

**The power of dreams,  
the burdens of leadership**

**Report on the Barclays' Britain's Most Admired Charity'  
survey for Third Sector**

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## Introduction

How should charity chief executives do their job? What are the special responsibilities and skills needed to be an effective leader in the voluntary sector? Where do the ideas and inspiration needed to be an effective leader of a not for profit organisation come from?

There is no shortage of advice of this kind for managers and leaders in the commercial sector. Journals, seminars, management texts and gurus proclaim the latest idea, some big, some brilliant and some just plain barmy. One of the dilemmas for managers in the not for profit sector is how much notice they should take of how the commercial sector goes about its business. Is managing a charity in the UK (or an organisation in the wider not for profit sector) basically like managing a company with slight modifications, or is it a whole new art form?

Two issues muddy the waters of the dilemma of whether to take commercial sector ideas on board. Firstly the esteemed gurus from the commercial sector do occasionally stray into not for profit territory. Some of these forays demonstrate genuine insights and understanding, such as Peter Drucker's book on managing the nonprofit organisation (1) or Michael Porter's recent article on 'the competitive advantage of corporate philanthropy' (2). Other writings leave readers (or at least us) baffled by their sweeping generalisations. One article from Mckinsey's (3) suggested that nonprofits in the US could cut 5% from their operating costs as easily as if it were a line in their budgets.

The second dilemma is that there is little specifically about managing charities in the UK, (or even Europe) with some notable exceptions (4). We all know that everything that the US does is wonderful, but that doesn't help charity leaders in the UK know whether the ideas that work there will work here. Even the simplest of comparisons, such as levels of giving per capita, are fraught with difficulties. The transferring of commercial ideas to the charity sector may simply be a kind of intellectual hand-me-down. It doesn't necessarily fit very well and its already well worn.

This report starts from the other end of the telescope - by asking charity leaders in the UK what they think about the challenges and dilemmas that they face. It addresses the lack of detailed information about managing charities in the UK by providing some detailed quantifiable information (see 'how the research was done' box for more information). The results are based on the 150-plus organisations who responded to the Barclays-sponsored research and we believe they will help shed light on parts of the jigsaw of managing a charity in 2003.

The report is divided into five sections. Section 1 looks at what charity CEOs say are the most important attributes in managing a successful charity with a high impact on its beneficiaries. Section 2 dissects the skills and expertise that our respondents said were in the shortest supply for their organisation. As with section 1, the results will be analysed by sub-sector (e.g. Disability charities) and/or size where interesting and appropriate.

Given that the voluntary sector has been high on the current government's social policy agenda, section 3 reports back on which of a plethora of initiatives charities say has had the biggest impact on them.

The final section attempts to pull together the strands of the previous sections as well as the comments that CEOs made in response to the question 'What are your biggest priorities and concerns for the coming year?' This section identifies what we believe are the key challenges for charities that want to be highly effective and have a high impact on their stakeholders.

Finally a word of warning: this report is not intended to be definitive, dogmatic or even didactic. The power of what we say is not based on its statistical validity (though the number of responding organisations certainly adds weight to the report) but on the usefulness of our ideas and research results in helping charities do a better job. If you find the report useful and it gives you insights in helping your organisation do a better job then we will have achieved our goal.

#### **How the research was done**

Third Sector, the UK's highest circulation subscription dedicated to the voluntary sector, commissioned the research for this report. It was sponsored by Barclays. The research also included the nominations for Britain's Most Admired Charity and Britain's Most Admired Charity Chief Executive (also see the powerpoint presentation for more information.)

Postal questionnaires, addressed to the chair or chief executive, were sent out to over 500 leading charities selected to represent a mixture of total income, voluntary income and purpose. Charities that are only charities in legal form but not in activities were excluded (e.g. Edexcel and the British Council). Charities who are 'at arms length' from the voluntary sector were also excluded such as diocesan funds, and specialist grant-making trusts.

Responses were received from 156 organisations. Their responses were categorised by sub-sector (disability, health/medical, international aid, children, animal welfare, social welfare, environment/conservation, arts & heritage, grant-making, and older people). Responses were also categorised by organisational size, number of employees and geography.

A powerpoint presentation including all the charts in this report and many more results not presented here is available free, as are pdf copies of this report by emailing Alexandra Denye at nfpSynergy: [alexandra.denye@nfpsynergy.net](mailto:alexandra.denye@nfpsynergy.net).

## Section 1: Having what it takes: the key attributes of successful charities.

Ten attributes or features of successful charities were chosen and chief executives were asked to pick the attributes that they believed were the three most important in 'creating a successful organisation with a high impact on its beneficiaries.'

The starting point for this list of attributes was those used by 'Management Today' magazine in its survey of Britain's most admired companies. These are: financial soundness; ability to attract, develop and retain top talent; quality of management; capacity to innovate; quality of marketing; quality of products/services; value as a long term investment; and community and environmental responsibility.

Of these a number were clearly directly relevant and were used without change (*quality of management; capacity to innovate; ability to attract, develop and retain top talent; financial soundness*), some needed adapting (*quality of products and/or services; quality of marketing*), and others were wholly inappropriate (*community and environmental responsibility; use of corporate assets; and value as a long term investment*) and more suitable alternatives devised (*ability to work in partnership; campaigning and media skills; strength of values and vision; and quality of trustees and governance*).

The final list of attributes follows:

- Ability to attract, develop and retain top talent
- Ability to work in partnership
- Campaigning and media skills
- Capacity to innovate
- Financial soundness
- Quality of management
- Quality of marketing and/or fundraising
- Quality of trustees and governance
- Quality of work and/or services
- Strength of values and vision

The attributes considered most important were 'quality of management' and 'quality of work and/or services' with over three-quarters of all respondents picking these two attributes. 'Strength of vision and values' was chosen by 70% of respondents and 'financial soundness' by 58%. These were the only attributes chosen by more than half of the CEOs.

At the other end of the scale, the three least chosen attributes were 'campaigning and media skills' (22%), 'ability to work in partnership' and 'quality of marketing and/or fundraising' both of which were considered important by 28% of CEOs.

**Figure 1: The most important attributes in creating a successful charity with a high impact on its beneficiaries**



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These results reveal something surprising. Despite all the desire to show the voluntary sector in general and charities in particular as unique, the most important attributes for having a high impact are not those unique to the sector, but are either straight cross-overs from the commercial sector or adapted from commercial sector attributes. The exception is 'strength of values and vision' but this is very important to both sectors.

Indeed the top five attributes (quality of management; quality of services; strength of values; quality of governance and financial soundness) wouldn't look out of place as priorities in any corporate boardroom. Conversely two of the unique attributes (work in partnership and campaigning and media skills) were scored as least important.

It is perhaps this realisation that running a successful organisation has many of the same basic attributes whether in the public, private or charity sector that is resulting in the increasing numbers of managers moving seamlessly from the corporate to the charity sector, and from charity to public sector (though not yet from charity to the corporate sector at the most senior level – but that's the loss of the corporate sector!)

### **Variation by sub-sector**

But (thank goodness) all charities are not the same. Look beneath the placid surface of these results and some schisms appear in the results between the 'sub-sector' clusters of charities (e.g. disability, children, etc). So while 100% of the 'Arts' and 'Older people' charities, (and 92% of disability and 89% of animal welfare charities) said that management was an important attribute: only 50% of environment/conservation and 61% of children's charities ranked the quality of management in their top three attributes.

Figure 2: the most important attributes by sub-sector

	Disability	Health / medical	Children	International Aid	Social	Environment / Conservation	Animal	Grant-making	Older people	Arts & heritage
Quality of work/services	77%	85%	78%	77%	69%	50%	67%	100%	86%	67%
Quality of management	92%	70%	61%	69%	77%	50%	89%	86%	100%	100%
Strength of values and vision	77%	60%	89%	77%	54%	80%	44%	71%	71%	83%
Financial soundness	58%	55%	56%	46%	69%	50%	89%	43%	71%	50%
Quality of trustees and governance	42%	40%	17%	23%	31%	50%	44%	71%	29%	33%
Capacity to innovate	42%	40%	56%	69%	69%	30%	22%	14%	14%	17%
Ability to attract, develop and retain top talent	35%	45%	39%	54%	62%	20%	44%	57%	43%	33%
Quality of marketing and/or fundraising	12%	50%	22%	31%	23%	50%	56%	0%	29%	50%
Ability to work in partnership	27%	15%	44%	31%	31%	20%	11%	14%	14%	17%
Campaigning and media skills	19%	25%	17%	15%	15%	40%	0%	14%	43%	33%

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Similar differences (except for financial soundness, where all sub-sectors were pretty much agreed on its importance) in the rated importance of attributes were present across the range of options:

- For 100% of grant-making charities the 'quality of work/services' was a key attribute (funding applicants take note), while again only half of environment/conservation charities ranked it as a key attribute.
- The strength of values and vision was particularly important for children's (89%) and environment/conservation charities (80%). While for animal welfare and social welfare charities, values and vision were less important (44% and 54% respectively)
- Trustees and governance has one of the biggest breadth of scores with only 17% of children's charities ranking it an important attribute while 71% of grant-making charities did so
- Capacity to innovate was another attribute which completely divided people as to its importance. It was ranked very highly by International Aid and Social Welfare charities (both at 69%) while for grant-making, animal welfare and older people charities it scored less than 25%.
- The final attribute that it is worth drawing attention to is the 'ability to work in partnership' which 44% of children's charities ranked as important (perhaps due to the Children's Fund) while only 15% of health/medical charities and 11% of animal welfare charities scored it highly

### Variation by turnover

The different sub-sectors showed big variations in the importance they attached to the **three** most important attributes. However there are no such large variations when the results are analysed by **turnover**. Whatever the size of organisations the top three

attributes score highly; quality of management; quality of work/services and strength of values/vision all matter irrespective of charity size.

Once you look further down the list of most important attributes, however a number of variations are clear.

- **Attracting and retaining key staff is much more important for larger organisations than smaller ones.** While only 17% of organisations with a turnover of £1-£5 million say 'retaining top talent' is important, over 40% of all organisations larger than £11 million say it is.
- **The quality of marketing and/or fundraising is least important to medium-sized organisations.** Over 30% of organisations smaller than £10 million and larger than £50 million say that the quality of fundraising is a key attribute, it averages less than 20% for organisations between £10 and £50 million. If this medium sized group of charities are meant to be facing the funding squeeze of being neither large nor small then nobody told them that fundraising may help!!

Figure 3: the most important attributes by annual turnover

	£1-5 Million	£6-10 Million	£11-20 Millio	£21-50 Millio	£51+ Million
Quality of work/services	71%	72%	71%	94%	71%
Quality of management	79%	78%	76%	72%	88%
Strength of values and vision	71%	66%	68%	78%	65%
Financial soundness	79%	47%	68%	47%	59%
Quality of trustees and governance	46%	34%	53%	34%	29%
Capacity to innovate	38%	59%	29%	44%	41%
Ability to attract, develop and retain top	17%	34%	41%	50%	47%
Quality of marketing and/or fundraising	33%	38%	21%	16%	35%
Ability to work in partnership	33%	38%	29%	19%	6%
Campaigning and media skills	13%	28%	26%	25%	24%

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**Partnership is for seven stone weaklings.** The larger a charity is, the less important partnership is. Only 6% of the organisations over £50m see partnership as a key attribute, but on average over 35% of organisations under £10 million do. It appears that big organisations are large enough to be indifferent to partnerships, while small organisations have to have partnerships to do their work.

### Section 3. One skill short of a full load – skill and expertise shortages in the voluntary sector

The previous section looked at the attributes that CEOs saw as important to run an effective charity (with a high impact on beneficiaries). This section looks at the skills and expertise shortages that charities are facing to do that work. The list (see below) is deliberately broader than the list of attributes in section 2 and covers skills that might be found within either the staff or trustee body. Indeed some of the skills are more about the ‘culture’ of the way a charity does its job, than about the recruitment of specific skills.

Campaigning	Information technology	Personnel
Education & learning	Leadership	Public relations
Evaluation	Legal	Service delivery
Financial management	Management	Strategy
Fundraising	Marketing	User perspective
Governance		

You would think that there would be a clear relationship between the qualities CEOs’ felt were most important to their organisation (e.g. quality of work & services) and the skills in shortest supply. So here’s the paradox – the skills that appear to be in short supply are not those directly related to doing the work of charities, but those that are, broadly speaking, support functions. Charities appear to be broadly satisfied with the skills and expertise that they have to do their core work - only 11% of charities said they were short of people in either management or service delivery roles.



The top five skills in short supply are: fundraising (29%), evaluation (27%), information technology (25%), marketing (21%) and user perspective (20%).

The skill in shortest supply is fundraising. Perhaps this isn't surprising since fundraising is an obvious route through which to grow and, as the previous section showed, financial soundness is a highly ranked attribute. Indeed there is already a thriving marketplace for fundraising skills and this has acted to increase the salaries of fundraisers in general and fundraising directors in particular (and the market for IT and Internet specialists is not far behind). So the solution to some of these skills shortages is in recruitment of staff; fundraisers, marketers and IT specialists can be drafted in and for some of the skills such as evaluation specialist training may play an important role.

While fundraising skills can be bought in, evaluation is an approach, rather than something that can be 'done' by a few specific people alone. Again finding a user perspective is not (necessarily) about recruiting new staff members but about find a way of harnessing the views and perspectives of beneficiaries.

It is probably also no coincidence that those skills that are in shortest supply are universal ones. Fundraisers (and IT and marketing specialists) can move between different causes seamlessly. Managers of services cannot swap charities so easily – so it is much easier to keep them. So where the skills are organisation or sub-sector specific, (for example, a cancer scientist cannot run children's services) the likelihood of a shortage in supply is reduced, because individuals cannot move jobs nearly so easily.

However this doesn't mean that the skills that are in short supply don't vary by sub-sector, turnover or geography. They do – in some quite startling and illuminating ways.

### **Variation by sub-sector**

While over 30% of disability, health and animal charities found fundraising skills in short supply, children's charities did not. Indeed only 6% of children's charities said fundraising skills were in short supply. This must be down either to the saliency of children as a cause, or the high salaries that children's charities pay (if they do) or both.

The ranking of evaluation as a skill in short supply also varied enormously. No grant-making charities cited it, no doubt because it is a skill at the heart of their work. International Aid charities also appear not to find a skill shortage in evaluation (11% against the average of 27%), while social welfare, disability, and environment charities were all well above average, in saying that evaluation skills were in short supply.

Perhaps the most discriminating results were those organisations who were in need of more user perspectives and those who weren't. Over 30% of disability, international aid, environment, grant-making and older people charities said that user perspectives were in short supply (technically it must be accessing those user perspectives since it is hard to believe that their users don't have any view on the services they receive!). Reassuringly no animal charities indicated that they were short of user perspectives. The logistical and communication difficulties with getting beneficiaries views represented in this area remain high and most charities have clearly chosen other strategic approaches.

### Variation by turnover

Fundraising skills are in short supply across all sizes of organisation – though slightly more so in the largest charities. Conversely IT skills are in short supply across all sizes of organisation, but slightly less so in the largest organisations. Some of the other variations by size related to the core functions of management, leadership and governance:

- **Smaller organisations were more likely to find governance skills in short supply.** Over 20% of organisations under £10 million mentioned governance against an average of 13% over £10 million.
- **The smallest organisations did not find management or leadership skills in short supply at all,** and very few found leadership in short supply (8%). For organisations larger than £5 million around 13% of organisations found management skills in short supply and around 16% of organisations found leadership in short supply. This peaked at around 22% of organisations between £5-£10 million who found leadership in short supply (against an average of 12%)

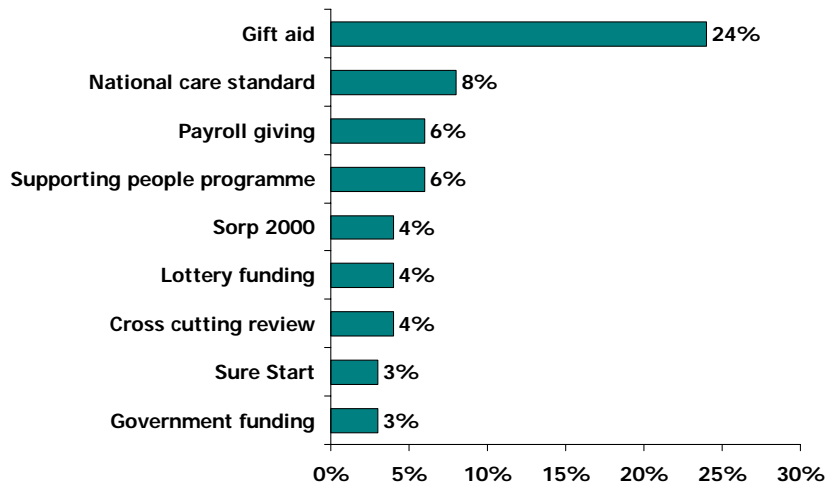
### Section 3: Too many initiatives or too little impact – what is the effect of Government strategy towards the voluntary sector?

There has been an unprecedented level of initiatives and policies impacting charities and community groups in the last six years. Some have been aimed specifically at the voluntary sector, some have impacted on the wider not for profit sector, and some have caught the sector as collateral damage as part of wider social or economic policy.

We asked chief executives to tell us ‘which government voluntary sector initiatives have had the biggest impact on your charity in the last few years’. No responses were prompted. There was a fairly liberal interpretation of ‘voluntary sector’ in this context (such as ‘raising national insurance’ and the ‘minimum wage’) by some respondents. Despite this it seems likely that the impact of broader fiscal, legal and policy changes is under-represented in these results since many respondents are likely to have answered with a narrow focus as the question suggests.

One of the reasons that we asked this question is to try and understand what kinds of initiatives, from among the myriad on offer, are most effective. If the Government wants to create a more powerful sector with a greater impact (not least to deliver more public services), what are the levers they should pull to make a difference? By understanding which of those initiatives have hit home and which have been lost, like a sock in the tumble dryer of government activity, it will help to understand how future activities can be made to work harder.

Figure 5: Government voluntary sector initiatives which have had the biggest impact on your charity in the last few years



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The results in figure 5 show how just one initiative (gift aid) stands head and shoulders above the rest, and how only 4 initiatives were mentioned by more than 5% of respondents: gift aid (24%), the national care standards (8%), payroll giving (6%) and the supporting people programme (6%).

Overall the initiatives which get the most mentions fall into 2 broad camps: firstly those which are financial in nature and secondly those which affect a particular sub-sector. The financial initiatives - gift aid, payroll giving, lottery funding and the New Opportunities Fund, loss of tax credits, and raising national insurance - dominate overall.

Though respondents did not specify, some of these initiatives were probably mentioned because they had a negative impact rather than a positive one – certainly this is the case regarding the loss of ACT tax credits and the rise in national insurance and probably the references to lottery funding (the creation of the New Opportunities Fund pulled grants away from some of the areas that charities had previously been able to apply for).

Whether positive or negative, the impact of the financial initiatives reinforced one of the strands that runs throughout this report: the preoccupation of charities with funding and fundraising (more on this in the next section).

Gift aid and payroll giving are important because their degree of impact is up to the individual organisation. Those who make gift aid work for them reap the benefits - in some cases with several million pounds of extra revenue a year - but those who are 'open gullets bottomless as the north' and want their income to be in the form of 'core funding' will be no better off.

Initiatives like gift aid put the onus back onto charities to be in control of their own destinies. Gift aid has made a major difference to charities and for that both the sector and the Treasury has every reason to feel pleased.

The second strand of initiatives that has made a difference are those that have effected a specific sub-sector. The National Care Standards (standards in residential and social care) were ranked second only after gift aid. Yet their impact is primarily on disability charities as is evidenced by the fact that 35% of disability charities mentioned them.

Supporting People (a programme to reorganise housing benefits and other support for vulnerable people) was mentioned by 6% of respondents though it impacts largely on disability and social welfare charities. Other sub-sector initiatives or activities which were mentioned as having had an impact include the Children's Fund, Valuing People programme, Partnership working programme, increase in the overseas aid budget and Connexions.

Some of the current raft of Government reviews and regulatory changes did rate a mention – the cross-cutting review (4%), SORP 2000 (4%), and Charity Commission review (1%) – but less people mentioned all of these put together than mentioned the National Care Standards and Supporting People programme.

Perhaps as significant as what was mentioned, is what was hardly or negatively mentioned. There were just two mentions of the Voluntary Sector Compact (and both those were negative) and none about the raft of volunteering initiatives such as the Experience Corps and Timebank. There was no mention of The Giving Campaign or the Strategy Unit review. Indeed not one of the top 20 initiatives mentioned has its home in the Active Community Directorate in the Home Office. This demonstrates a seemingly inexorable trend of the 'centre of gravity' of voluntary sector policy within central government to move away from the Home Office and towards the Treasury.

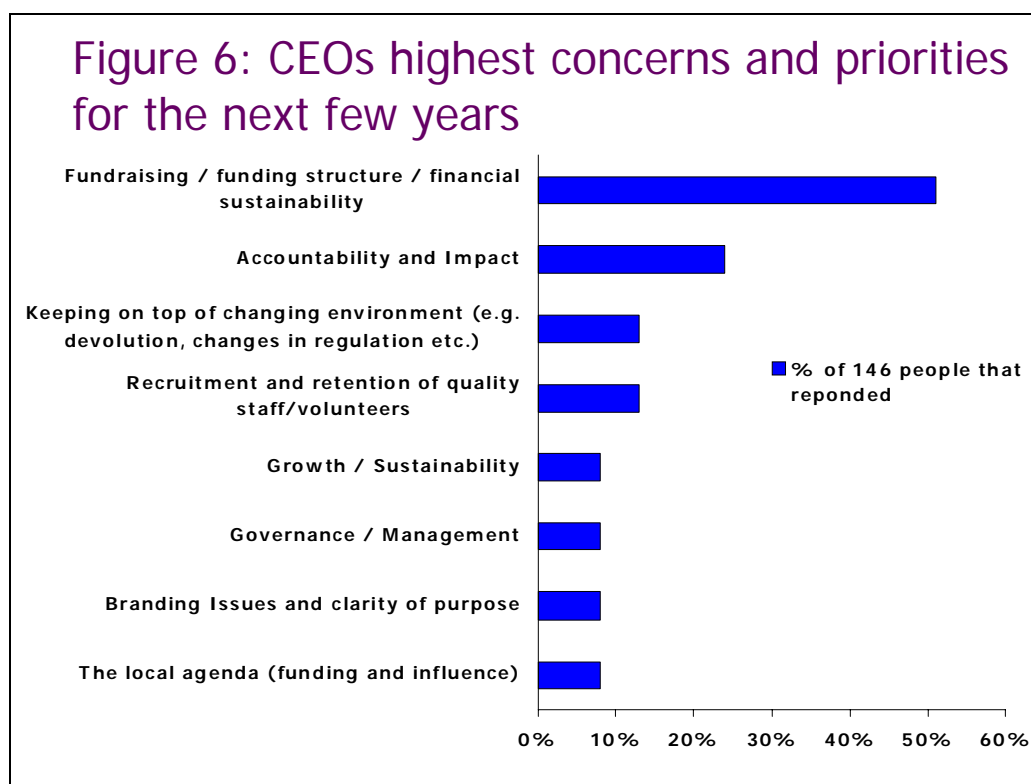
There will no doubt be those reading this who wish to point out that our sample was of large charities by sector standards and certainly not those at the grassroots or community groups. They would be right. And in future rounds of this research we will aim to rectify this imbalance. However it will be by and large the large multi-million pound charities that take up the burden of public service delivery, rather than community groups. If the Government wants charities to take up the strain of public service delivery then its needs to focus its Active Community Directorate programmes on those charities who are likely to do so. The evidence from this survey is that they have, so far, failed to hit the mark.

## Section 5: Prioritising the priorities – charity strategic futures in a changing world

In the final section of our survey, we asked chief executives to set out 'their priorities or concerns for their organisation over the next few years'. Melding their answers to this section along with the results from the rest of the survey we set what we believe are 'the five challenges of highly effective charities'.

### The five challenges for highly effective charities

The reality is that the five challenges are for those organisations that want to be highly effective. Sadly there is no easy way to decide whether an individual organisation is highly effective, without individual examination. Clearly the acclaim of their peers is one way that organisations are judged – and the winners of the most admired charities poll conducted as part of this survey exhibit many of the hallmarks of highly effective charities as we would expect them to do.



### Challenge 1: The drive for better funding and more fundraising

*'Financial stability, fundraising income'*

*'Reducing reliance on legacies'*

*'Coping with end of most European funding'*

*'Maintaining growth at acceptable ratios during economic downturn'*

*'Sustainable funding following developing of PCTs'*

*'Capital funding of care projects'*

*'Sustainable current levels of unrestricted income'*

*'Full cost recovery from service provision'*  
*'Maintaining income levels from investments'*  
*'Having the finance to innovate and consolidate'*

As these comments from CEOs show growing or even maintaining income remains one of the key challenges for organisations. The challenge of funding is more than simply about the level of income, but also about whether it is restricted income, whether the income matches or exceeds the costs with which it is associated.

The challenge of funding appears to fall in three distinct elements.

- **A balance of income sources.** Charities need to develop and maintain a balance of income sources so that they are not overly reliant on any one income source, and therefore overly vulnerable to changes in it. One of the most serious upsets to the funding regime of many charities over the last few years has been the decline in investment income with the stock market collapse. This has also reduced the value of the reserves that many charities hold in order to insulate themselves against income uncertainty. For these reasons the stock market decline have proved a 'double whammy'.
- **Funding freedom.** It is delightful for any charity to receive a substantial income from government (central or local), but almost without exception it come with strings attached. Many charities need and want (but don't always have) the income to innovate with new projects, to try out new approaches or develop new services that aren't in the government funding spotlight. One of the dilemmas of the increased funding of public services through charities is that unless charities are very careful they become dependent on government funding. This is fine when the services that government wants to fund match those that a charity provides. Once the funding focus shifts it leaves charities 'forced' to follow the funding and change the services they provide.

The most unrestricted forms of income come from legacies or individual donations, yet are they also the longest develop in the case of legacies and the most expensive to develop in the case of individual donations.

- **The cost of funding.** Perhaps the biggest challenge for charities who have come to rely heavily on statutory is the shift to greater volumes of unrestricted income. Growing unrestricted income takes both time and money and needs forward planning. In other words, unrestricted income is needed in order to employ a fundraiser in the first place, time is needed for them to deliver results (in years not months) and strategic flexibility about what they raise money for is also crucial. The tale of one animal charity CEO who appointed a fundraiser to raise money for a capital project that was already under construction is not untypical. Fundraisers need to be drafted ahead of funding needs and given the opportunity to build 'the case'.

## **Challenge 2: Increasing, demonstrating and measuring impact**

*'Redefining core businesses (as a consequence of drop in income)'*  
*'Service expansion, increasing our profile'*

*'Putting environmental justice on the political map'*  
*'An NHS that keeps mental health as a Cinderella service'*  
*'Replicating our excellent services across the regions'*  
*'Reshaping the services we provide'*

Services lie at the heart of most charities' activities. The key question for many charity services is how to judge whether the services being provided are the ones that clients want and how to judge whether those services are having the impact they could and should have. For organisations whose key activities are campaigning and social change, this dilemma is made more, not less difficult.

- **What business are we in?** Back in the 1960s management guru Ted Levitt said all businesses should ask themselves: 'what business are we in?' The question is not semantic but vital. Is the RNLI in the 'lifeboat' business or the 'saving lives at sea' business. Are homeless charities in the 'vulnerable people' business or the 'accommodation' business? Are disability charities in the 'rights' business or the 'care' business? Until every charity is crystal clear about what business they are in, its very difficult to know whether they are measuring the impact that really matters
- **Measuring impact.** It continues to surprise us how little cross-fertilisation there is in the service-delivery part of charities work (compared to say the fundraising, finance or communications). Its hard to find a conference or a body who helps charities look at ways of creating better services by looking across the sector at what works and what doesn't. Consequently many charities are left to reinvent the impact measurement wheel or are content with the number of smiling client stories they can see in the rear-view of their strategic planning process.

There are some simple rules to measuring impact:

- Decide what performance indicators matters, measure them and stick to them. If necessary have a way of comparing services measures: somebody downloading a leaflet from a website is not as impressive as somebody who has got a job through a charity-run training programme.
- Use both hard and soft indicators. Its not just the numbers (the hard indicators) that matter but also the type of feedback given (the soft indicators)
- Invest in measuring impact. This may be through an internal audit team, the employment of external consultants, or the purchase of some kind of stakeholder or client perception service. At its simplest every organisation needs to be clear whose job it is to assess progress against targets

### **Challenge 3: Waltzing through the minefields of regulation and partnership**

*'Work with governments and other organisations to promote services for people'*  
*'Local government interference'*  
*'Developing a strategic response to constant changes in legislation'*  
*'Government inability to centrally grant aid without micro-management'*  
*'How to cope with the vast increase in legislation'*

*'The over-burdening bureaucracy arising from the responsibilities of the National Care Standards Commission'*

These quotes from CEOs are both illuminating and worrying. The government wants charities to deliver more public services. Yet the greater engagement of charities with the state since the appointment of a Labour government in 1997 is a journey that appears to have given charities as many headaches as benefits. Sure, the money pumped through charities has increased (continuing a trend that is at least 10-15 years old) but the price appears to have been greater interference (both accidental and deliberate) by central and local government.

As we noted earlier it is many of the sub-sector specific initiatives (the supporting people programme, the national care standards and the like) that charities have told us have had the biggest impact on them. The final quote above is but one of a number that we could have chosen, which indicated the extra bureaucracy that specific initiatives have or are placing on them. How do charities find the freedom to fly, to innovate, to create, to challenge and to revolutionise when there are feet are sinking in the shifting sands of bureaucracy, legislation and regulation.

Five years ago the answer to this question might have been the Compact - but today it seems as likely to change the face of government / voluntary sector as the cones hotline is to change the face of public transport. There were only two mentions of the Compact in our question on voluntary sector initiatives (and both of those commenting on its failure to deliver) the sector. So the sector will need to search for another mechanism for strengthening its ability to deliver: current runners would appear to be the implementation of the strategy unit review, the treasury cross-cutting review and the futurebuilders fund. Our money is, however, on individual charities forging ahead and developing their own strategies and infrastructure to win increasing volumes of government contracts. There is a growing cohort of charities (NCH, Turning Point, Thames Reach Bondway to name but three) who aren't really charities in the traditional. They are voluntary sector public service providers.

#### **Challenge 4: It all comes down to people - staff, trustees, management and volunteers**

*'Recruitment and retention of volunteers'*

*'Demonstrating impact. Developing our people'*

*'Increased user participation'*

*'Recruitment of fundraising staff'*

*'Young people involved at governance level'*

*'Strengthen new senior management team'*

*'Attracting and retaining staff'*

Charities are about people –it's almost a tautology. Charities are created to respond to people's needs: from the paupers of Victorian England to the poverty of sub-Saharan Africa and everything in between. Charities down the years have been started by brave, energetic, visionary people who responded to their own or other people's needs.

Once founded charities rely on people giving their time and their expertise to make a difference. The challenge for today's charities, new and old, is to motivate and excite all the people they touch with their vision and their values. Yet the balancing act for charities is that some people have to be given more than the dream of a promised land to motivate them. The best CEOs, the best fundraisers, the best trustees, the best volunteers need more than just to know that they are working for a good cause. In the case of paid staff they need salary commensurate with what they can earn in other charities and in some case in the commercial sector. In the case of volunteers, they need to be given motivating, satisfying and rewarding role and treated with respect and appreciation.

It is competitive marketplaces out there for the people to do the job charities want them to do. Yet the development of the specific people skills and management thinking relevant to charities is still in its infancy. Sector bodies to support volunteer management and trustees are growing fast, but still lack behind groups such as the fundraisers.

### **Challenge 5: Joining up the dots - change management in a changing world**

*'Constraints on being able to attract and retain the calibre of staff we need due to the constant pressure to squeeze the contract price down. The disparity in the value placed on working in different service areas i.e. working with people with a learning disability attracts less resources, than providing similar services for people with mental health or substance misuse issues'*

Social welfare charity, CEO

Benzene is an organic chemical whose structure puzzled scientists for many years in the mid nineteenth century. Its properties couldn't be reconciled with any of the structures that the chemists of the day proposed. The challenge was finally solved when a French chemist, called Kekule, dreamt about a snake that bit its own tail. When he awoke he proposed that benzene was a ring (of 6 carbon and 6 hydrogen molecules). The significance of the metaphor of the ring in this context is that benzene is very stable, but very powerful. Its strength comes from the interlocking nature of the ring structure.

For charities the benzene ring metaphor is relevant, because what we believe this research shows is that what makes an effective charity cannot be isolated down to single elements but comes out of the whole ring working together. For us, the quote above personifies the 'benzene ring' of joined-up challenges that charity CEOs and their organisation face. The squeeze of funding makes it harder to attract and retain the calibre of staff needed to do the job. The bureaucracy of government funding makes it harder to deliver services based on a meritocracy of need. Some services that a charity provides are substantially funded while others are of no interest to government. Without voluntary or unrestricted income a charity can't afford to develop the services it wants, only those it can get funded. And will staff really want to work. The funding regimes dictate the kind of services that charities can afford to provide. Government priorities dictate service necessities.

Being a charity CEO is probably one of the most difficult (and undervalued) roles in the public, private and charity sectors. There are more stakeholders than in either the corporate or public stakeholders. There are extra skills and competences need to run

charities that don't exist in other sectors: fundraising, volunteer management and campaigning to name but three. There is much less certainty about what success and impact look than in the corporate sector. There is much less certainty about funding than in the public services.

The most admired charities awards have highlighted some of the organisations that have earned the admiration of their peers. This report has looked in more detail at what charity CEOs told us in our research. It has identified and described some of the challenges and pressures that charities face. It has not looked in detail at how specific organisations are tackling some of the challenges we've identified nor has it outlined solutions to some of the challenges. We look forward to addressing these issues in future reports.

## Sources and reading list

1. Peter Drucker, *Managing the Non Profit Organisation*, Butterworth Heinemann (1994)
2. Michael Porter and Mark Kramer, *The Competitive Advantage of Corporate Philanthropy*, *Harvard Business Review*, December 2002
3. Bill Bradley, Paul Jansen and Les Silverman, *The Nonprofit Sector's \$100 Billion Opportunity*, *Harvard Business Review*, May 2003
4. *Journal of non-profit and voluntary sector marketing*, *Managing without profit* by Mike Hudson from the *Directory of Social Change* are two examples