types of legitimacy and different legitimising audiences, is useful for developing a more nuanced understanding of TSO legitimacy (Lister, 2003). The ecosystem perspective overcomes the limitations of these traditional models of legitimacy that view it as something dyadic, instead revealing how legitimacy is contingent on broader interactive service ecosystems beyond the organisation (Petrescu, 2019), which include both the service-specific elements of the system (TSOs, technology, service delivery processes, etc.) and the broader societal context and values that surround and legitimate this service system (Laitinen et al., 2018). Therefore, legitimacy should be viewed from an ecosystem perspective. In the discussion that follows the generic legitimacy ecosystem of a TSO will be presented and its elements will be unpacked.
The legitimacy ecosystem represents a synthesis of the four diagrams of the legitimacy ecosystems of the case study organisations presented in Section 6.4 and is shown in Figure 6.5. It represents an adapted model of the public service ecosystem of Osborne et al. (2022) in which the civic society level is identified as a separate category to account for the different logic on which the third sector operates and highlight the distinct norms, rules, values, and standards that govern TSOs.

![Diagram](image.png)

**Figure 6.5** Legitimacy ecosystem of a third sector organisation
The legitimacy ecosystem thus has four levels as has been discussed throughout the chapter: the macro level covers the institutional world of societal beliefs, norms and discourses and serves as a background to the whole ecosystem; the meso level is the most immediate environment in which a TSO is embedded, and it includes civic society, organisational actors, networks, organisational processes and norms, and local community as the milieu; the micro level is represented by individual recipients of the organisational services - service users and customers (for TSOs with commercial forms of income) and the sub-micro level concerns individual beliefs, values and norms held by third sector practitioners. For the purposes of this study, a wide range of all possible elements that can make up the ecosystem of each case study organisation in Figures 6.1-6.4 were classified into two major groups. These are actors and institutions. The term actor is borrowed from Bitektine and Haack (2015) and is used to denote the audiences who confer legitimacy. These were covered in section 2.2.2 in the literature review chapter. The term institutions is borrowed from the study of Kostova and Zaheer (1999) and Scott (2014) to denote multiple domains of the institutional environment. These were covered in section 2.2.3 in the literature review chapter. These are legitimacy-relevant constructs such as values, norms, rules, expectations, and beliefs. The structure and the composition of these institutions, and their legitimacy requirements, typically vary across different environments.

The general premise of the legitimacy ecosystem is that the actors hold beliefs, values, expectations, and needs, and together the actors and the institutions form part of a legitimating environment, in which existing institutions influence the legitimacy judgments of actors but actors themselves are active participants in the process of meaning construction (black double arrows in Figure 6.5).

An ecosystem perspective provides the conceptual apparatus with which to conceptualise legitimacy and address the narrow focus of the previous studies. It presents the heuristics of legitimacy at multiple levels. At each level there are sets of actors and institutional structures that overlap, interact and influence legitimacy, and by studying the whole ecosystem it is possible to identify how organisational legitimacy is formed. The discussion will first focus on outlining key organisational and individual actors. The focus will then shift to institutions. Finally, the interactions between actors and institutions in the ecosystem in shaping organisational legitimacy will be discussed.
6.5.1 Ecosystem actors

At the macro level the social actors are society-at-large, state, and media. These actors were found to be important sources of legitimacy for all organisations irrespective of their nature (Baum and Powell, 1995; Dowling and Pfeffer, 1975). Both the state and the media play a dual role in the legitimation process. They serve as an indicator of legitimation by society-at-large and as a source of legitimacy in their own right (Deephouse, 1996; Chew and Osborne, 2009).

The meso level is populated by another set of actors – funding bodies (national and local), the charity regulator, professional associations and other actors who are relevant to the policy field in which the organisation operates. Because of the range of organisations that operate in the third sector and the services that they deliver (Clifford and Mohan, 2016), it is best to conceive them as being organisation-specific rather than sector-specific. These are accreditors and regulators, specifically established to confer legitimacy on a certain set of subjects (Durand and McGuire, 2005) and examples of these in the study include SDS, SQA, and DWP. The meso level is also represented by umbrella organisations most relevant to the nature of work of a non-profit organisation (Third Sector Forum, Social Enterprise Network, BAPT, Young Carers Network). These groups have “collective authority over what is acceptable theory” (Meyer and Scott, 1983, p. 202) as they set and promote professional standards against which practices of a TSO will be judged.

Suchman’s (1995) definition of legitimacy is seen as congruence with “some socially constructed system of norms, values, beliefs, and definitions” (1995, p. 574) implies that there are more sources of legitimacy, and the aim of all studies of legitimacy should be identifying those relevant sources with collective authority over legitimation in any given setting (Deephouse and Suchman, 2008). The meso level is also populated by the local actors. These can be local government, referral agencies, local TSOs and other private and public organisations, local community as a collective, and local initiative group. These groups form organisational networks and TSOs appear in the same box with other actors.

The macro- and the meso level feature collective, organisational actors. The micro level is represented by individuals (Osborne et al., 2022) – the service user, the customer (for TSOs who offer commercial services), organisational staff and other key stakeholders (parents, carers, schoolteachers, etc.) as individuals. Satisfying the pragmatic needs of the user is
important for charities not only because this is what they were set up to do but also because the users are first and foremost interested in the service that they are getting and have, for example, little interest in participating in charity management or administration (Connolly and Hyndman, 2017). Yet, the ETR’s experience has shown that the failure to interpret the user needs correctly can challenge the very existence of the organisation unless the charity can find other means to engage the user. When charities struggle with user engagement, the past achievements, the donor support, and the endorsements of the network can become irrelevant because as argued by Osborne et al. (2022) eventually it is the user who is the arbiter of the value he or she gets from a service, and the user’s involvement as a co-producer and co-creator of a service is crucial to the performance of the service (Osborne et al., 2016). Legitimacy can be more easily managed if the charities not only understand the user needs (e.g., IT illiteracy, lack of recreation opportunities, mental health issues, etc.) but also consider relevant aspects of their lives when developing a service proposition. The service context aims to capture how individuals engage with service, i.e., co-create it, within the unique setting of their own expectations and needs.

In the legitimacy literature, an individual’s view of what constitutes the desirable and appropriate is called propriety (Johnson et al., 2006). However, despite the literature that shows how propriety may influence legitimacy at a higher, collective level (Bitektine and Haack, 2015; Johnson et al., 2006; Tost, 2011; Zelditch, 2011), the role of personal and professional beliefs in organisational legitimacy has not been explicitly recognised. The findings of this study suggest a strong link between the CEOs’ beliefs and professional backgrounds and organisational means and ends, particularly if the organisation is founder-run as in DST. The CEOs are the scanners of the ecosystem who act according to their beliefs but because they are situated in the broader ecosystem their views are also shaped through the engagement with the service user, the staff who work with the service user, interactions with the stakeholder groups (e.g., schools) and the local community, and monitoring of the societal needs, government priorities and funders’ needs. The non-profit leader is generally a key figure in TSOs (Ashforth and Gibbs, 1990; Kearns et al., 2014). However, this could possibly include the board members or other individuals for larger organisations where decision-making powers are more dispersed.
6.5.2 Ecosystem institutions

Institutions penetrate the system and exist at each level of the legitimacy ecosystem. The societal institutions at the macro level represent normative, regulative, and cognitive beliefs about what is right or wrong, the legitimate type of activities that are preferred or desirable, and the legitimate causes that should be supported (Osborne et al., 2022). These societal institutions are encompassing and affect all other elements in the system. They are based on shared understandings that are taken-for-granted and often unquestioned because they are held by the highest level of an abstract collective (Bitektine and Haack, 2015), and thus TSOs operate within a framework of legitimated means and ends.

Although diagrammatically the levels appear to exist separately from each other in Figure 6.5, in reality they are rather nested within one another. The demarcation is symbolic and was introduced for greater visual clarity and the purpose of grey arrows is to show the interconnectedness. The institutional arrangements at one level constitute the subject matter of an institutional system at another level (Jepperson, 1991). For example, the climate agenda at the macro level spurred conversations to re-consider current practices and create a systemic change, potentially moving society to a new circular economy. This necessitated the development of agencies like Zero Waste Scotland at the meso level. Their work is informed by the principles of circular economy, and their role is to design, implement and promote the standards of acceptable behaviour at the meso level. DST’s CEO in turn believed that by responding to the climate agenda, they could better support the user. DST’s low carbon leisure facility was designed in consultation with Zero Waste Scotland and specialist architects. In this eco-facility DST will offer training in the renewables industry thus shaping the micro level interactions. This way, the principles of the circular economy manifest themselves at each level of the ecosystem.

The civic society is characterised by their own institutional environment. These are normative prescriptions of what should constitute a non-profit organisation, professionals standards and norms against which the practices of individual TSOs are judged and regulatory requirements. The funders are active creators of these norms. They often set and enforce standards against which the practices and organisational character of the organisations is evaluated. For example, the funders in the sample have demonstrated their expectations of what they believe to be a good practice such as what a minimum level of reserves should be, the
requirement to engage the user or to demonstrate strong governance mechanisms. TSOs in turn have expressed the need to be seen as well-governed organisations to receive funding, meet the reporting requirements of funders and fulfil their funding obligations to maintain their credibility and trust. TSOs also obey more formal rules of the charity regulator. Under charity law the case study organisations have their annual reports and accounts approved by an independent examiner or auditor. In addition, TSOs must follow the regulatory frameworks of other relevant sub-sector bodies, and act within the framework of normative standards and expectations set by umbrella organisations. ETR, for example, must meet the regulatory directives of SQA, for which they are audited on an annual basis. APT, in turn, operates under professional standards of BAPT because their work is based on the principles of play therapy.

But then each TSOs acts within more narrowly defined local institutional arrangements, and each locality may have different conceptions of what is “preferred or desirable” (Deephouse and Suchman, 2008; Suchman, 1995). For example, TSS’ local context is characterised by a lack of alternative service providers, high demand for employability services, and the more partnership-oriented approach of the local council, which legitimises the need in the organisation like TSS.

This is not to say that legitimacy is one way. The benefit of viewing legitimacy as a nested ecosystem is that nested systems represent “interconnected, multilevel systems in which each action-level or arena simultaneously is a framework for action and a product of action” (Holm, 1995, p. 400). The constitutive institutional environments certainly become embedded in organisations, but organisations themselves can manipulate institutional parameters to facilitate the attainment of organisational goals (Lawrence and Suddaby, 2006; Ostrom, 1990). Through interactions with their audiences TSOs do try to alter some of these institutions. For example, in the process of continuous social interactions with the schools and the local council APT was able to influence their perceptions of service benefits that APT could deliver for them. In doing so, they sought to implement social change in how the object of legitimacy is evaluated by relevant audiences (Suchman, 1995). They attempted to alter some of the local institutions, i.e., local norms and standards according to which organisational legitimacy of a TSO within confined boundaries of a single authority area is judged. Thus, individual organisations can play a more agentic role (Oliver, 1991), but not on a macro or macro level but within their immediate environments (Suddaby et al., 2017). As
such, the meso level is characterised by the active agency of the TSOs in the legitimation process.

6.5.3 Ecosystem interactions

Organisations must be able to maintain consistent performance to provide ongoing reassurances of organisational efficacy to sustain regulatory and pragmatic legitimacy; reassurances of good character to sustain normative legitimacy, and reassurances of comprehensibility, through the use of communication-based approaches (Downing, 2005), to sustain cognitive legitimacy. According to Drori and Honig (2013), external legitimacy (i.e., with external actors) can be achieved only if internal legitimacy is continuously reinforced. In this study the term “rational effectiveness” is used to show how organisations seek to support their internal legitimacy. The support for rational effectiveness lies in the “[organisational] processes, structures, and outcomes of its activity, its leaders, and its linkages with other social actors” (Bitektine, 2011, p. 159). These features pertaining to organisations signal to the audiences that an “organisational structure, characteristic, or practice work or achieve intended outcomes” (Suddaby et al., 2017). This is where the organisations differ most. TSS relies on their organisational systems, APT – staff and their expertise, DST – the organisational leader and ETR - the local milieu. Thus, rational effectiveness can be supported by an organisation’s reputation, knowledge, systems, networks, people, and the location. However, there could be a number of other elements. For example, in the context of service commissioning, rational effectiveness based on the organisational size might be a more important determinant of organisational legitimacy as the previous research on public sector contracting has shown. Thus, further research can explore these and other factors impacting rational effectiveness in greater depth.

The TSOs and their environments mutually reinforce each other. The actors render the organisation with their judgments of organisational propriety while the TSO in turn assures them of their rational effectiveness. The ecosystems actors legitimise a TSO while the TSO persuades the audiences of its fit for purpose, i.e., the ability to fulfil the actors’ expectations and needs. Some actors in the ecosystem also possess more narrowly defined pragmatic needs and therefore will be more interested in whether “this agency does what we want it to.” The funders are a prime example, while the service user may possess only pragmatic
needs. Pragmatic expectations are influenced by the position of the actor and their self-interest (Lister, 2003). East Lothian Council, for example, renders continuous support to TSS for they fill a gap in the provision of children’s services, operate across all the schools and cover the whole area, and thus TSS supports the Council’s work. In contrast, a service user of TSS is likely only to be interested in the benefits that they can gain from a housing service or an employment course depending on their life circumstances.

The relationship with the funder is an essential but is not sufficient element of legitimacy. The ecosystem can generate various patterns of a legitimation process akin a kaleidoscope that presents an ever-changing pattern resulting from the rotation of coloured pieces of glass. The various elements that are part of the ecosystem can submerge in various combinations, i.e., the ecosystem is dynamic, not steady state. For example, for DST legitimation was supported by a combination of macro level conceptions of technology society, supportive tech infrastructure and a fruitful cooperation with the leading tech university at the meso level, and the interest of the young people in technologies. Yet, when they were set up, they were equally able to legitimise with a different combination of elements, whereby they relied more heavily on the support of the stakeholder groups around the young person, e.g., schoolteachers, family support workers, and parents who endorsed the work of DST. In contrast, the macro level is less apparent in the legitimation process of ETR because the location, i.e., the local context dictates the needs that ETR was set up to address in the first place.

The ecosystem is not fixed and the elements in it are in constant flux. The changes in the ecosystem elements can occur in various parts. The new societal needs emerge and dictate new conceptions of legitimate aims and activities. The macro-environment is not static, and the charities can select the moral “ideals” to align with to enhance legitimacy (Suchman, 1995). By linking with the climate change agenda DST was able to increase their legitimacy as normative views at the institutional level evolved (Lister, 2003). Not only did they adjust their service delivery to meet the new needs of the users brought by Covid, but they also responded to the changes in the employment policies for the young people and linked their services with the societal discourses about the technologies for the future.

Individual organisational actors, i.e., non-profit leaders can alter the ecosystem, too, for example, by affiliating with a professional standards body at the meso level to enhance their
legitimacy. Through their association with SQA ETR linked their activities to external definitions of authority and competence (Scott, 1991) signalling professionalism and pragmatic legitimacy to the constituent groups. The CEO has obtained the status of an internal verifier who “supports the credibility of internally assessed qualifications with parents, employers, higher education institutions, etc.” (SQA, 2019). The organisation may change the local milieu impacting the whole meso level. By relocating from Edinburgh to relatively underserved East Lothian, TSS identified constituents who would value the services that the organisation is equipped to provide (Ashforth and Gibbs, 1990) and has formed new partnerships with the local agencies and close links with the local council. However, all these changes must be anchored in the values that drive the work of the organisation. In this sense, the role of organisational decision-makers is key in maintaining the focus on the underlying ethical values. The ecosystems are thus dynamic and various elements become more prominent than others. There is however a core element that is relatively more stable than others, and the one which forms part of every legitimation process. This element constitutes the core of the organisational legitimacy, to which other ecosystem elements can be added.

The findings of the study suggested compelling reasons for adopting an ecosystem perspective to understanding legitimacy. The study pointed to the limitations of traditional dyadic or stakeholder models of organisational legitimacy, and emphasized the benefit of viewing relationships as systemic, legitimacy cocreating interactions. Institutions are “rules of the game” and organisations are participating actors (North, 1990). Because institutions exert pressure on organisations from their environments and determine their legitimacy (Lawrence and Suddaby, 2006), identifying these institutional “rules of the game” helps understand organisational legitimacy. Actors in turn influence and are influenced by the social structures through their interactions (Giddens, 1984). The advantage of the ecosystem approach is that it helps explore both context and system (Hodgkinson et al., 2017). By focussing on structures, which include rules, norms, contexts, individual and organisations actors, and beliefs it is possible to show that legitimacy is shaped through existing institutional arrangements and actors’ sense of their social context.
Chapter Summary

The chapter discussed the findings of the study and aimed to answer the overarching research questions of the thesis: What constitutes the legitimating environment of third sector organisations (TSOs) with different funding structures? What are the contingencies of a TSO’s legitimacy in it?

The iterative data analysis suggested the limitations of the existing theories to account for the complexities of the legitimation processes of TSOs. The environment in which organisational legitimacy is enacted is much more complex than what a dyadic approach can encompass, and there are a lot more different interrelationships for organisations, and those interrelationships are different for different organisations. The study then adopted and adapted the public service ecosystem framework of Osborne et al. (2022) to account for the complexities and show that legitimation is not just dyadic; it relies on other processes to occur within the ecosystem.

The analysis presented in this chapter was informed by the abductive reasoning approach and was based on robust findings across four cases drawing on interviews, observations and document analysis. Section 6.1 laid the grounds of the adapted ecosystem framework. Section 6.2 presented the four levels of the ecosystem. The elements of the ecosystem were discussed and their links with organisational legitimacy were established.

Section 6.3 then commenced with the discussion of the funding processes and established that funding success is only one dimension of legitimacy while the funders’ views of organisational legitimacy of the case study organisations provided further support in the identification of the key elements of their legitimacy ecosystems.

Section 6.4 established the ecosystems of each case study organisation and uncovered the main differences between the organisations in their legitimation processes. Generally, legitimacy is supported strongly by one key element. Based on where the key element is in the ecosystem, three different models or approaches towards legitimation inside the ecosystem were proposed: the sub-micro level approach based on an individual, the micro level approach based upon the staff, and the meso level approaches based upon the local milieu and organisational structures and processes, respectively. They are the prime mover, and other levels act like satellites attached to the core. To understand how organisations are
enacting legitimacy the whole ecosystem must be explored. This helps identify which level provides the strongest lever for organisational legitimacy.

The discussions in the previous sections served as the basis for the development of an integrative conceptual model in Section 6.5. The model provides a novel representation of organisational legitimacy through the ecosystem lens. The conceptual model of legitimation processes of the case study organisations reveals how legitimacy is contingent on broader interactive service ecosystems. This conceptual model also delineates the contributions made in this thesis, which are discussed in the next chapter.
CHAPTER 7. CONCLUSION

Chapter overview

This chapter presents the conclusions of the thesis and outlines its contributions. It commences with a summary of the research and research aims that guided this study. It then continues with a brief overview of the findings identified within this research. The subsequent sections outline the theoretical, empirical, and practical contributions of this thesis. The chapter concludes by discussing the limitations of the research and directions for future research.

7.1 Research summary

As mentioned in the introductory part of the thesis and further developed in the methodology chapter, this research was carried out during the Covid-19 pandemic against the background of lasting lockdowns, self-isolation requirements and travel restrictions. This had a significant impact on the study. In particular, the author had to change the focus of the study halfway through the PhD program and formulate a new research question. Covid-19 impacted TSOs as well and changed the way they operated during the pandemic. The staff were under mounting pressure to cope with the increased demand for their services while experiencing high levels of stress. All these factors influenced some methodological choices that were made and the subsequent data that was collected.

The thesis departed from the original research question concerning social investment and expanded to the study of the relationships between legitimacy and TSOs’ funding portfolios. Funding has been a subject of considerable debates in the non-profit literature because financing in the third sector is different from either the public or private sectors and is necessary to support the ongoing fulfilment of charitable missions by these organisations (Bielefeld, 1992). TSOs rely on a wider variety of funding mechanisms which include grants, public donations, contracts, crowdfunding, social investment, trading, or SE activities and have different proportions of each in their funding structures. Because legitimacy is linked with the ability of organisations to secure resources and ensure their survival, the study focused on understanding legitimacy of TSOs and the processes that contribute to their legitimacy.
The following overarching research question guided this thesis:

*What constitutes the legitimating environment of third sector organisations (TSOs) with different funding structures? What are the contingencies of a TSO’s legitimacy within this environment?*

To address the overarching research question, the following research sub-questions were developed:

1. How do TSOs seek to legitimise within their environment and how do they seek to use their legitimacy to secure financial resources?
2. How do the funders define and determine legitimacy of TSOs?
3. What are the factors influencing organisational legitimacy of TSOs?

The gap this research aimed to fill was twofold; firstly, the non-profit literature on TSO legitimacy has maintained a focus on the funder as the main actor who grants legitimacy to TSOs (Kelly, 2007; Zaidi, 1999) while the complexity of the TSOs suggested that legitimacy of TSOs requires expanding the focus to embrace a broader view (Lister, 2003); second, the review of existing studies has uncovered a lack of a unifying theoretical framework in both literatures (non-profit and mainstream legitimacy studies) to explain this complexity of TSO legitimacy. TSOs are complex organisations because they have multiple constituencies, who may have different needs and expectations (Carré et al., 2021), they exist to meet a social need which sometimes must be balanced against the market logic or public service logic (Moore, 2000), and they may have several funding sources that must be carefully balanced against each other (Froelich, 1999). In addition, they operate in different locations and thus are exposed to different institutional contexts (Kostova and Zaheer, 1999). Moreover, the studies in the mainstream legitimacy literature have added another level of complexity to the phenomena of TSO legitimacy because legitimacy is multi-dimensional (i.e., made up of norms, values, formal rules, and cognitive schemes) (Suchman, 1995), multi-constituent (Scott, 1995), socially constructed, and thus context dependent (Hybels, 1995).

This study drew upon the principles of abductive reasoning research (Dubois and Gadde, 2002), which involves concurrent data collection and interpretation. Accordingly, the research was guided by an emerging framework and an evolving empirical case and involved constant
reflection of the author on what the best explanation of the phenomenon should be. Accordingly, after several rounds of theory matching (Kovács and Spens, 2005), the author decided to incorporate the insights from contemporary PAM literature to explore legitimacy and legitimation of TSOs. In particular, this study builds on the recent advances in the application of the ecosystem approach in understanding public services (Hodgkinson et al., 2017; Osborne et al., 2022; Trischler and Trischler, 2022). The authors in this strand of literature apply the ecosystem approach in a more structured way and use it as an operational concept rather than a metaphor for a complex environment. The study adapted the model to the non-profit context by distinguishing the civic society as an important element of the legitimacy ecosystem of TSOs. This was discussed in section 6.1 of the discussion chapter.

Chapter 4 and Chapter 5 presented the empirical data for further analysis collected from the participants and informed by observations and document analysis. In particular, Chapter 4 provided extensive details of the environments in which the case study organisations operated. The first sub-question was addressed in Section 6.2 of the discussion chapter and was informed by the empirical data. It outlined the major constituent groups with which the case study organisations interacted and presented the approaches that the organisations used to secure approval, support, or endorsement of these groups. An important finding of this chapter was that a multitude of legitimation processes were taking place within the environments of the case study organisations.

In fact, most of these processes did not concern the funder suggesting that organisational legitimacy of TSOs is multidimensional, and legitimation with funders is just one of these dimensions. Other groups concerned service users, customers, local community, partners, referral agencies, regulators, and professional associations. Multiple linkages, however, existed between the constituents, organisational processes, and the wider environment. This was best exemplified by the links between the codes. For example, the views of the organisational leader of APT on their organisational mission as supporting young people who live in the Scottish Borders (CEO’s beliefs) encouraged them to seek to form local partnerships (partnership working) and reject finding opportunities that were available outside of the Scottish Borders (securing funding). These insights allowed the author to answer the first research sub-question in Section 6.2 and establish the audiences that the organisations sought to legitimise with and explain the approaches that they pursued to legitimise. This
breakdown by audiences and approaches helped establish how they corresponded to the elements of the ecosystem.

The findings presented in Chapter 5 provided a corpus of empirical data that further developed theoretical propositions of the study. In particular, Chapter 5 presented the funders’ perspectives on the legitimacy of the case study organisations, adding further insights into the funder-fundee relationships. It uncovered the criteria that the funders use when making judgements of organisational legitimacy. Importantly, the findings suggested that each case study organisation stood out in some way. These insights allowed the author to address the second research sub-question in Section 6.3 and explain how the funders define and determine legitimacy of TSOs and obtain further evidence of the key elements that make up the legitimacy ecosystem of the organisations.

Answering the first two research sub-questions allowed the author to approach the third research sub-question by distinguishing between three different approaches to legitimation in an ecosystem. This was done in Section 6.4. Four separate legitimacy ecosystems of each case study organisations were presented and the factors that contributed to legitimacy of each organisation were discussed.

Finally, based on the comprehensive analysis of the separate diagrams and comparisons of their structures and underlying processes occurring in each allowed proposing an overarching legitimacy framework for TSOs. The diagram was presented in Section 6.5. It provides an answer to the research question that guided this study. It conceptualises legitimacy as a multi-dimensional, multi-level and multi-perspective concept and offers different lens to viewing TSO legitimacy.

Accordingly, this study offers the following contributions to theory:

(i) It embraces a holistic view on legitimacy and provides an empirical demonstration that in the TSO context, the understanding of legitimacy cannot be reduced to dyads.

(ii) It advances the understanding of funder-fundee relationships and challenges the view that TSOs are relatively powerless in this relationship.
(iii) It expands the model of TSO legitimacy by including a larger number of factors that have relevance to legitimacy.

(iv) It develops the application of the PSE framework to the non-profit context.

These contributions are discussed in the next section of this chapter.

7.2 Theoretical contribution

(i) Embracing a holistic view on legitimacy

Traditionally, most research in legitimacy literature has focused on legitimacy granted by influential sources at a collective level of analysis (Deephouse et al., 2017). The main literature on TSO legitimacy has remained concerned with the role of “powerful” constituents on organisational legitimacy, which typically include state and charitable funders (e.g., Buckingham, 2012; Milbourne and Cushman, 2015).

The main theoretical contribution of the study is that it has shifted the focus away from these narrow, dyadic conceptualisations of organisational legitimacy and acknowledged the multiplicity of legitimation processes co-occurring within an ecosystem of the organisation. Using the ecosystem approach, multiple actors including funders, service users, staff, customers, partners, regulators, and TSOs have been included in the model of TSO legitimacy. Moreover, this model has recognised multiple interdependencies of the elements in the ecosystem and located them in their geographic and institutional milieu. It showed that in the non-profit context legitimacy is based on several key elements working together (Brown et al., 2001; Lister, 2003).

Contemporary literature on legitimacy suggests that possible sources of legitimising accounts are not limited to any fixed set of potential gatekeepers and the definition of relevant actors is context dependent (Deephouse et al., 2017). The study has provided a tool to explore the context of TSOs, identify the sources of organisational legitimacy and establish the key constituent groups whose support, approval and endorsement plays an important role in the legitimation process. The proposed framework addresses the call of Suddaby et al. (2017) to examine legitimation at multiple levels – within organisations, among organisations, and within organisational fields. Unlike Bitektine (2011) the study suggests that legitimacy is not
within the exclusive purview of collective authorities or “legitimate others” but involves individuals as well, i.e., service users and their parents, customers, and staff members whose individual judgements influence organisational legitimacy, too.

Considering legitimacy as a socially constructed phenomenon allows for the exploration of the different ways in which legitimacy can be enacted. Accordingly, the study proposed three different approaches to legitimation in an ecosystem based on the core element, which has more legitimising potential than others within an ecosystem as a whole. To identify the core elements and how they can support organisational legitimacy one must explore the whole ecosystem. The ecosystems are not a steady state because legitimacy is an ongoing status (Chapman and Lowndes, 2014). Accordingly, there are several ways for TSOs to enact their legitimacy by managing the mix of normative, cognitive, regulative, and pragmatic needs and adapting them to different contexts (Suchman, 1995).

A “total” of TSO legitimacy is a result of the interplay between legitimising processes with the funders, communities, users, partners, regulators, and other organisations and how they are supported by the institutional environments and individual beliefs. It is how these different legitimising processes interact that is important for TSO legitimacy, and if they support each other, it will strengthen legitimacy at all levels for them. Hence, legitimacy is socially constructed (Suchman, 1995) through multiple interactions in the ecosystem and its definition varies across the organisational settings (Kostova and Zaheer, 1999; Ruef and Scott, 1998). While this research has not uncovered any tensions between interactions, the ecosystem has the potential to explore these in greater detail.

(ii) Advancing an understanding of funder-fundee relationships

Contemporary legitimacy research encourages researchers to take multiple perspectives on legitimacy into account and explore it at the individual level of analysis (Suddaby et al., 2017). This study addresses the call by bringing the perspectives of individual funding officers into the model of TSO legitimacy. It has been shown that not only do they make judgements of pragmatic, normative, regulative, and cognitive legitimacy of TSOs but further confirmation has been received that the sources of these judgements are in the various parts of the TSO’s ecosystem. In other words, the funders make references to service users, organisational
processes, regulative compliance, and other elements in that organisation’s ecosystem to help form perceptions about organisational legitimacy.

The social construction of legitimacy implies a more agentic role that the organisations can play in legitimacy (Suchman, 1995). This study concurs with Macmillan and Paine (2021) who challenged the view that TSOs are relatively powerless in the face of wider forces. This study has shown that TSOs do not passively accept the rules set by existing institutions but attempt to change them and turn to their advantage. Yet, and contrary to what much of the literature on non-profit financing suggests (e.g., Buckingham, 2012; Kelly, 2007; Milbourne and Cushman, 2015; Zaidi, 1999), the funders of the case study organisations have not been found to be actively imposing their requirements on individual organisations and determine the outcomes of individual services and programs. The funding themes are broadly set, and the funders tend to relatively passively accept what TSOs can offer. Yet, what this study has also shown is that the funders are to some extent dependent on TSOs for the fulfilment of their own missions, which has not been recognised in non-profit literature before.

The empirical data has demonstrated that the relationship between the funder and the fundee is not one-way, in which the funder always grants legitimacy to a TSO. The relationship can be reversed, i.e., it is a TSO that enhances legitimacy of a charitable funder. Once again, this challenges the view that TSOs are necessarily powerless in the funder-fundee relationships. TSOs may be perceived as particularly attractive on certain dimensions. For example, despite the relatively small size of DST, its funders have expressed their ongoing willingness to support this organisation for their good reputation and good track record. By close association with DST, the funders themselves can boost their legitimacy because they are connected with legitimate others (Bitektine, 2011). Yet, a large national funder of APT was interested in the knowledge that the staff of this organisation had about supporting mental health issues and used APT in its fundraising campaigns suggesting that the funder perceived attractive pragmatic gains (Suchman, 1995) from the relationship with APT.
(iii) Expanding the model of TSO legitimacy and adapting the PSE framework to the non-profit context

This study has emphasized the role of the local institutional environment in organisational legitimacy of TSOs because institutional environments can be fragmented (Scott, 1995). Not only there are differences between Scotland and England, but Scottish TSOs operate in different parts of Scotland and are thus exposed to different sources of authority (Kostova and Zaheer, 1999). The results have shown that the local milieu not only shapes what these organisations could offer but that different TSOs are subject to different local institutions and have different relationships with local authorities.

Moreover, this study added a more nuanced conceptualisation of legitimacy by distinguishing civic society element in the wider ecosystem. This element has strong links with and draws upon the societal level and the level of individual beliefs. It captures the distinctive mission-driven nature of TSOs compared to either public sector or private sector organisations. With this, the ecosystem model presented in this thesis not only adopted the PSE framework but also extended the application of the PSE framework to TSOs rather than public sector organisations only.

Finally, and although the role of non-profit leaders for their organisations has been recognised in the previous non-profit literature (e.g., Kearns et al., 2014), this study has not just embraced the leaders into the model but explicitly considered the personal and professional beliefs of TSO leaders by showing how they underpin the legitimation processes of TSOs that they run.

(iv) Making a methodological contribution to the public management literature

The study is one of the first studies to apply the PSE approach as an analytic framework. The use of PSE as an analytic framework in the analysis of key ecosystem elements and relationships represents a methodological contribution to the PAM literature. This directly responds to the call of Osborne et al. (2022) to explore the applicability of the framework in other contexts and as concerns key organisational processes, such as resource acquisition, strategic planning, and performance evaluation. This study has explored its import for non-profit funding and legitimation processes.
7.3 Empirical contribution

Empirically the study has shown that legitimacy may be threatened when the service users are not interested in a service offered to them. Whilst this service might indeed be meeting their need (e.g., tackling social isolation), it may still generate little engagement of the service user because the service must be integrated with their prior experiences and expectations to be valuable to the user (Osborne et al., 2022). The service users are not passive recipients of the services and like other constituents are involved in active evaluation of organisational legitimacy (Bitektine, 2011). The key criterion for service users to help them decide whether to “accept” or “approve” the organisation is the extent to which their pragmatic needs are met (Connoly and Hyndman, 2017). The lack of user engagement can happen when users have not been sufficiently consulted in the process of service design.

Following from these empirical contributions, this study therefore recommends finding ways for active user input. This can not only reduce potential wastage of resources (time, staff, and funding) but result in more effective interventions. As the empirical evidence has suggested, user involvement does not necessarily imply a formal representation of the users on the board of the charity. It may take different forms and be achieved through a variety of means from subcommittees and focus groups to informal conversations between the staff and the young people they support. From the perspective of TSO legitimacy, user engagement is one of the key pillars of their legitimacy and it may be the key criterion for others in their evaluation of that organisation’s legitimacy. It may therefore be advantageous for TSOs to consider user views in their decision-making more seriously. Irrespective of how it is implemented in practice, failure to sufficiently engage with the user to understand their views can be costly.

Another debate in the literature concerns the use of commercial activities and their impact on organisational legitimacy of TSOs. This study has obtained empirical evidence of the supportive role of commercial activities for the three organisations studied (TSS relies on grants, but actively considers developing a SE activity). Not only does it provide a buffer against potential losses of other sources of income, but the organisations were shown to be in greater control of its potential impact on organisational mission compared to other forms of income. Unlike grants, donations and contracts that often place expectations on
organisations and may distort their mission, commercial income has no strings attached. It is
unrestricted, i.e., not tied to a specific purpose or project and it gives TSOs greater autonomy
and freedom to decide how the income should be spent (Dart, 2004). Moreover, the research
suggests that self-support activities are the tools that enhance non-profit legitimacy in the
eyes of the funders because the funders have demonstrated a clear preference for funding
TSOs with diversified income bases. The SE income, thus, can act as a catalyst to obtain other
valued resources, i.e., grants (Gronbjerg, 1991). In saying so, it is, however, important to note
that it is not without problems. Commercial activities are carefully and consciously managed
by the case study organisations. Moreover, they cannot fully substitute all other sources of
income (McKay et al., 2015). As the example of Covid-19 has shown, this income is not stable
either and can disappear within a few days exposing organisations to great financial risks.

Unlike private sector or public sector organisations, TSOs can pursue commercial activities
while maintaining grants and other sources of income in their funding structure and are thus
encouraged to take advantage of their unique position. The study recommends TSOs to
explore possibilities to generate commercial income. While it does not suit every TSO and
may require a certain skill set to be developed, organisations can seek support from the
developed third sector infrastructure in Scotland where there is a number of umbrella
institutions such as Social Enterprise Scotland and Social Enterprise Academy to name a few
that can provide practical advice.

Finally, the study has provided a tool for TSOs to map the ecosystem of their organisations
and explore the elements that contribute to their organisational legitimacy. This can help
establish the relative importance of these elements and identify one or two core elements
that have more legitimising potential than others. Knowing where the strengths are can
support organisational sustainability. This can help focus organisations and save their
resources. This is particularly important in the context of TSOs as they are often constrained
in terms of resources, and the staff often multitask. This can help set priorities and focus the
attention of TSOs on cultivating the elements that have greater legitimising potential.
7.4 Policy implications

As the case-studies have demonstrated, public services are indeed increasingly delivered in networks (Hodgkinson et al., 2017) and include the TSOs themselves, funding bodies, partners, referral agencies, and service users. Ever since the Hard Edges report was released in England in 2015 and then in Scotland in 2019, the funders, both public and charitable, have adjusted their funding processes to include more mechanisms whereby the views of the community can be acknowledged in the funding application process. For example, the funding agencies require TSOs to demonstrate how the views of the community have been considered. Many funders in the sample engage members of the local community or people with lived experience in the funding allocation decisions. While these represent positive improvements, there is yet room for improvement which requires a more coordinated approach.

Much of the current debate in the non-profit literature seems to be about the clash of the missions between TSOs and these other groups who support the delivery of social services, including funders, and questions about who has a more legitimate claim to represent the user. The nature of the debate is rather flawed. Having explored the viewpoints of both the case study organisations and their funders, it can be said that both parties want to support the user and exist to fulfil their needs. In some ways they share similar goals and objectives while the non-profit literature on financing sometimes takes a deterministic view. TSOs are prescribed to stick to their missions and any mission changes are stigmatised. However, if the mission changes because the needs change should not be seen as a negative. With respect to funders, their aims are no less charitable or inferior to those of TSOs. However, the issue is that changing the funding themes every three to five years as the funders often do is equally wrong because it does not allow sufficient time for TSOs to tackle an issue at its core. As a venture philanthropist in the sample has noted, after 10 years of funding the same cause they still had concerns that the scale of the issue had not been fully addressed and it would quickly return to the previous level if left unattended.

Rather than arguing whose mission is more important, the different parties involved in supporting the user should rather consider possibilities of developing a more coordinated approach to addressing a social issue where each can have unique value-add in the process
and where the needs are set by the service users. Public policy can play a role in this process by facilitating a more coordinated response and bringing together funders, TSOs, local authorities, communities, and other interested parties to realise common goals and aspirations.

7.5 Limitations and directions for future research

This study on legitimacy of TSOs aimed to develop a better understanding of legitimacy of TSOs and explore the processes that underpin their legitimacy. It did so by analysing the empirical corpus of data provided by four mid-sized Scottish TSOs that deliver a range of services to young people and have different proportions of several funding sources in their funding portfolios. Although efforts were made to ensure the empirical setting served to address the research questions in the most appropriate way, the study is not without its limitations.

First, even in a multiple case research design there will never be enough cases to allow for statistical generalisation (Gomm et al., 2000). Accordingly, this research does not claim to represent the reality of all TSOs that deliver services in Scotland. Moreover, this study focused on the third sector in Scotland, which is structurally, politically, and ideologically different from other countries (Hazenberg et al., 2016). However, this does not impact the quality of the data presented within this thesis. The focus of case studies is on analytical generalisation (Thomas, 2016), and the exploratory data provided within this thesis can be used comparatively in future studies of other public services and other geographies outside of Scotland. Furthermore, the study of untypical research settings, i.e., Scottish “distinctiveness” of the third sector, can bring to the surface issues that can be hidden in more usual settings (Hartley, 2004). This study has provided a rich description of the contingencies in which legitimacy processes occur, which can serve as a good basis to develop and test the ideas presented in the thesis in other settings.

The present study focused on medium-sized charities and those that deliver services for young people in Scotland. TSOs, however, differ on a number of characteristics. Accordingly, future studies can vary these characteristics and extend the study of legitimacy to other non-
profit settings and contexts, by including, for example, TSOs of different sizes, supporting different user groups, and operating in other locations.

Size of an organisation was found to be an important determinant of organisational legitimacy in previous literature (Ruef and Scott, 1998). The case study organisations are well-established and have a long track record, which may have influenced the dynamics of their legitimation processes while newly established organisations may need to develop a different set of approaches to enact their legitimacy because they do not have the same level of credibility as established organisations do (Lounsbury and Glynn, 2001). Furthermore, leaders in larger organisations may have fewer decision-making powers and their values and beliefs may play a more marginal role in the legitimation process compared to smaller organisations where the non-profit leader usually performs several functions (Kearns et al., 2014). In particular, it could be that the prominence of the sub-micro level is almost exclusively pertinent to founder-run organisations where the founder is also the CEO and sometimes the Chair of the board, while for larger organisations the macro level may be more important because they operate on a larger scale and cover wider geographies. These are all interesting directions to address in future research.

Furthermore, the case studies included in this research have diversified funding portfolios. The dynamics of traditional fundraising, grant-making, corporate giving, and contractual obligations can be quite distinct (Bielefeld, 2002), and thus may impact the nature of legitimation processes of organisations. For example, in traditional fundraising it is common to use emotive appeals to encourage individual giving (Clarke, 2001) while service contracts emphasize targets and measurable outcomes (Taylor and Warburton, 2003). Therefore, an application of the ecosystem approach to the study of TSOs that are predominantly funded through one of these mechanisms represents another interesting avenue for research.

Similarly, the conceptual framework and the approaches to legitimation proposed in this study could be refined by their application to other service contexts and user groups. For example, further studies can explore how these constructs apply to TSOs where services do not have as many hedonic components than those offered by the case study organisations or where services are of less voluntary nature (Strokosch and Osborne, 2020).
Due to Covid restrictions the study was limited in terms of the data that could be collected, but further studies can expand the sources of information within one case and use other data collection tools to include a wider range of perspectives and constituents. There are yet proxy measures to capture legitimacy and subsequent studies can adopt existing quantitative instruments such as surveys to explore the dimensions of organisational legitimacy from multiple perspectives. In addition, the funders in the survey were sometimes unable to provide an extensive commentary on the legitimacy of particular organisations because their staff may have changed. Often, however, funding officers process large volumes of applications and oversee a large portfolio of funded organisations (which may reach 350 organisations for one funding officer at any point in time). This can influence the depth of material that can be collected about TSOs. Therefore, it is advisable to use methods other than interviews to collect data in real time such as observing and tracing every stage of the funding application process from the funders’ perspective.

In a similar vein, legitimacy is a concept that cannot be directly measured or observed. Hence, it is not possible to claim causality between the approaches to legitimation identified and the outcomes perceived and reported by the respondents. Hence, further research should adopt a longitudinal research design to empirically trace and record the impact that the approaches used by TSOs have on the outcomes of the legitimation processes.

Finally, it is worth noting that the abductive research strategy adopted in this research allowed the author to reflect upon the findings emerging from the empirical study and seek for an appropriate theoretical explanation of the patterns observed (Dubois and Gadde, 2002). In this iterative process the author incorporated several bodies of literature into the theoretical framework bringing in the contemporary understanding of legitimacy from the legitimacy literature and the service ecosystem lens from the PAM literature together in this study. These theories were instrumental in advancing the author’s sensemaking process, though the choices made also shaped the nature of the analyses conducted. Nevertheless, the study has presented an approach that allows conceptualising third sector legitimacy in a novel way, and usefully outlined future research directions to explore, refine, and develop the framework in other research settings.
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### APPENDICES

#### Appendix 1: Sources and types of income in the third sector

<table>
<thead>
<tr>
<th></th>
<th>Voluntary Donations and gifts</th>
<th>Earned Charitable activities</th>
<th>Activities for Generating Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Income freely given, usually as a grant, donation or legacy, for which little benefit is received by the donor</td>
<td>Gross fees for goods and services that are provided as part of the charity’s mission</td>
<td>Gross fees for goods and services provided to generate funds</td>
</tr>
<tr>
<td>Individuals</td>
<td>Individual donations (including Gift Aid); legacies, membership subscriptions without significant benefits</td>
<td>Fees for services provided in pursuit of charitable objects; membership subscriptions with significant benefits; rent from property where providing accommodation is a charitable purpose</td>
<td>Fundraising by charities where benefit is received in return: charity shop turnover; sales of merchandise; raffles and lotteries; fees for fundraising events</td>
</tr>
<tr>
<td>The general public</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>Funding grants; grants to charitable intermediaries</td>
<td>Public sector fees; payments for contracted services</td>
<td>Trading with public sector to raise funds</td>
</tr>
<tr>
<td>Government and its agencies in the UK, the European Union and international agencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voluntary Sector</td>
<td>Grants from charitable trusts; grants distributed by charitable intermediaries</td>
<td>Services provided under contract that are in line with the recipient’s charity mission</td>
<td>Trading with other charities to raise funds</td>
</tr>
<tr>
<td>Charities such as trusts and grant-making foundations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Sector</td>
<td>Corporate donations and gifts in kind</td>
<td>Subcontracting; research; other services provided under contract</td>
<td>Corporate sponsorship</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Lottery</td>
<td>Grants from National Lottery distributors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>The proceeds generated from investments and cash balances</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 2: Details of empirical data collected between 2018-2019 prior to the pandemic

Table 1A. Data collected prior to March 2020 (the official start of the first lockdown)

<table>
<thead>
<tr>
<th>Method/Tools</th>
<th>Completed as of Dec 2019</th>
<th>What for?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Case Study</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Case study A</td>
<td>14 interviews, one staff meeting, documents</td>
<td>To explore and compare organizational contexts in which financial decision-making is taking place</td>
</tr>
<tr>
<td>Case study B</td>
<td>9 interviews</td>
<td></td>
</tr>
<tr>
<td>Case study C</td>
<td>1 interview</td>
<td></td>
</tr>
<tr>
<td>Case study D</td>
<td>1 interview</td>
<td></td>
</tr>
<tr>
<td><strong>II. Qualitative Interviewing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Semi-structured interviews with other TSOs (CEO/COOs, fundraisers, trustees)</td>
<td>41</td>
<td>To complement and/or validate case study data</td>
</tr>
<tr>
<td>Semi-structured interviews with funders</td>
<td>4</td>
<td>To construct and compare funders’ demands for legitimacy</td>
</tr>
<tr>
<td><strong>III. Participant Observation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Observations – funding workshops (social investment)</td>
<td>7 (20 hours of observation)</td>
<td>To construct and compare funders’ demands for legitimacy</td>
</tr>
<tr>
<td>Observations – funding workshops (fundraising)</td>
<td>4 (12 hours of observation)</td>
<td></td>
</tr>
<tr>
<td><strong>IV. Focus Group</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus groups with TSOs</td>
<td>Not yet started</td>
<td>To validate and seek feedback on the framework</td>
</tr>
<tr>
<td><strong>V. Database</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data complied from various sources</td>
<td>Completed</td>
<td>280 organisations with social investments in Scotland</td>
</tr>
</tbody>
</table>
### Table 2A. Details of case study organisations and other organisations interviewed

<table>
<thead>
<tr>
<th>№</th>
<th>Focus</th>
<th>Year</th>
<th>Income</th>
<th>Aims*</th>
<th>Geography</th>
<th>SI Y/N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Group activities, befriending and mentoring</td>
<td>20 February 1988</td>
<td>£397,069</td>
<td>6</td>
<td>Wider, but within one local authority area</td>
<td>N</td>
</tr>
<tr>
<td>2</td>
<td>Youth sports, dance, and VR</td>
<td>10 October 2005</td>
<td>£651,752</td>
<td>1,2,4,7</td>
<td>More than one local authority area in Scotland</td>
<td>Y</td>
</tr>
<tr>
<td>3</td>
<td>Education and employment of young people</td>
<td>03 December 1996</td>
<td>£309,788</td>
<td>2,4,6,8,9,13,14,16</td>
<td>A specific local point, community or neighbourhood</td>
<td>N</td>
</tr>
<tr>
<td>4</td>
<td>Employment, health, housing for young people</td>
<td>18 November 2000</td>
<td>£455,735</td>
<td>1,2,4,6,9,16</td>
<td>More than one local authority area in Scotland</td>
<td>N</td>
</tr>
<tr>
<td>5</td>
<td>Youth support</td>
<td>01 January 1992</td>
<td>£4,678,010</td>
<td>1,2,14</td>
<td>Operations cover all or most of Scotland</td>
<td>N</td>
</tr>
<tr>
<td>6</td>
<td>Diversionary activity to young people</td>
<td>11 May 2010</td>
<td>£962,223</td>
<td>2,6,14</td>
<td>Scotland and other parts of the UK</td>
<td>N</td>
</tr>
<tr>
<td>7</td>
<td>Youth support, homelessness</td>
<td>26 March 1998</td>
<td>£3,537,185</td>
<td>1,2,4,14</td>
<td>More than one local authority area in Scotland</td>
<td>Y</td>
</tr>
<tr>
<td>8</td>
<td>Employment of young people (and other people)</td>
<td>21 September 2011</td>
<td>£977,959</td>
<td>1,6,14</td>
<td>UK and overseas</td>
<td>N</td>
</tr>
<tr>
<td>9</td>
<td>Youth support activities</td>
<td>14 January 1992</td>
<td>£307,775</td>
<td>1,2,4,6,8,9</td>
<td>A specific local point, community or neighbourhood</td>
<td>N</td>
</tr>
<tr>
<td>10</td>
<td>Youth support, homelessness</td>
<td>09 September 1991</td>
<td>£1,364,645</td>
<td>1,2,4,6,14</td>
<td>More than one local authority area in Scotland</td>
<td>N</td>
</tr>
<tr>
<td>11</td>
<td>Youth care</td>
<td>06 March 1979</td>
<td>£3,685,477</td>
<td>2,14</td>
<td>Operations cover all or most of Scotland</td>
<td>N</td>
</tr>
<tr>
<td>12</td>
<td>Learning and residential services, especially for young people</td>
<td>05 February 2007</td>
<td>£451,470</td>
<td>6,9</td>
<td>UK and overseas</td>
<td>N</td>
</tr>
<tr>
<td>13</td>
<td>Youth sports</td>
<td>04 April 2004</td>
<td>£668,887</td>
<td>1-4,6,8</td>
<td>Operations cover all or most of Scotland</td>
<td>Y</td>
</tr>
<tr>
<td>14</td>
<td>Homeless and disadvantaged young people</td>
<td>28 August 1997</td>
<td>£1,563,823</td>
<td>1</td>
<td>Operations cover all or most of Scotland</td>
<td>N</td>
</tr>
<tr>
<td>15</td>
<td>Residential and other services for young people</td>
<td>05 April 2000</td>
<td>£5,939,507</td>
<td>2,14</td>
<td>Scotland and other parts of the UK</td>
<td>N</td>
</tr>
<tr>
<td>16</td>
<td>Homelessness</td>
<td>17 October 1969</td>
<td>£4,866,920</td>
<td>1,2,4,10,13,14</td>
<td>More than one local authority area in Scotland</td>
<td>Y</td>
</tr>
<tr>
<td>17</td>
<td>Youth support</td>
<td>06 November 1999</td>
<td>£2,073,390</td>
<td>1,2,13,14</td>
<td>Wider, but within one local authority area</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Support, care and employability services</td>
<td>12 November 2001</td>
<td>£4,872,305</td>
<td>14</td>
<td>More than one local authority area in Scotland</td>
<td></td>
</tr>
<tr>
<td>---</td>
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<td>----</td>
<td>-----------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Charity shops, children, humanitarian aid</td>
<td></td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Homeless young people</td>
<td>16 April 1998</td>
<td>£1,205,493</td>
<td>1,2,14</td>
<td>Highland</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Community development trust</td>
<td></td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Mental Disability</td>
<td></td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Funding, advisory</td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Funding, advisory</td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Funding, advisory</td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

*  
1. The prevention or relief of poverty  
2. The advancement of education  
3. The advancement of religion  
4. The advancement of health  
5. The saving of lives  
6. The advancement of citizenship or community development  
7. The advancement of the arts, heritage, culture or science  
8. The advancement of public participation in sport  
9. The provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended  
10. The advancement of human rights, conflict resolution or reconciliation  
11. The promotion of religious or racial harmony  
12. The promotion of equality and diversity  
13. The advancement of environmental protection or improvement  
14. The relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage  
15. The advancement of animal welfare  
16. Any other purpose that may reasonably be regarded as analogous to any of the preceding purposes
### Table 3A. Data collected from organisations in the “Other” category

<table>
<thead>
<tr>
<th>№</th>
<th>Interviewees and Position</th>
<th>Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>CEO, Head of Programme Design and Policy Management, Business Development Manager, Fundraising Manager</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>CEO, Chairperson, Treasurer</td>
<td>3</td>
</tr>
<tr>
<td>7</td>
<td>Former CEO, CEO x 2, Auditor</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>Fundraising Manager, Trust and Grant Officer</td>
<td>2</td>
</tr>
<tr>
<td>9</td>
<td>CEO</td>
<td>1</td>
</tr>
<tr>
<td>10</td>
<td>Director of Operations x 2, CEO</td>
<td>3</td>
</tr>
<tr>
<td>11</td>
<td>Director of Development, CEO</td>
<td>2</td>
</tr>
<tr>
<td>12</td>
<td>Fundraiser, CEO</td>
<td>2</td>
</tr>
<tr>
<td>13</td>
<td>CEO, Deputy CEO</td>
<td>3</td>
</tr>
<tr>
<td>14</td>
<td>CEO</td>
<td>1</td>
</tr>
<tr>
<td>15</td>
<td>CEO</td>
<td>1</td>
</tr>
<tr>
<td>16</td>
<td>Head of Enterprise, CEO</td>
<td>2</td>
</tr>
<tr>
<td>17</td>
<td>CEO</td>
<td>2</td>
</tr>
<tr>
<td>18</td>
<td>CEO</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Head of Operations x 2</td>
<td>2</td>
</tr>
<tr>
<td>20</td>
<td>CEO</td>
<td>1</td>
</tr>
<tr>
<td>21</td>
<td>Director of Operations</td>
<td>1</td>
</tr>
<tr>
<td>22</td>
<td>Business Development Manager</td>
<td>1</td>
</tr>
<tr>
<td>23</td>
<td>Consultant</td>
<td>1</td>
</tr>
<tr>
<td>24</td>
<td>Community Investment Manager</td>
<td>1</td>
</tr>
<tr>
<td>25</td>
<td>Community Shares Standards Manager</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Programme Officer</td>
<td></td>
</tr>
</tbody>
</table>

### Table 4A. Details of seminars attended

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 April 2019</td>
<td>Joined a one-day Social Investment Programme of the Social Enterprise Academy and observed interactions of 12 representatives from TSOs</td>
</tr>
<tr>
<td>19 and 26 May 2019</td>
<td>Attended a 2-day course on “Get started with fundraising: building capacity to raise funds” organized by SCVO</td>
</tr>
<tr>
<td>29 and 30 May 2019</td>
<td>Joined an extended 2-day Social Investment Masterclass of the Social Enterprise Academy and observed interactions of 12 other representatives from TSOs</td>
</tr>
<tr>
<td>Various dates</td>
<td>Attended 6 talks and events with funders (Social Investment Scotland, Triodos, Grameen, Ethex, Energize Africa, Grameen Foundation Scotland)</td>
</tr>
<tr>
<td>8 and 9 October 2019</td>
<td>Attended Ethical Finance 2019, a practitioner-oriented conference on ethical investing</td>
</tr>
</tbody>
</table>
### Appendix 3: Patton’s fifteen sampling techniques

<table>
<thead>
<tr>
<th>Sampling Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extreme or Deviant Case Sampling</td>
<td>Focuses upon selecting cases which are unusual or special in some way</td>
</tr>
<tr>
<td>Intensity Sampling</td>
<td>Similar to extreme case sampling, intensity sampling focuses upon selecting cases which show the phenomena being studied <em>intensely</em> (but not extremely)</td>
</tr>
<tr>
<td>Maximum Variation Sampling</td>
<td>Focuses upon selecting cases which are very different; this allows the researcher to make note of any significant common patterns within that variation</td>
</tr>
<tr>
<td>Homogeneous Samples</td>
<td>Focuses upon selecting a small homogeneous sample.</td>
</tr>
<tr>
<td>Typical Case Sampling</td>
<td>Focuses upon selecting cases which are “typical” of the phenomenon being studied, i.e. they represent a typical example.</td>
</tr>
<tr>
<td>Stratified Purposeful Sampling</td>
<td>Focuses upon selecting cases which are above average, average and below average cases, aiming to identify major variations rather than similarities</td>
</tr>
<tr>
<td>Critical Case Sampling</td>
<td>Focuses upon selecting cases which are <em>critical</em> to the purpose of the research, or can show a phenomenon well</td>
</tr>
<tr>
<td>Snowball or Chain Sampling</td>
<td>Focuses upon asking well-situated people in the area you wish to study to specify cases. This will be done until certain cases or incidents are mentioned repeatedly</td>
</tr>
<tr>
<td>Criterion Sampling</td>
<td>Focuses upon specifying certain criteria and studying those cases which meet those criteria. This allows cases which are likely to be information-rich about the topic you are studying to be chosen</td>
</tr>
<tr>
<td>Theory-based Sampling</td>
<td>Focuses upon sampling cases which represent important theoretical constructs related to the area you are studying</td>
</tr>
<tr>
<td>Confirming and Disconfirming Cases</td>
<td>Focuses upon sampling after part of the data collection process has been completed, the researcher then seeks to confirm or disconfirm these cases</td>
</tr>
<tr>
<td>Opportunistic Sampling</td>
<td>Sampling begins during fieldwork, “on the spot” decision will be made to sample because that person or case is viewed to be important to the study</td>
</tr>
<tr>
<td>Purposeful Random Sampling</td>
<td>Focuses upon selecting information-rich cases randomly; this limits how representative the sample is but enhances credibility</td>
</tr>
<tr>
<td>Sampling Politically Important Cases</td>
<td>Similar to critical case sampling, focusing upon selecting politically important cases to the study</td>
</tr>
<tr>
<td>Convenience Sampling</td>
<td>Focuses upon selecting certain cases because of convenience; you have easy access, timing issues</td>
</tr>
</tbody>
</table>
Appendix 4: SCVO’s classification of third sector organisations based on the International Classification of Non-Profitmaking Organisations taxonomy

<table>
<thead>
<tr>
<th>Groups</th>
<th>Scottish Charities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Culture and Sport</strong></td>
<td></td>
</tr>
<tr>
<td>1100 Culture and Arts</td>
<td>2,787</td>
</tr>
<tr>
<td>1200 Sport and Recreation</td>
<td>1,037</td>
</tr>
<tr>
<td>1300 Other Recreation and social clubs</td>
<td>512</td>
</tr>
<tr>
<td><strong>Education and Research</strong></td>
<td></td>
</tr>
<tr>
<td>2100 Primary and secondary education</td>
<td></td>
</tr>
<tr>
<td>2110 Parent-teacher associations</td>
<td>185</td>
</tr>
<tr>
<td>2120 Educational foundations</td>
<td>281</td>
</tr>
<tr>
<td>2200 Higher education</td>
<td>45</td>
</tr>
<tr>
<td>2300 Other education</td>
<td>428</td>
</tr>
<tr>
<td>2400 Research</td>
<td>7</td>
</tr>
<tr>
<td>2410 Medical research</td>
<td>89</td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td></td>
</tr>
<tr>
<td>3100 Hospitals and Rehabilitation</td>
<td></td>
</tr>
<tr>
<td>3200 Care homes</td>
<td>59</td>
</tr>
<tr>
<td>3300 Mental health and wellbeing</td>
<td>233</td>
</tr>
<tr>
<td>3400 Other health services</td>
<td>669</td>
</tr>
<tr>
<td>3450 Addictions support</td>
<td>59</td>
</tr>
<tr>
<td><strong>Social Care</strong></td>
<td></td>
</tr>
<tr>
<td>4100 Social services (general)</td>
<td></td>
</tr>
<tr>
<td>4110 Services for children and families</td>
<td>472</td>
</tr>
<tr>
<td>4111 After school clubs</td>
<td>124</td>
</tr>
<tr>
<td>4120 Pre-school daycare</td>
<td>503</td>
</tr>
<tr>
<td>4130 Services for young people</td>
<td>390</td>
</tr>
<tr>
<td>4131 Scouts, Guides etc</td>
<td>2,872</td>
</tr>
<tr>
<td>4140 Services for people with disabilities</td>
<td>591</td>
</tr>
<tr>
<td>4150 Services for older people</td>
<td>297</td>
</tr>
<tr>
<td>4160 Services for women</td>
<td>93</td>
</tr>
<tr>
<td>4170 Carers Organisations</td>
<td>83</td>
</tr>
</tbody>
</table>

Source: SCVO, 2022
# Appendix 5: Characteristics of funders

<table>
<thead>
<tr>
<th>Funder</th>
<th>Mission</th>
<th>Founder</th>
<th>Funding Themes</th>
<th>Strategic Review</th>
<th>Why and How Funding Themes Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>To work towards of a just world free of poverty by entertaining and engaging the general public in order to accelerate positive change in society</td>
<td>Individuals</td>
<td>✓ Children Survive and Thrive ✓ Better Mental Health ✓ Safe Place to Be ✓ Gender Justice</td>
<td>Yes, determined by their Social Change Strategy every 5 years</td>
<td>The new grants strategy reflects global issues that they have identified as important, e.g., racial equality (Black Lives Matter), climate issues, the lived experience</td>
</tr>
<tr>
<td>F2</td>
<td>East Lothian should be even more prosperous, safe and sustainable, with a dynamic and thriving economy that enables our people and communities to flourish</td>
<td>Created under the Local Government (Scotland) Act 1973</td>
<td>Reduce inequalities within the following themes: ✓ Young people/youth work ✓ Social isolation/befriending ✓ Supporting volunteering ✓ Tackling climate change</td>
<td>Yes, reviewed in every Council Plan (latest is 2017-22) and East Lothian Partnership Plan (latest is 2017-2027); also yearly based on the performance assessment in previous years and current needs</td>
<td>Based on evidence from a strategic assessment of the East Lothian Profile in terms of demography, economy, health and other quality of life measures. The objectives and priorities reflect the context of issues faced by the local people, the City Region Deal and the results of the East Lothian Residents Survey and the East Lothian Citizens’ Panel surveys</td>
</tr>
<tr>
<td>F3</td>
<td>Supporting communities to shape their future with the capacity and resources to deliver it</td>
<td>Individuals</td>
<td>✓ Advancing people’s physical, mental health, wellbeing and safety ✓ Connecting people with the arts, culture and heritage ✓ Improving life skills, education and employability ✓ Building community cohesion</td>
<td>Yes, but not of the funding themes. The latest review covers areas of improvement in terms of grant making</td>
<td>Funding themes are set in consultation with donors but are subject to change as and when required by donors</td>
</tr>
</tbody>
</table>
| F4 | For a Scotland without poverty or disadvantage | Part of another foundation; became independent organisation in 2008 | ✓ Youth training and unemployment  
✓ Supporting children to grow, learn and play outdoors  
✓ Engagement of young people in the areas of sports, culture and arts | Yes, compulsory evaluation of each fund/funding theme when the funding round is complete | The foundation usually contracts a research organisation to identify specific areas where there is a need. This involves asking the people, users, funding partners and organisations in Scotland about the most pressing social issues. |
| F5 | To work with our community to make life better for everyone who lives, gets around, works, and visits the Musselburgh Area | Local government | ✓ Reduce inequalities in the community:  
✓ Poverty  
✓ Health  
Transport and educational attainment | Yes, as determined by the local council plan set every 5 years, the partnership plan and the annual local area plan | The key areas of the plan are based on evidence from the area profile and consultations at the annual Communities Day, Annual Public Meetings, and various surveys. The plan links in with the East Lothian Plan and other plans that deliver services (e.g., Local Transport Strategies, Poverty Commission Action Plan, Policing Plan, etc.) |
| F6 | Our ambition is to build a fairer, greener world. We operate with the sole purpose of helping to raise funds for good causes. Charities are at the heart of everything we do | Owned by an international company | ✓ Support for older people, young people, homeless people and people living with health problems  
✓ Environmental protection, animal welfare and wildlife conservation  
✓ Sport, culture and the arts | Yes, reviewed in the Strategic Plan | Based on trends in the past and the fact that the funding themes have been delivering outcomes that the funder set to achieve. The Trust continuously reviews how the work of funded charities aligns with the SDGs and how it can complement support from government, corporate and other funders. In the next three years prioritisation will be given to smaller charities with an income of less than £1 million. |
<p>| F7 | Improving the wellbeing of citizens within the Scottish Borders and making our region a more sustainable and better place to live, work in and to visit | Created under the Local Government (Scotland) Act 1973 | ✓ Advancement of citizenship or community development | Yes, compulsory. As determined by the Council Plan every 5 years | The Plan needs to be revisited every year to take account of the issues affecting the Scottish Borders and develop priorities. This Council Plan builds on the Corporate Plan for 2018-2023, and includes larger developments, such as the Scottish Borders Climate Change Route Map and Scottish Borders AntiPoverty Strategy |
| F8 | Improve the lives of people and communities | Private company | ✓ Alcohol and substance misuse | Yes, in every strategic review every 3-5 years | The Foundation undertakes a strategic grant making review approximately every five years, |</p>
<table>
<thead>
<tr>
<th></th>
<th>– particularly those facing disadvantage and marginalisation – through grantmaking</th>
<th>✓ Disadvantaged young people ✓ Homelessness ✓ Older people</th>
<th>most recently in 2016, but is planning to do an intensive and in-depth review to be “in line with modern grant making” by looking to other organisations and modernising itself.</th>
</tr>
</thead>
<tbody>
<tr>
<td>F9</td>
<td>Improve lives and support communities, inspired by the wishes of A.K. Bell</td>
<td>Individual ✓ To improve the quality of life ✓ To improve the availability or quality of the built and natural environment for wide community use ✓ To develop and inspire children and young people (From age 0 to 21 inclusive)</td>
<td>Yes, their five-year Grant Strategy 2022-2027 required major revisions to the Trust Deed In 2020-21 the Trust developed a new overarching strategy with the support of an external consultant. They have undertaken a review of practice and engaged with staff, trustees and grantees revising the charitable purposes in terms of the Charities and Trustee Investment (Scotland) Act 2005 “in line with the modern-day charitable activities of the Trust whilst retaining key wording as provided by the Trust’s founder, so as not to lose sight of the founder’s original intentions”.</td>
</tr>
<tr>
<td>F10</td>
<td>To support education and training of adults in the Tayside area</td>
<td>Individual ✓ The advancement of the education of adult persons; ✓ The advancement of the vocational and professional training and retraining of such persons</td>
<td>No, but the trustees have the discretion to change the budget The funding theme has remained stable over the years</td>
</tr>
<tr>
<td>F11</td>
<td>We support people and communities to prosper and thrive</td>
<td>Established by an Act of Parliament ✓ Supporting thriving communities ✓ Giving opportunity to young people ✓ Promoting employment and employability ✓ Helping those most in need in our society ✓ The climate and net zero challenge</td>
<td>Yes, in April 2022 the funder launched an 18-month strategy renewal process for the period up until 2030 The Strategy Renewal process has been started in response to the findings from its annual survey of adults across the UK, which revealed differences in people’s perceptions of quality of life within their communities. The 18-month process will engage stakeholders and “is part of the Fund’s ongoing commitment to putting communities first”. In addition, DCMS and the respective departments in each of the devolved Nations issue Policy Directions which identify the priorities that the funder must take into account in establishing grant programs.</td>
</tr>
<tr>
<td>F12</td>
<td>To make communities in Dundee and the surrounding area better and more supportive places for people to live, work and prosper</td>
<td>Individual</td>
<td>✓ Addressing deprivation, poverty and inequality ✓ Advancing educational attainment ✓ Progressing physical and mental health and wellbeing</td>
</tr>
<tr>
<td>-----</td>
<td>--------------------------------------------------------------------------------------------------------------------------------</td>
<td>------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>F13</td>
<td>We work with others, using all of our tools and resources, to improve the wellbeing of people affected by poverty and trauma</td>
<td>Individuals</td>
<td>✓ Financial security ✓ Emotional wellbeing and relationships ✓ Educational and work pathways</td>
</tr>
<tr>
<td>F14</td>
<td>To be the collective voice of the youth work sector. We represent the interests, policy and practice needs of the youth work sector to government and other stakeholders</td>
<td>Established to be an intermediary body for the voluntary youth work sector in Scotland</td>
<td>✓ Support young people most affected by social isolation and loneliness ✓ Tackle inequalities by supporting young people from areas of deprivation</td>
</tr>
<tr>
<td>F15</td>
<td>To create a Scotland where no resources are wasted and circular economy principles are embedded across the country, directly supporting the Scottish Government in delivering their environmental objectives and creating sustainable economic growth</td>
<td>Started by a private company but became independent under the arrangements of Scottish Ministers</td>
<td>✓ Responsible consumption ✓ Responsible production ✓ Maximising value from waste and energy</td>
</tr>
</tbody>
</table>
Appendix 6: Interview guides

Interview guide with the CEO (adjusted to interviews with managers and fundraisers where applicable)

1. Please tell me a little bit about yourself (professional background, how long in the position, motivations for joining the charity)
2. What does the CEO [insert any other title] do?
3. What do you aim to achieve as a charity?
4. How is the charity similar or different to other charities (or places you have worked at)? [Probes: culture, staff, values, links, processes]
5. What makes you a legitimate charity? [Unpack concept, if necessary, but do not lead, e.g., credible, justifies the pursuance of your aims and purposes, helps secure support of others]
6. How do you ensure your legitimacy?
7. Whom do you consider your main stakeholders? [Unpack concept, if necessary, but do not lead, e.g., supporters, endorsers, individuals, or organisations related to you]
[Suggested prompts adjusted to context:
➢ Why are they important to you?
➢ How do you ensure their approval?
➢ What do you do to secure their support?
➢ What are the challenges? How do you overcome them?]
8. How are the services/programs developed at [the charity]?
9. What are the factors that you consider when designing services/programs for young people? [Probe into the role of the service user, the funder, the wider environment]
10. How are the services and programs funded at [the charity]?
11. Why this funding source? Why this funding structure?
12. Who are your funders?
13. What factors do you consider when seeking funding for your services?
14. What do you usually do to secure funding? [Probes: crafting a funding application, evidence, role of relationships with the funder]
15. Are there any challenges facing [the charity]?
16. How do you address them?
17. Is there anything else that you would like to add before we wrap up?

Interview guide with trustees

1. Please tell me a little bit about yourself (professional background, how long in the charity, motivations for joining the charity)
2. What are the trustee’s responsibilities?
3. What influenced your decision to join the board of [the charity”s name]?
4. What do you aim to achieve as a charity?
5. How is the charity similar or different from others? [Probes: culture, staff, values, links, processes]
6. What makes you a legitimate charity? [[Unpack concept, if necessary, but do not lead, e.g., credible, justifies the pursuance of your aims and purposes, helps secure support of others]
7. How do you ensure your legitimacy?
8. Whom do you consider your main stakeholders? [Unpack concept, if necessary, but do not lead, e.g., supporters, endorsers, individuals, or organisations related to you]

[Suggested prompts adjusted to context:

➢ Why are they important to you?
➢ How do you ensure their approval?
➢ What do you do to secure their support?
➢ What are the challenges? How do you overcome them?]
9. What kind of questions do you tend to address at board meetings? [Probe into the Board’s role in ensuring financial sustainability of the charity]
10. What are the trustees’ views of the appropriate funding for [the charity]? 
11. Are there any challenges to [the charity]? 
➢ How do you address them?
12. Is there anything else that you would like to add before we wrap up?

Interview guide with project staff

1. Please tell me a little bit about yourself (professional background, how long in the position, motivations for joining the charity)
2. Please tell me a little bit about the work that you do (user group, services, and responsibilities)
3. What do you aim to achieve in your work with young people?
4. Are there any protocols that you follow when working with young people? What are they?
5. How are the views of young people considered?
6. Are there any challenges in your work?
➢ How do you cope with them?
7. How is your post funded?
8. How is the charity similar or different to other charities (or places you have worked at)? [Probes: culture, staff, values, links, processes]
9. What makes [the charity] legitimate? [[Unpack concept, if necessary, but do not lead, e.g., credible, justifies the pursuance of your aims and purposes, helps secure support of others]
10. Whom do you consider your main stakeholders? [Unpack concept, if necessary, but do not lead, e.g., supporters, endorsers, individuals, or organisations related to you]

[Suggested prompts to expand on what the respondent has said, adjust to context:

➢ Why are they important to you?
➢ How do you ensure their approval?]

302
➢ What do you do to secure their support?

11. Is there anything else that you would like to add before we wrap up?

Interview guide with funders

1. Please tell me a little bit about yourself (professional background, how long in the position, motivations for joining the organisation)
2. What does [insert job title] do?
3. What are the aims of [insert the name of the funding body]?
4. What kind of organizations do you seek to fund? Why focus on them?
5. What is a legitimate organization to you?
6. How do you know if an organization is legitimate? [Probe into the criteria used or processes of evaluating an organization’s legitimacy]
7. How are funding allocation decisions made and by whom?

Questions on the legitimacy of case study organizations:

8. Why is [insert the charity’s name] legitimate?
9. Why did you give funding to [the charity]?
10. What do you hope to achieve with your funding?
11. How is [the charity] similar or different to other organizations that you have funded?
12. If you no longer provide funding to it, why?
13. Is there anything else that you would like to add before we wrap up?
Exploring the Funding Environment in the Third Sector in Scotland

Project Information Sheet

You are being invited to take part in a research study on the funding environment of third sector organisations (TSOs) in Scotland. The research is part of the Doctoral program undertaken by Alina Khakimova, the PhD candidate at the University of Edinburgh. This short participant booklet contains the key information about the project, why this study is important and what to expect from it. Please take time to read it carefully and decide if you wish to participate.

WHAT IS THE FOCUS OF THE STUDY? TSOs often rely on a complex mix of funding mechanisms including grants, donations and/or payments for contracted services; an increasing number of TSOs seek opportunities to generate their own income. Securing funding in competitive and uncertain environments can be an exhausting and daunting task. The aim of the study is to explore the role of legitimacy in supporting the aims of the organization in these circumstances. At the end of the study, you may develop a better understanding of the basis of your legitimacy and use it to make informed decisions with respect to funding, services, and future organizational development.

WHAT WILL HAPPEN IF YOU DECIDE TO TAKE PART? You will be invited to interview to discuss your organisation, the services that you deliver, and the funding mechanisms that you use. The interview will take place at a time that is convenient for you. The researcher would like to audio record your responses and produce a written transcript (and will ask your consent for this). The interview should last around 1 hour. At later stages of the project and with your consent your work may be observed by the researcher.

DATA PROTECTION AND CONFIDENTIALITY The data that you provide will be processed in accordance with Data Protection Law. All information collected about you will be kept strictly confidential. If you consent to being audio recorded, all recordings will be destroyed once they have been transcribed. Your data will only be viewed by the researcher. All electronic data will be stored on a password-protected computer file and all paper records will be stored in a locked filing cabinet.

WHAT WILL HAPPEN WITH THE RESULTS OF THIS STUDY? The results of this study may be summarised in published articles, reports, and presentations. Quotes or key findings will always be made anonymous in any formal outputs and care will be taken to ensure that any information that could identify yourself or your organisation is not revealed.

FURTHER INFORMATION AND CONTACT If you have any further questions, please contact Alina Khakimova using the details below:

University of Edinburgh Business School, 29 Buccleuch Pl, Edinburgh EH8 9JS

07766057941

For general information about how we use your data, please go to: https://www.ed.ac.uk/records-management/privacy-notice-research

Appendix 7: Project information sheet and consent form
PARTICIPANT CONSENT FORM

**Project Title:** Exploring the Funding Environment in the Third Sector in Scotland

By signing this form, I agree that:

1. I confirm that I have read and understood the Participant Information Sheet for the above study.

2. I have been given the opportunity to consider the information provided, ask questions, and have had these questions answered to my satisfaction.

3. I understand that my participation is voluntary and that I can ask to withdraw at any time without giving a reason.

4. I consent to an audio recording of this session and to the excerpts from these recordings, or descriptions of them, being used for the purposes of research.

5. I agree to take part in this study.

Name                                                            Date                                                            Signature

_________________________________________________________________________  _________________  ____________________________
Appendix 8: Examples of memos generated during data analysis

Figure 1A. Example of an analytic memo summarizing a case
Figure 2A. Example of an analytic memo using visual mapping
Figure 3A. Example of overload thinking
Appendix 9: Organisational network of TSS

**Referral Network**

- Schools in East Lothian and Midlothian
- Social work
- Child and Adolescent Mental Health Service (CAMHS)
- Local council
- GPs and mental health services and others who supply the young people

**Support Network**

- Venture Scotland
- East Lothian Foodbank
- Other agencies like Dynamic Earth and environmental organizations, adventure organizations
- Construction businesses
- Playback Learning Academy
- Bruce Robertson Training
- Smart Works Scotland
- Third Sector Forum
- MELDUP (Midlothian and East Lothian Drug and Alcohol Partnership)
- MAP (Musselburgh Area Partnership)
- LAYC (a network of over 120 youth and children’s organisations in Edinburgh and the Lothians)
- Young Carers Network
- Children, Families and Young People’s Forum
- Venture Scotland
- Midlothian’s Children’s Services Network
- 16 plus meeting (all the schools and colleges)
- Skills Development Scotland
- Department for Work and Pensions
- Venture Scotland to try and influence decision-making
- Spark of Genius
Appendix 10: Organisational network of DST

Referral Network
Schools
Social work
Police
Family support workers
Local councils
Other voluntary agencies

Support Network
Dundee and Angus ADHD Support Group
Abertay University
DD8 Music
Tayside Council on Alcohol
Fairfield Sports and Social Club
Jessie’s Kitchen
Rossie
Active Schools
The North Hub
United Dance Organisation
Local businesses
Chaffinch Trust
Zero Waste Scotland
Dundee Social Enterprise Network
Dundee City Council Digital Forum
Appendix 11: Organisational network of APT

Referral Network
Schools
Social work
Child and Adolescent Mental Health Service (CAMHS)
NHS
Local council
Other voluntary agencies

Support Network
British Association of Play Therapists
Youth Borders
Community Jobs Scotland
Borders College
British Association for Counselling and Psychotherapy
Radio Borders
Borders Additional Needs Group
Rotary Club of Selkirk
Appendix 12: Organisational network of ETR

Referral Network
McLaren High School
Callander Primary and other primary schools

Support Network/Funding for MA
Skills Development Scotland
Community Jobs Scotland
Callander Landscape Partnership
Historic Environment Scotland
External training agencies
## Appendix 13: Overview of funding application requirements and decision-making process

<table>
<thead>
<tr>
<th>Funder</th>
<th>Who Can Apply</th>
<th>Documents Required</th>
<th>Application Structure</th>
<th>Decision-making</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1</td>
<td>Registered charities and organisations with an asset lock</td>
<td>Governing documents, Recent annual accounts, Safeguarding Policy, Diversity policy</td>
<td>1. Organisational details (legal status, size) 2. Proposal (issues addressed, need for the project, changes expected) 3. Who and how many will benefit 4. Approach (activities proposed, why effective, user involvement and feedback) 5. Monitoring plan (tracking changes) 6. Budget (costs and other funding secured/applied for) 7. Fit with outcomes of the funding call</td>
<td>1. Staff panel (experts within Comic Relief around the issue; might involve external assessors) 2. The assurance department carries out due diligence 3. External grants committee (chief executives of charities with relevant backgrounds) 4. The trustees’ meeting</td>
</tr>
<tr>
<td>F2</td>
<td>Community groups and charities</td>
<td>Governing documents, Statement of Accounts, Appropriate policies (e.g., Adult and Child Protection, insurance, Data Protection</td>
<td>1. Type (legal form, purpose) 2. Project (proposed activities, where delivered) 3. Which of the Council’s outcomes supports and how 4. How many people will benefit (how will evidence the impact) 5. How ensures inclusivity and accessibility 6. Budget (costs) 7. Other funding secured/applied for</td>
<td>1. Cross service evaluation group 2. Head of Communities and the Connected Communities Service Manager</td>
</tr>
<tr>
<td>F3</td>
<td>Organisations with charitable aims</td>
<td>Governance documents, Latest Accounts, Appropriate policies (e.g., Equal, Opportunities, Safeguarding</td>
<td>1. organisation Details (type, purpose, main activities) 2. Financial Details (total income, unrestricted reserves) 3. Project Details (description, geographical area, consultations, benefits for the people and the community, how the project will continue) 4. Budget (total cost, amount raised so far) 5. Indicators and Beneficiaries (possible outcomes) 6. Referee</td>
<td>1. Assessor (peer-reviewed) 2. Community panel (for funding communities) or Staff panels 3. Board</td>
</tr>
<tr>
<td>F4</td>
<td>Registered charities and companies limited by guarantee or shares</td>
<td>Organisational structure chart, Annual report, Audited accounts</td>
<td>1. Organisational details (geographic coverage, mission) 2. Project (need addressed, evidence of the need, who will</td>
<td>When a delivery partner for SG: 1. Multi policy teams</td>
</tr>
<tr>
<td></td>
<td>Benefit, user views, past performance, collaboration, referral routes)  3. Project outcomes (how many and how will benefit, expected demand)  4. Project monitoring (tracking indicators and outcomes)  5. Budget (costs, other funding sources)  6. Sustainability (how plans to continue the project)  7. Fit with the funding theme</td>
<td>2. SG Proprietary funds:  1. Internal teams (peer reviewed)  2. Independent panels  3. Board</td>
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<tr>
<td>F5</td>
<td>Any local group or organisation</td>
<td>Annual accounts  1. Organisational details (mission, location)  2. How meets the priorities  3. Project (idea, the need for the project, what hopes to achieve, how deliver outcomes and evaluation plans)  4. Budget (costs and how self-fund in the future)</td>
<td>1. Relevant subgroup (e.g., health and wellbeing) who can co-opt other experts  2. All members meeting</td>
<td></td>
</tr>
<tr>
<td>F6</td>
<td>Registered charity Community Interest Company with an asset lock Charitable Incorporated Organisation (CIO)</td>
<td>Governing Documents  Latest Signed Account  Quotes for single, physical items costing over £1000  A UK bank account  Referees</td>
<td>1. Organisation details (legal status, size)  2. Which Trust theme fits with  3. Project (activities, evidence of the need, difference made, community engagement)  4. How many will benefit, where they are  5. Finance (reserves policy, current reserves)  6. Budget (costs)</td>
<td>1. Internal team (second assessed)  2. External partner (due diligence)  3. Board</td>
</tr>
<tr>
<td>F7</td>
<td>The funding arrangement with APT is of different nature. SBC and SL have a partnership agreement in place under which SBC funds a bespoke procurement of places for individual young people at SL and gives the charity an annual donation. The arrangement allows a small group of young persons from a local High School to access a particular package of qualifications from SL. These young people are finding engaging with mainstream education challenging.</td>
<td>1. Organisation details (legal status, size)  2. Project (issues addressed, the need for the project, budget)  3. Project outputs and outcomes (how track and monitor)  4. Fundraising (any funds raised, pending applications)  5. How fits within program areas</td>
<td>1. Grants officer (second assessed)  2. Grants committee (only four trustees)  3. If over £50,000, then it goes to the full board of trustees</td>
<td></td>
</tr>
<tr>
<td>F8</td>
<td>Charities registered with the Charity Commission for England and Wales and other national regulators for charities</td>
<td>Latest annual accounts</td>
<td>1. Grants Manager  2. Board</td>
<td></td>
</tr>
<tr>
<td>F9</td>
<td>Registered charities</td>
<td>Governing documents</td>
<td>1. Grants Manager  2. Board</td>
<td></td>
</tr>
</tbody>
</table>
| F10 | Registered charities | Annual accounts | 1. Project (issues addressed, activities proposed, track record)  
2. Impact (outcomes and how will measure success)  
3. Fit with the focus of the fund  
4. Budget (costs) | Trustees (business and educational backgrounds) |
| F11 | Any constituted group or organisation with an asset lock | Governing documents Yearly financial accounts | 1. Organisational details (legal status, purpose)  
2. Project (activities proposed, who, how many and how will benefit, where delivered, evidence of the need, relevance to user groups)  
3. Community involvement (use of community resources and connections)  
4. Capacity to deliver (skills and expertise)  
5. How fits with the funding themes  
6. Budget (costs, other sources of income)  
7. Finance (annual income, reserves) | 1. The funding officer  
2. Pre-committee meeting  
3. Committee meeting |
| F12 | Registered charities | Governing documents Organisational structure chart Annual report Audited accounts | 1. Organisational details (legal status, location)  
2. Project (issues addressed, proposed activities, evidence of the need for the project, track record, funding history)  
3. How many people will be impacted  
4. Fit with the focus of the fund | 1. A member of the management team  
2. Trustees |
| F13 | Registered charities and constituted community groups | A minimum of three unconnected Trustees on charity’s Board Recent independently | 1. Fit with the strategy’s focus areas  
2. Project (activities, issues addressed, the need for the project, evidence of consultation and research, community-led, collaborations, referral processes, track record) | 1. Funding officers (peer-reviewed)  
2. Committee meeting (funding manager, head of giving and CEO) |
<table>
<thead>
<tr>
<th></th>
<th>examined or audited annual accounts</th>
<th>A safeguarding policy</th>
<th>A policy on equality and diversity</th>
<th>The board of the trust informed but not involved in the decision-making process.</th>
</tr>
</thead>
<tbody>
<tr>
<td>F14</td>
<td>National voluntary youth work organisations</td>
<td>Audited Accounts</td>
<td>A copy of latest bank statement</td>
<td>1. Organisational Details (legal status, purpose)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A copy of the organisations Public Liability Insurance Certificate</td>
<td>2. Project (issues addressed, activities proposed, where delivered, user involvement)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Previous Project Evaluation Report of the project (Optional)</td>
<td>3. Outcomes (how many and how will benefit, evaluation methods)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Details of three referees</td>
<td>4. Budget (costs, other funding)</td>
<td></td>
</tr>
<tr>
<td>F15</td>
<td>Distributes funds on behalf of the SG, but their aim is to advocate for and promote zero waste and responsible recycling behaviours. Similar to CT, ZWS supports Innovator navigate the funding landscape and help move their environmental project and give validity to it through ZWS’s name. ZWS did provide £40,000 for a feasibility study.</td>
<td>Peer assessment panels:</td>
<td>1. Local assessors</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1. Local assessors</td>
<td>2. Assessment panel of local assessors</td>
<td></td>
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</tbody>
</table>