

northern rock foundation
**Third Sector
Trends Study**



Mosaic, Jigsaw or Abstract?

Getting a big picture perspective on the Third Sector
in North East England and Cumbria

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i Acknowledgements

We would like to thank all of the chief officers from the infrastructure organisations in North East England and Cumbria for being so generous with their time and for giving us so much information. We would like to thank Beth Baxter, our former research assistant, who helped us with the arrangement of interviews and collating data on the third sector. Cathy Pharoah and Rob Williamson read earlier drafts of this report and made very valuable comments which have helped us to develop our analysis and ideas. We are indebted to Northern Rock Foundation for commissioning this major project.

ii Foreword

In its substantial commitment to developing a better, research-based understanding of the third sector at the local and regional level, Northern Rock Foundation addressed three challenges. First, extending the existing broad-brush national conceptions of the sector into the more complex territory of its rich local presence. Second, developing a methodology for local studies which would be robust and replicable at the national level. And last, but not least, understanding how major charitable foundations can use their resources to make unique and strategic investments in the sector itself.

The Foundation's Third Sector Trends Study is tackling all three challenges. There is still little systematic or comparative information on the local sector at different geographic, community or administrative levels, though the recent development of the government's NI7 national indicator for local authorities, 'An environment for a thriving third sector', demonstrates increasing policy awareness of the importance of local delivery. That study has focused on registered charities, but the need to extend the NI7 work to cover 'under the radar' local organisations has been acknowledged. Such initiatives, alongside Northern Rock Foundation's research and the work of the new national Third Sector Research Centre and Research Centre for Charitable Giving and Philanthropy, all of which already share both researchers and research expertise, should result in a much deeper sector understanding and improved evidence base.

The first NI7 study has revealed that local organisations prize highly the ability to influence local decisions. But what are the means and processes by which they can do so? The local sector's dynamics and access to information and networks is a key area within Northern Rock Foundation's study, and this first output from the programme addresses these issues in relation to local and regional infrastructure bodies. Policy relationships for the sector often start at this point, but, as this research shows, assumptions about the resources and reach of infrastructure bodies may be unrealistic, neglecting the need to invest in the infrastructure itself.

The poor evidence base for the local sector is often attributed to a 'cinderella' status compared with large national charities, but some of the problem lies with the methodological and resource challenges of local mapping. I would like to congratulate Northern Rock Foundation's Trustees and staff, particularly Fiona Ellis and Rob Williamson, for their foresight in commissioning this innovative study, particularly within the current turbulent economic environment, and am very pleased to be able to contribute it. We look forward to further dissemination of findings from the research, which this current publication kicks off.

Cathy Pharoah

Chair

Northern Rock Foundation Third Sector Trends Study Advisory Group

iii Background to the Third Sector Trends Study

Northern Rock Foundation's investment in the study of the third sector in North East England and Cumbria is intended to have a significant impact on the way the third sector is perceived by itself and by its associated stakeholders. It is also hoped that it will influence how the sector itself operates. Most importantly, the research should help to ensure that future third sector activity better meets the needs of beneficiaries and helps to secure more positive outcomes for them.

During the first phase of the research programme, the University of Teesside's Third Sector Development Unit (TSDU) is undertaking a qualitative study of the sector. The research team is led by Tony Chapman and Fred Robinson (Durham University), and researchers include: Robert Crow (Research Associate, TSDU), Peter van der Graaf (Research Fellow, TSDU), Emma Bailey (Research Assistant, TSDU), Judith Brown (independent researcher and consultant), Chris Ford (independent researcher) and Sue Shaw (independent researcher and policy analyst).

In the first two years of the study, colleagues at the University of Southampton, the National Council for Voluntary Organisation and Guidestar UK will also undertake a mapping exercise of TSOs in the study region. TSDU will then undertake a longitudinal panel study of TSOs, which will continue through to 2012.

The research programme as a whole aims to:

- produce robust data and independent analysis on the state of the third sector in North East England and Cumbria;
- provide an objective and thorough analysis of the dynamics of the sector through longitudinal qualitative analysis of stakeholder perceptions, organisational practice and local impact;
- develop a more complete understanding of the impact and potential of the sector and assess the implications of these findings for policy and practice;
- design and test innovative methodological approaches to the study of the sector which are compatible with national data sources and are replicable in other UK regions.

As a longitudinal study, it is expected that research findings will be disseminated on a regular basis throughout the life of the project. The study should provide a clearer indication than has ever been attempted before in the UK of trends over time. Such trends will be interpreted in the context of detailed qualitative analysis of stakeholder views, network analysis and organisational analysis, together with comparisons with other regions and countries where possible.

A key objective of the research is to gain a better understanding of the sector, but in so doing, to provide an evidence base upon which to develop policy and practice so that the sector may be enabled to provide the maximum benefit to its beneficiaries, to the economy and to society in general.

iv Summary of key findings

This study of infrastructure groups was place-based and highlights the local and regional perspectives more generally; as such it supplements evidence available in research from other areas and national data. The researchers' aim was to identify topics and questions which could be the focus of the next stages of the qualitative work within the Third Sector Trends Study, and to explore what a 'big picture' perspective on the local sector at this stage might comprise.

To achieve this, the researchers began by interviewing chief officers of 29 main local, sub-regional and regional infrastructure organisations supporting the third sector across North East England and Cumbria. Key research objectives included identifying the role and relationships of these organisations, and the views of their chief officers on the issues facing the sector as a whole. The findings from the research are, therefore based on the interviewees' understanding and perspectives, and are presented as such. They may be challenged by further empirical investigation.

The research presents for exploration three alternative ways in which the sector might helpfully be conceptualised, each with its own implications for how policy, research and practice at local or national levels might be framed:

- As a **mosaic**: suggesting that that the sector as a whole can be described as having characteristics of its own, made up of the sum of its distinctive and separate parts.
- As a **jigsaw**: assuming that the component parts of the sector fit together, and that there are useful connections between individual organisations which may be studied by researchers.
- As an **abstract**: here meaning depends on the point of view of the observer. The sector is seen in many different ways by people applying different sets of values and expectations. To those seeking clarity and order, it may be seen as chaotic.

Findings

Local, sub-regional and regional infrastructure organisations

- Infrastructure organisations in the study area present a picture of diversity in themselves.
- There was considerable variation in their development and history: some dated back to the first half of the 20th century; others had been established in the last two years.
- Most of the organisations interviewed delivered common activities, e.g. advice on governance, management and funding, training, dissemination of policy information, representation and back office support services.
- Some also ran or hosted projects which brought in a management overhead. Project work sometimes presented tensions internally or with competitors in the sector.
- There were differing views about the appropriateness and effectiveness of the representation role of the infrastructure bodies in the study area. Some cited a lack of capacity, others a limitation on what they knew, whilst others questioned whether one organisation could legitimately speak for the whole sector. However, in some cases, organisations had well-established formal mechanisms for representation and consultation.
- There was considerable variation in the extent, quality and currency of information which infrastructure organisations held about the sector in their area. Not all thought that maintaining comprehensive information or databases of local organisations was a priority; others did not have the funding or the capacity to do so.

Views on sector relationships in the study area

- Most of those interviewed were connected to local and sub-regional networks, and some to thematic networks.
- Most local infrastructure bodies thought their relationship with their local authority was crucial, although the quality of these relationships appeared to vary considerably.
- Local voluntary sector compacts were generally seen to be a good idea in principle, but some felt there was limited willingness or opportunity to challenge breaches.
- Partnerships and collaborations were viewed as working best when they were not forced. Interviewees were candid about problems arising from personality clashes, rivalries and infighting.

- Infrastructure bodies had concerns about alleged tokenism in the representation of the sector in multi-agency partnerships, boards and committees. Concern was also raised about the time commitment involved which was not resourced.
- Public sector officials were seen by many of the infrastructure bodies as having negative perceptions of the sector. The public sector was felt to lack understanding of how the sector worked or what it did. Some interviewees also stated that their own sector did not have a good understanding of the roles and limitations of statutory bodies.
- The local infrastructure bodies also generally thought that the private sector knew little about the third sector, but was indifferent to it, rather than negative.
- Interviewees thought that the general public had a positive view of the sector, but based on limited understanding.
- There was a good deal of consensus that the region's relative dependence on the public sector, and its historic paternalism, had influenced the development and nature of the sector. Some thought this had limited the sector's entrepreneurialism.

Views on funding issues in the study area

- For local infrastructure bodies, councils were key funders, although some received no funding at all from this source. There was heavy reliance on short-term funding, although some were able to generate income from renting office space or through paid-for services. Most interviewees were very unclear about their future funding levels.
- Some chief officers said that infrastructure bodies were forced to develop projects or to turn services into projects, in order to gain funding, since core infrastructure support attracted little interest from funders.
- Most interviewees thought that the current funding situation for the sector in their areas was challenging, with the loss or decline of several funding streams, and uncertainties over public sector contracting. There was a generally held belief that grants were reducing in number and becoming harder to obtain, and that this would particularly harm smaller organisations.

Views on sector capacity and capability

- Most interviewees thought that their sector faced problems in getting the right calibre and range of trustees, and that the time commitments and liabilities involved put some people off. Interviewees also thought that many trustees did not fully understand their role, and were not properly trained or supported.
- Interviewees generally thought their sector was a good place to work because of high levels of job satisfaction, flexibility and autonomy. However, they also stated that conditions might be less favourable than in the public or private sectors and that career development could be more limited.
- The biggest disadvantage of jobs in the local sector was seen to be insecurity stemming from short-term funding, which also led to high levels of staff turnover. However, some interviewees thought this could help renew organisations and give employees a wider skills base.
- The consensus among interviewees was that there was a continued stream of people volunteering. Difficulties were reported around Criminal Record Bureau checks, benefit regulations, and poorly resourced volunteer recruitment and training.

Views on how the sector is faring

- There was no strong, consistent view about which parts of the sector in the organisations' areas were faring particularly well, although some interviewees highlighted very small and big organisations and some particular sub-sectors (e.g. social enterprises). Organisations that were doing well were characterised as entrepreneurial, opportunistic, agile and well connected.
- Whilst there was a general view from interviewees was that the sector in their areas overall was suffering from a contraction of funding and increased competitiveness, again there was no single view about which organisations were faring worst, although some interviewees cited community facilities, community education and infrastructure bodies themselves.

Emerging research questions

From their interviews, the research team identified a number of key issues for further exploration within the Third Sector Trends Study.

- How are different types of organisations in the study responding to the culture of public service delivery? What are the experiences of these organisations with contracts, and how are their mission, culture and services affected? What is happening to those who choose not to engage in contracting?
- How do organisations in the study area attempt to measure performance and communicate achievements? What kinds of evidence convince stakeholders that their local sector is effective? Is innovation a driving force? Does pressure to freely share good practice place the local sector at a competitive disadvantage?
- What useful comparisons can be made between employment models in the third, public and voluntary sectors? Is the third sector's perceived tradition of low job security, but high personal reward a strength or a weakness?
- How do value systems in the sector affect practice? Where do values come from, and how do they become rooted in organisational culture? To what extent are values shared or contested?

Next steps

The next stage of data collection by the University of Teesside team will involve:

- a longitudinal qualitative study of 50 local third sector organisations;
- the establishment of three 'foresight panels' across the study area which will act as a barometer on the wellbeing of the sector;
- a large-scale panel study constructed following the comprehensive mapping of the local sector in North East England and Cumbria work being done by the University of Southampton team.

1 Introduction

This is the first working paper from the research team based at the Universities of Teesside and Durham. It presents the findings from a series of interviews with the chief officers of third sector infrastructure organisations in North East England and Cumbria. This paper provides an initial exploration of some of the main issues facing the sector – as seen from the standpoint of the infrastructure organisations. It serves to identify factors assisting and hampering the sector. As such, it provides a good starting point for the Third Sector Trends Study as a whole, identifying themes and issues which will require much more development and examination.

1.1 Why is a new study of the third sector needed?

Over the last few years, government has invested substantial funding to promote the development of the third sector in the UK. There is widespread cross-party political support for idea of the third sector playing a central role in the delivery of services and the development of innovative ways of tackling social problems, and the sector's engagement with government in the development of civil society. Gordon Brown, in his preface to a major consultation report on the future role of the third sector in the UK, said:

I believe that a successful modern democracy needs at its heart a thriving and diverse third sector. Government cannot and must not stifle or control the thousands of organisations and millions of people that make up this sector. Instead, we must create the space and opportunity for it to flourish, we must be good partners when we work together and we must listen and respond... the heart of our approach is our desire to support those thousands of small community organisations who play such a vital role in our society.¹

¹ Cabinet Office (2007). *The Future Role of the Third Sector in Social and Economic Regeneration: final report*, London, HMSO, p.3.

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Similarly, David Cameron has argued in the preface to the Conservative Party's Green Paper on the third sector that:

The time has come for us to think of the voluntary sector as the first sector... as the first place we should look for the answers that neither the state nor the market can provide. This is no pipe dream. The voluntary sector is already delivering change throughout the country... The question is not whether the sector can do it, but what government can do to help them do more of it.²

And yet, relatively little is known about the capacity and capability, let alone the willingness of the third sector to embrace behind government agendas. Indeed, the whole idea of defining a wide range of organisations (including charities, community and voluntary organisations, social enterprises, cooperatives, social and sporting clubs, faith groups, and so on) as a 'sector' at all remains contentious. As a consequence, it is vital to get a strong sense of what the third sector *is*, to find out what it *does*, *how* it does it, and what it *wants* to achieve. These are now all top-line questions for a growing number of social science researchers in the UK.

As the title of this working paper suggests, there are several different ways of conceptualising the third sector in 'big picture' terms. In our conclusion we consider the usefulness of drawing analogies to characterise the third sector as a mosaic, a jigsaw or an abstract painting. We chose these analogies to convey how important it is to recognise endemic diversity in the third sector, and to highlight the dangers of imposing analytical or theoretical models on the sector which make little or no sense to the people who volunteer for or work in the sector.

There is already a great deal of research material on the third sector, which begs the question, why do we need more of it if, after all this time, we still do not have a complete picture of how the sector works? A first simple answer to this question is that the third sector is not standing still and neither is society, so researchers need to explore how the sector changes and adapts to new social, political, environmental and economic conditions. The second answer to that question is more complex, connecting with more fundamental issues about how the sector is defined as a whole and in its many parts.

² Conservative Party (2008) *A Stronger Society – Voluntary Action in the 21st Century*, London: Conservative Party Central Office, p.4.

We need to consider how the sector works together, how the sector represents its interests, how it develops and motivates those people who work and volunteer in it, how it manages change in a fluid environment, how it is funded in a competitive social marketplace, and how the sector chooses to do what it does to help beneficiaries.

There are many local studies and also some national studies which have attempted to deal with some of these questions, but none of these questions has been adequately answered. The main reason for this is that, to date, no study in the UK has been sufficiently well funded over a long enough period of time to explore how the sector is structured, what it does and, most importantly, how it responds to a changing environment.

The Northern Rock Foundation Third Sector Trends Study is the first attempt to tackle these issues in a *longitudinal* study which will see how the sector adapts to and is transformed by the changing context. This study is localised in the sense that it deals with the particular geographical area of Cumbria and North East England (an extension of elements of the work is taking place in the Yorkshire and Humber region as well). A strength of this design is that it will allow researchers to explore in much more depth than has ever been attempted before, the interactions between local, sub-regional, regional and national factors, providing insights concerning the sector as a whole in the UK. Furthermore, the research will be of international relevance. When we discuss our findings with colleagues in other countries, although their cultural and political environments may be different, they too will have to deal with many of the issues faced by the UK in a changing world.

1.2 The scope of the report

This is the first report drawn from the initial findings of what will be a longitudinal study and so its focus is to set out some of the big issues that are to be explored over time. Once this initial report has been published, we will then have the opportunity to discuss our findings with the third sector and others who work with it and from there we will establish the agenda for future areas of enquiry and analysis.

This report provides summary conclusions from a series of in-depth interviews with the chief officers of infrastructure organisations across Cumbria and the North East of England (methods are discussed in more

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detail later). Before this first set of findings is presented, however, it is important to outline exactly what we are trying to achieve in this first phase of the work. Most research projects start up and end in a relatively short time period and the expectation is that they come up with some answers. We are in a different place in the research process and want to ask some questions about what we *need* to know and what we *can* know about the sector. The latter point suggests that there are limits on what knowledge we can gain about the sector. What are these limits?

Probably the most important finding, and yet the most obvious, from our initial research is that the sector is 'complex'. The sector is complex in the sense that there are a great many *types* of organisations of different sizes and structures, doing many different things in many different ways. The objectives of organisations are affected by the value systems of their leaders, their employees and volunteers and there is not just one set of values, there are many, and they pop up in different and unexpected places. What we have therefore, is a sector which is complex in the full sense of the word. So complex, indeed, that questions may legitimately be raised about whether it is a sector at all (such that the sum of the component parts does not make a coherent whole). Secondly, we might ask why anybody would even want to describe this diverse range of organisations as a single 'sector'.

These questions raise two serious issues for the researchers. Firstly, how do we attempt to capture an understanding of a sector in a *holistic* way if there are fundamental doubts about such a sector existing in that form? Secondly, and potentially much more important, what are the dangers of imposing an academic model of *what the sector is* if it does not make sense to the people in the sector itself?

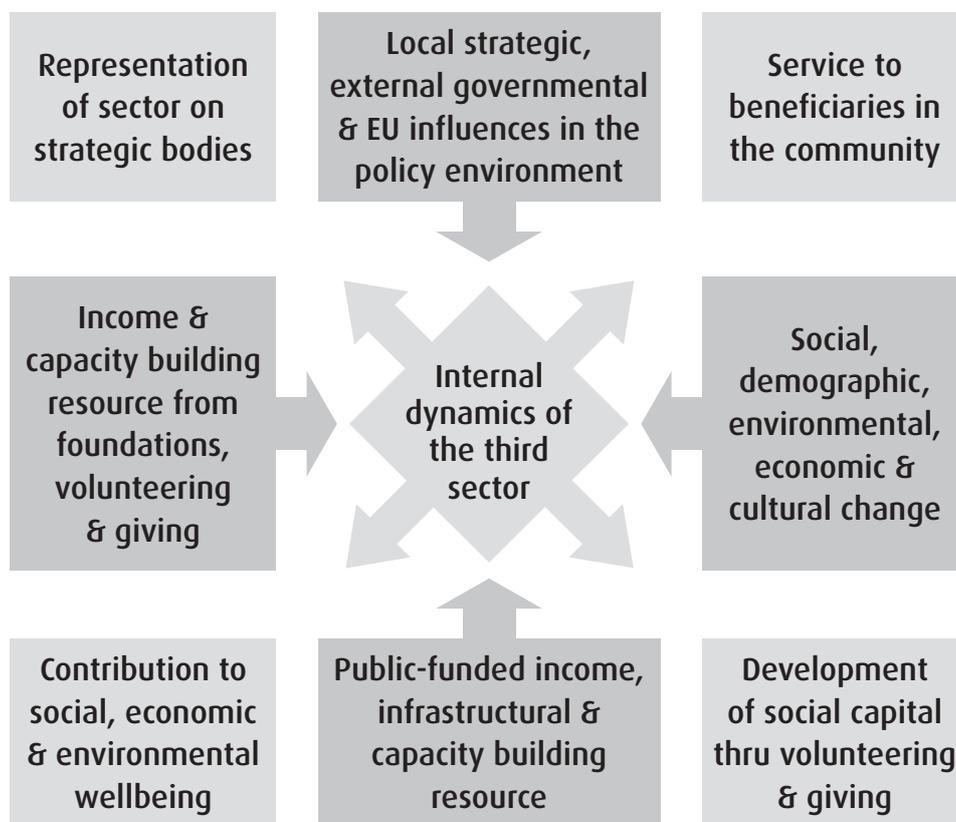
Taking the idea of a holistic model of the sector first, we think it is important to make the simple point (which has already been well made in the academic literature³) that the boundaries of the third sector are becoming increasingly blurred as governments become more committed to the idea of a 'mixed economy of welfare'⁴ where many public, private and third sector organisations (TSOs) play a part in the provision of public services. Furthermore, the third sector's activities are shaped (perhaps more now

3 See Evers, A. and Laville, J. L. 2004. 'Defining the third sector in Europe' in Evers, A. and Laville, J. L. (eds.) (2004) *The Third Sector in Europe*, Cheltenham: Edward Elgar Press.

4 Powell, M. (ed) (2007) *Understanding the Mixed Economy of Welfare*, Bristol, The Policy Press.

that in the past – although we need to examine this assertion) by a cocktail of internal and external factors, as is indicated in Figure 1. It is, therefore, extremely important that we do not try to produce fixed ideas on the structure, functions and values of the sector which are too rigid to allow for an understanding of how the sector changes over time.

Figure 1. External factors affecting the third sector and the impact of the third sector on society



There is also a danger of trying to *impose* a holistic model of the sector, no matter how elegant that might be intellectually, that is not helpful if it suffocates the fluidity and diversity of the sector. Take, for example, the issue of organisational legal form. It would be tempting to explore the sector by drawing up hypotheses about the differences between, for example, cooperatives, community interest companies, unincorporated community organisations and national charities which make *assumptions* about homogeneity within each category. It is vital that we do not try to impose a kind of *reality* on the sector before we start the research and as a consequence, find what we are looking for rather than exploring what is really there.

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This report tackles that challenge right at the start of the enquiry, when we look at the role of infrastructure organisations in the study region in supporting the sector and representing its interests.⁵ If this were a ‘final’ report it would be tempting to impose ‘order’ on the material we have collected so as to give a clear view on what a typical infrastructure organisation does, how it is structured and funded, what its values and mission are, how it delivers its services and how it represents its constituency of organisations in its area. However, by imposing that order on our evidence we would, undoubtedly, be making a very clear statement about what we *think* a typical infrastructure organisation *should* be like, not just what it *is* like. The conclusion of this report, as its title suggests, is that while infrastructure organisations are but just one ‘type’ of TSO, we find even amongst them great diversity in terms of structure, size, funding, functions, objectives and values. This diversity is partly due to the local social, political and economic environment, partly due to the history of organisations, partly due to relationships within the third sector and relationships with other key stakeholders and beneficiaries. It is also partly due to the different strengths and attributes of those people who lead and work for such organisations. At this stage of our research, it would be a perilous step to try to pretend that it was otherwise, or indeed to make a judgement about what is ‘typical’ or ‘best’.

We emphasise that our aim is to avoid presenting things simplistically at the start of our research programme. What we have found so far is of greater complexity than we had initially expected. In sum, this report is a *prelude* to a long programme of research, not a conclusion. Our findings will be presented in such a way as to reflect what we have found, but we neither impose ideas on what we think this means, nor make statements about what should be done. We will, instead, raise in our conclusions some key questions that we have uncovered in this first stage of research which we want, initially, to discuss with the sector, its stakeholders and beneficiaries. Following that, we will explore the key issues which are raised in much more depth over several years to get a real grasp of how the sector works, what it does, who benefits from its activities and how it might be more effective in the future.

⁵ At this stage in our research we do not intend to provide a definition of infrastructure organisation which restricts our analysis. This phase of the research was not a study of infrastructure organisations as such. As noted in Appendix 2, it is clear that most of the infrastructure organisations we selected operated at a local level (that is, within a single local authority borough), but there were also several organisations which operated across sub-regions/counties, or had a regional role. None of the organisations served both North East England and Cumbria.

1.3 Purpose of the programme of interviews with infrastructure organisations

This first part of the qualitative research is concerned with interviewing chief officers of the key infrastructure organisations supporting the third sector in North East England and Cumbria, including local, sub-regional and regional bodies. Our programme of key face-to-face interviews was conducted with organisations in mid-2008. Key objectives were:

- to make contact with infrastructure organisations and explain the purpose and scope of the Northern Rock Foundation Third Sector Trends Study project and to build trust with infrastructure organisations in order to establish a positive long-term relationship with them.
- to identify how and where current intelligence about the sector is held in the study region, focusing particularly on the availability of data on TSOs in each area.
- to gain a clear understanding of the history of individual infrastructure organisations, determine their sources of funding, find out more about their role, and explore their relationships with the sector locally and with networks further afield.
- to find out from chief officers of these organisations what they think are the main issues facing the sector as a whole. The purpose of this is to get a sense of the general wellbeing of the sector in their area of operation.

In addition to these substantive research objectives, we want to explore possibilities for new methodological approaches to studying the sector. In particular, we would wish:

- to find out what information about the sector is held by the infrastructure organisations. In so doing, we recognise the importance of the need to determine the best ways to evaluate and interpret the data and consider how to report findings in such a way as to increase understanding of the sector's dynamics and relationships;
- to consider whether it is feasible to set up a 'foresight panel' comprising third sector and external stakeholders to continuously monitor sector trends and to act as a 'barometer' to gauge the wellbeing of the sector;
- to consider how the results of the project might be used to help strengthen the sector and help funding bodies to make more informed decisions on investment to support the sector.

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In the sections which follow, we provide a preliminary overview of key findings about the sector as described by chief officers in infrastructure organisations. While the observations made are based solely on the comments of respondents, we do not confine the scope of the report to their views on just their own organisations. Instead, we have drawn upon their experience and knowledge of the sector as a whole to get a good first impression of key issues. When discussing perspectives on the sector which may be held by people from the public sector and private sector, or by beneficiaries or the general public, it is important to remember, therefore, that we are reporting on chief officers' understanding of the situation rather than reporting, first hand, the attitudes and beliefs of such stakeholders.

2 Roles and structures of infrastructure organisations

Infrastructure bodies in North East England and Cumbria are organised and operate at various spatial levels:

- Regional (including: Voluntary Organisations Network North East (VONNE), Black, Ethnic Minority Community Organisations' Network (BECON), North East Social Enterprise Partnership (NESEP) etc.).
- Sub-regional/county-wide (County Durham One Voice Network (OVN), Tees Valley Forum, Pentagon Partnership, the Rural Community Councils (RCCs), etc.).
- Local district-wide (Councils for Voluntary Service (CVSs), Voluntary Development Agencies (VDAs), etc.).

The biggest group comprises the local CVSs/VDAs.

There is considerable variation in the history and development of these organisations. Some are very long-established (e.g. Newcastle CVS, which dates back to 1929; Durham RCC, which dates back to 1935; and Voluntary Action Cumbria, which has evolved from Cumberland and Westmorland Committee for Social Service, founded in 1948). Others are very recent, such as: East Durham Trust (2007); the newly amalgamated Cumbria CVS (2007); and Catalyst, the new CVS for Stockton-on-Tees (2008). Most are registered charities and companies limited by guarantee.

There is considerable variation in the size, structure and role of infrastructure organisations operating at district, county or regional levels. There are, for example, substantial variations in the number of employees in infrastructure organisations. Some of the infrastructure organisations are very well connected with other localities and with other organisations. Others are less well integrated and operate primarily to provide niche services. Most of the infrastructure organisations and RCCs deliver 'core CVS' infrastructure support functions; as one chief officer put it, 'we are a sort of Business Link for the VCS'. However, some infrastructure organisations have a wide range of functions, while others provide relatively few.

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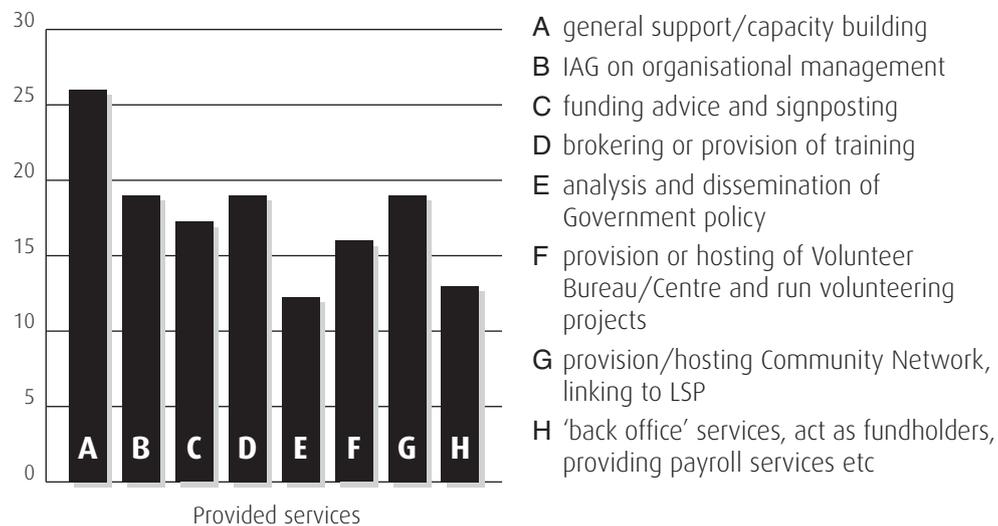
Their services can include:

- provision of general 'support' services and capacity building for TSOs;
- information, advice and guidance on aspects of organisational management such as governance and employment issues;
- funding advice, signposting, arranging events to meet funders, etc;
- direct provision, or brokering provision, of training sessions for local TSOs;
- analysis and dissemination of information about government policy developments and initiatives;
- provision or hosting of a volunteer bureau/centre and running volunteering projects;
- provision or hosting of a Community Network, linking to the Local Strategic Partnership (LSP);
- 'back office' services such as accountancy, office services (such as photocopying, design and printing facilities), acting as fund holders and providing payroll services for small organisations, assistance with insurance services, and so on.

The service functions provided by infrastructure organisations in this study are shown in Figure 2. In addition, some infrastructure organisations, particularly the large ones, run or host *projects*. 'Projects' come in many forms, ranging from sports promotion to community ICT; and from consultation work to advocacy projects. These activities normally bring in management fees which help fund the organisation.

We were informed that project work can produce tensions. Internally, too much emphasis on project work may lead to a degree of 'mission drift' as the work of the infrastructure organisation moves towards concern with the delivery of project outcomes – so potentially reducing the priority on the provision of core infrastructure support services. Chief officers in several organisations argued that they felt that they are being 'pushed down the project route' to access new sources of funding due to reduced levels of core funding. As one chief officer argued, 'this organisation changes almost every year depending on where the money is coming from'. In addition, taking on projects can create tensions with other TSOs if infrastructure organisations are considered as competitors.

Figure 2 Organisational services provided to TSOs (frequencies)



We asked infrastructure organisations how effective they felt they were in representing the interest of the sector. Some infrastructure organisations are heavily involved in representation of the sector locally. Others mainly provide practical bespoke services to smaller organisations: as one chief officer remarked, 'the majority of our groups simply want one-to-one support on how to fix a particular problem they are having...' Many organisations seem to struggle to *represent* the sector fully, although the public sector and the local TSOs often expected them to take on that role. Several chief officers stated that infrastructure organisations could not adequately represent the sector for a number of reasons including:

- lack of capacity in their organisation;
- limitations on the amount and quality of information they held about the sector in their area;
- the processes to achieve representation are not in place to achieve this objective;
- the working relationship between the third sector and public sector bodies is too complex to achieve effective representation;
- they do not consider themselves to have the legitimate authority to represent all parts of the sector.

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A distinction was drawn by many respondents between representing the 'views' of the sector and safeguarding its broad 'interests'. As one chief officer stated, we can 'pick up the vibes in the sector and feed those in'. Another stated, 'It would be impossible to be truly representative, therefore you use your gut instinct on what you think would be good for the sector.'

This is not to say that all infrastructure bodies felt that representing the interests of the sector was problematic. In some cases, well-established formal routes for representation existed, with clearly defined mechanisms to feed back information to the sector from elected representatives. In other cases, chief officers of infrastructure bodies stated that it was not their role to represent the sector so much as to help TSOs to speak for themselves.

Some infrastructure organisations facilitate representation. For example, they organise consultations on behalf of public sector organisations and provide mechanisms for finding local representatives to sit on the boards and committees of other organisations. Pentagon Partnership, for example, was involved in arranging elections to identify third sector representatives to sit on the new City Region board for Tyne & Wear at the time of study.

There was considerable variation in the extent to which infrastructure organisations were connected with other infrastructure organisations regionally or nationally. All of the infrastructure organisations had some connections with other bodies, but the number and depth of the relationships varied significantly. This was not necessarily related to the size of infrastructure organisations. Some of the very small infrastructure organisations had very strong relationships with other bodies, and this was partly due to the need for support, given a limited resource base. But it was more likely to be related to the extent to which the chief officer sought to make connections as a strategic priority.

Some of the infrastructure organisations were members of national organisations such as NAVCA, ACEVO, NCVO or ACRE, but few of the infrastructure organisations seemed to have much influence beyond the locality within which they work. Most locally based infrastructure organisations felt that they had only limited influence on regional or national policy, but this was not highlighted as a particular problem as they were more concerned with supporting their sector in the locality.

All infrastructure organisations held some information on their members and on the wider constituency of third sector organisations in their area. There was, however, considerable variation in the extent, quality and currency of information infrastructure organisations held on their local area. Many organisations struggled to find the funding or to commit time to establishing comprehensive listings of local organisations. Similarly, some infrastructure organisations lacked funding or expertise to establish useful databases or to resource regular updating of information. Not all infrastructure organisations thought that maintaining such databases was a priority.

Some databases had been built up through a 'mapping exercise' undertaken in-house or by consultants. A few infrastructure organisations had commissioned sector surveys to enrich their information. However, as these were bespoke surveys or mapping exercises, there was generally little scope for comparison with other areas.

Most, but not all, of the infrastructure organisations were membership organisations. In most cases, any TSO operating in the area that the infrastructure organisation served could join and usually there was no subscription fee (and where there was, it was nominal). Some chief officers noted that there would be many organisations which were not members and with which they had little or no engagement – but it would be problematic to serve them. 'We wouldn't be able to provide a quality service to them all ...' One chief officer mentioned that they had a waiting list of organisations needing support.

Services are generally available to all (often including non-members) in their area of operation and basic core services are often free. In practice, most infrastructure organisations provided services mainly for smaller TSOs.⁶ Middle-sized and larger organisations, it was generally agreed, tended not to need much from the infrastructure organisations, probably because they had their own in-house support systems to deal with functions such as fundraising, human resources and so on.

⁶ Our evidence suggests that these usually included TSOs which had at least one employee. The very small unincorporated organisations, which were run entirely on a volunteer basis, were probably less likely to approach infrastructure organisations.

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The extent and depth of communication between the infrastructure organisations and their member organisations varied considerably. In some cases, infrastructure organisations only issued occasional printed newsletters or e-bulletins, whilst others hosted many events and had quite sophisticated websites which provided news and information.

In most cases, their members have hardly any responsibilities to the infrastructure organisation – or to the local third sector as a whole – beyond eligibility to nominate to the infrastructure organisation’s Management Board and vote at AGMs. Only a few infrastructure organisations had formal relationships with member organisations which gave them the responsibility, authority or legitimacy to manage the process of, for example, sector representation on other local bodies such as the PCT and LSP.

3 Relationships within and between sectors

The chief officers of infrastructure organisations were asked about their relationships with other infrastructure organisations, and about connections with organisations (other than their member organisations) in their locality and elsewhere.

Most infrastructure organisations are connected to sub-regional networks (e.g. One Voice Network in County Durham; Tees Valley Forum). There are some thematic networks too – for example, Rural Community Action North East England (RuCANNE); Black, Ethnic Minority Community Organisations' Network (BECON); Northumberland Community Development Network; and Pentagon Partnership. Some organisations have been supported by Capacity Builders to establish consortia, often as a condition of funding.

For many of the infrastructure organisations, the relationship with the local authority/ies is crucial. Often it is the *key* relationship because local authority financial support can make a great deal of difference in terms of organisational capacity and effectiveness. That said, relationships can be strained at times. One chief officer stated, 'we don't get on too well with the local authority... they tell us what to do [but] don't like it that I'm so outspoken'. Others stated that the relationship can be very supportive. One said, 'the Council's Chief Executive is very positive about us'; another said that 'we have a strong and positive relationship with the Council'. For some, it is an uncertain or even precarious position, and one chief officer was concerned about not 'biting the hand that feeds them'.

Relationships with Local Strategic Partnerships (LSPs) can be very important – especially for those which host Community Networks and in areas where Neighbourhood Renewal Funding has been available. In some areas, chief officers were significantly involved in the development of Local Area Agreements, but others felt that they had only a marginal or reactive role to play in policy work.

There were many other relationships mentioned by chief officers. Of particular note were comments on good relationships with PCTs in some areas, with key initiatives such as Neighbourhood Management, Neighbourhood Renewal and New Deal for Communities; support from Community Foundations, and relationships with regional government agencies (Government Office for the

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North East, One NorthEast), with the Office for the Third Sector, and so on. As the main regional-level infrastructure organisation, VONNE has notably extensive networks within the region's third sector and also with public sector bodies, and has developed a number of thematic network organisations.

We asked chief officers about the benefits of local and regional Compacts with the sector. Compacts were generally felt to be a good idea in principle, and at the time of study, chief officers were involved in updating of compacts in some areas. Some respondents had concerns about the extent to which the principles of the local and regional Compacts were promoted or applied and felt that their lack of legal sanction limited willingness to challenge breaches. As one chief officer argued, 'VCS organisations are scared of those holding the purse strings'. Another stated that, '[the Compact] it came out in a blaze of glory, [we] worked with the council to do it, and since then it's sat on the shelf'. While there may have been doubts about the impact of Compacts to date, some chief officers commented that the experience of drawing up the Compact had in itself been a useful process. Some respondents stated that they had experience in their areas of Compacts being treated seriously, being supported by good structures and being used to make the case against poor practice.

Competition between organisations within the third sector did not emerge as a very strong theme, but there were references to conflict and tensions stemming from duplication of services, mutual suspicion about the efficacy or legitimacy of TSOs, and sometimes competition for resources.

Partnerships and collaborations are felt to work best when they are not forced – the merger of the CVSs in Cumbria was cited as a good example. As in the case of Capacity Builders consortia, it was generally argued that when funding was available this was likely to encourage organisations to work together. As one chief officer argued, 'organisations work together where they have to and where there's money on the table [but] when the money goes, so does the enthusiasm'.

Discussion about what helped to make or break good partnerships in the sector produced a very wide range of responses. Chief officers were candid about problems emanating from personality clashes, long-standing organisational rivalries and consequent 'infighting'. At this stage, we can only report on a very mixed picture, where it was claimed that some areas

seemed to be better at partnerships and collaborative working than others. A tentative finding is that working together may be more feasible in very local groupings, in small local authority areas and, possibly, in rural areas – but this needs to be explored in much more depth as the study proceeds.

Chief officers of infrastructure organisations are well placed to comment on the degree of influence the third sector has on public policy, since they often serve as the sector’s representatives. Some pointed to the involvement of the sector in LSPs, LAAs, local government restructuring and a variety of partnerships. But there were concerns about processes and the ‘tokenistic’ representation of the sector on boards and committees. Concern was also raised about the time commitment involved; as one chief officer remarked, ‘they think we have unlimited resources to sit round loads of tables ... people want our expertise but aren’t prepared to resource it’. And the extent of their influence was doubted by some, ‘we like to think that we make a difference, but most of us think the reality is it’s a done deal before they get to asking us’.

Public sector perceptions

We found a good deal of unease amongst chief officers about the perceptions public sector officers are thought to hold about the third sector. Most thought that the public sector (that is, mainly local authority officers, but also officials in the NHS and government agencies such as JobCentre Plus or the Learning and Skills Council) had negative perceptions of the third sector. We recorded a long list of words and phrases recalled by chief officers about public sector perceptions which were negative, critical, or even derogatory: ‘amateurish, unprofessional, badly managed’, ‘do-gooders’, ‘disorganised, disjointed, incoherent, confused’, ‘patchy, inconsistent’, ‘a strange animal’, ‘a poor relation’, ‘a cheap option’, ‘not accountable’, ‘always asking for things’, and even ‘sandal-wearing, brown-rice-eating, ageing hippy do-gooders ...’ While we cannot comment whether these are actually the perceptions of people in the public sector, we certainly had a strong sense that the ILOs think that the third sector *feels* disparaged and undervalued.

When asked to explain why this might be the case, it was argued that the public sector simply did not understand how the third sector was structured or what it actually does. One chief officer claimed, for example, that ... ‘The PCT’s idea of the third sector is the tea bar in the hospital – they don’t understand the work we do or the concept of [us employing] paid staff.’

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A second bone of contention, often reported, was that the public sector failed to respect or understand the importance of third sector independence. As one chief officer stated, 'They fund us, so they think they own us', while another stated, '... if we speak up, they see us as trouble-makers'.

Some chief officers considered this issue from the perspective of public sector officers and conceded that some problems could arise when TSOs did work in an 'amateurish' or 'disorganised' way. As one respondent put it, 'The VCS doesn't understand the Council either. They think the Council has lots of money to give out – they don't want to understand that that isn't the case ...' As noted, many chief officers had, themselves, worked in the public sector in the past and were very aware of the political, procedural and financial constraints within which public sector officers worked.

Private sector perceptions

It was generally thought that the private sector knew little about the third sector, did not really understand it, and is indifferent to it, rather than negatively disposed towards it. It was felt that the private sector was 'not terribly interested'; 'they see us a peripheral'; 'we're not on their radar'. Lack of understanding meant that members of the private sector were said to be surprised, for example, that there are paid staff in voluntary organisations.

This was not, however, the whole story. Several noted that the private sector had involvement through support for Community Foundations, corporate social responsibility, and sponsorship of community organisations and activities. Moreover, a few respondents recognised that there are good possibilities for joint working between the two sectors. One said that, 'the VCS needs to get savvy about working with the private sector on contracts'.

Public perceptions

It was felt that the general public have a generally positive view of the third sector but, again, have a limited understanding of it. The public, in the eyes of our respondents, see the sector as 'cuddly', are aware of local organisations and enjoy good relationships with them, especially in deprived communities. However, according to one chief officer, the public, 'doesn't understand the breadth and depth of the sector', or what it contributes. A particular issue, raised by several interviewees, is that the public can be

‘suspicious’ of the sector: ‘They question the motives of the people who get involved and – like the private sector – are confused by the fact that there are both paid and unpaid people working in the sector.’ There can be confusion, too, about what constitutes volunteering: ‘lots of people don’t think of what they do as volunteering’.

When discussing chief officers’ perceptions of the third sector in North East England and Cumbria, we raised questions as to whether the particular social, cultural, economic and political characteristics of the region affected the way the sector had developed. These discussions produced a good deal of attitudinal consensus amongst respondents with many feeling that North East England and Cumbria have particular cultural and structural characteristics which have influenced the nature and development of the third sector. The most important characteristic identified by respondents was the region’s relative dependence on the public sector. This led many to argue that a form of ‘paternalism’ had emerged which led TSOs to expect and depend upon ‘grants’ and ‘handouts’ and that, as one chief officer put it, ‘local organisations think ‘the Council’ will always give them money’.

Dependence led in turn to an assumption that there was a lack of entrepreneurial spirit in the region in comparison with other areas. It was commonplace for our respondents to claim that people and organisations in the region tended to be ‘risk averse’. In the third sector, this had impacted upon development too, some respondents felt. This point is exemplified by what one interviewee called a ‘lamentable record of social enterprise and community business’. Furthermore, it was argued that dependence on the public sector had led many third sector organisations to become ‘timid’, ‘passive’ and to ‘defer’ to the public sector. Some argued that this could lead to organisations being insufficiently innovative or creative because they were too willing to respond to funders’ requirements rather than coming forward with their own ideas. Two respondents separately summed up the situation as follows: ‘it’s a master-servant relationship’, and ‘it’s deferential – an ironmaster culture’.

It may be the case that the circulation of stories about ‘what the region is like’ gains a kind of cultural inertia and starts to develop a reality of its own. Consequently, it is important to reiterate an earlier point that these observations are offered as the *perceptions* of chief officers about regional characteristics which may or may not stand up to empirical investigation.

4 Funding issues

Funding issues are at the forefront of chief officers' minds, both in relation to the sustainability of their own organisation and when commenting on the state of the sector in their area.

4.1 Funding of infrastructure organisations

The funding situation for infrastructure organisations is difficult to summarise. Sources of funding are varied and the mix of funding differs very significantly from organisation to organisation. There is a very wide range of funding sources, including local authorities, Capacity Builders, Neighbourhood Renewal Fund/Working Neighbourhood Fund, Big Lottery and BASIS, European Union funding, Defra, Communities and Local Government, Office for the third sector, charitable trusts (including Northern Rock Foundation), and also contracts with JobCentre Plus, Primary Care Trusts, Sure Start, Learning and Skills Councils, the Regional Development Agency, Government Office for the North East, and so on. The key source of core funding for several infrastructure organisations is the local authority; some received a significant block grant to operate their services. In other areas, however, the local authority provides no core funding at all.

It is not uncommon for the larger infrastructure organisations to have 10 or more funders. Although on the surface this can appear complicated, it can also be seen as a strength: 'it makes it complicated but ... [it] means we're not dependent on one funder ... we're able to challenge and not just [be seen as] biting the hand that feeds us ... it gives us strength in how we operate'.

Having many sources of grant, service level agreement or contract funding can also be perceived to be problematic, as infrastructure organisations juggle priorities or potentially lose sight of their main priorities due to pressures to meet the needs of one particular funder at any one particular time. The administration of many funds can also be time consuming and taxing in management terms. Related to this, the staffing levels of organisations can become very fluid if the organisation is dependent upon several funding streams, with dedicated staff allocated to particular roles. There is also a likelihood that difficulties can arise in maintaining employment

continuity for staff when contracts come to an end or funding streams do not match end to end.

Not all funding comes from grants, contracts or service level agreements. Some infrastructure organisations gain rental income from buildings they own and this provides them with a continuous and relatively secure income stream which can help them through lean times. In some cases, infrastructure organisations are investing energy in income generation. Such income can be gained, for example, from offering back office services (such as payroll services) to other TSOs. As one chief officer commented, 'we'd have gone bust without those earnings'.

There may be a growing recognition of the benefits of alternative or additional forms of income generation as funders become more focused on the delivery of contracts with specified service outcomes rather than block grants. One chief officer summed up this situation as follows: 'being an infrastructure organisation is not sexy – so most funders don't want to fund it – so we have to look more towards our own income generation'.

Funding difficulties have affected several infrastructure organisations across the study region in recent years due to loss of core funding or a lack of success in securing other funding opportunities. Many infrastructure organisations have experienced significant ebbs and flows in levels of funding as sources of income have come and gone due to shifts in the policy environment.

At the time of the interviews, many of the infrastructure organisations were very concerned about their future funding and a number of chief officers reported that they were currently having to use reserves to bridge funding gaps. Others were concerned that they might also fall into this category soon due to uncertainties about core grants or their potential to win resources from other funding streams.

Some of the chief officers were relatively confident about the future; they had robust income generation strategies in place and had clear plans for further income generation. One said, '[in future] we will be bigger, more robust, more accepted'. But the majority of chief officers told us that they were very unclear about future funding levels since there were so many variables to consider. As one chief officer stated frankly, '[we]... just don't

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know, we haven't a clue'. Such uncertainty put chief officers and their staff under real pressure: 'we're never sure if we can keep staff going ... planning is really hard – there's too much crisis management at the cost of strategic management'.

Uncertainty and nervousness about the future could often be turned around very quickly if a new grant or contract was won. A chief officer said, '[we were in]... dire straits six months ago – thought we'd lose half the staff ... then everything was OK again'. This experience was described as a 'roller coaster', which the chief officer had found 'quite stressful' as it was not just a matter of organisational continuity but also 'about people's jobs and their lives'.

The heavy reliance on short-term funding was almost universal in infrastructure organisations. This could produce sudden stop/start cycles which impacted on the way that organisations managed their activities. Of necessity, there is a good deal of pragmatism in the way that organisations negotiate their objectives in a turbulent funding environment. It can be hard to secure funding for core services and to maintain existing work; this can push infrastructure organisations towards seeking funding for 'projects' and, in particular, develop work which is seen as 'new' or 'innovative'. As one chief officer stated, 'Because of a lack of core funding you have to re-invent your core services into projects'. Reflecting the situation of many infrastructure organisations, another argued that, 'I expect that in the future we'll be struggling to do what we've always done – plus we'll take on some projects which come along'. Another had a more stoical approach about the ability of the organisation to adapt to changes, telling us that, 'we have to re-heat, re-package and re-present, but our core ingredients remain the same'.

When asked about the future funding environment, it was recognised that there were many uncertainties facing infrastructure organisations, deriving from international economic events, national policy changes, shifts in patterns of local government within the study region, and so on. Many respondents recognised that these changes in funding streams were causing real alarm to the sector, such as the recent loss of European Social Funds, Neighbourhood Renewal Fund, and concerns about Northern Rock Foundation funding. Getting a clear understanding of changing funding regulations was a major preoccupation for chief officers which, some said, caused significant 'unnecessary' work and often led to frustration if funding was not gained due

to minor errors of interpretation of new criteria and procedures. While it was clear that the infrastructure organisations had to work hard to maintain or increase levels of funding, it also became apparent that the ‘thrill of the chase’, as one chief officer put it, could be a source of motivation. As this study was undertaken before the impact of the ‘credit crunch’ was really felt by the sector, it is not yet possible to remark on the longer-term impact of that on infrastructure organisations. Similarly, the move from district councils to unitary authorities in the counties of Durham and Northumberland is likely to impact on the provision of core and project funding by local authorities to infrastructure organisations, but we cannot as yet determine the extent of this impact.

Reorganisations at Government Office for the North East, at the Regional Development Agency, in the Learning and Skills Council, JobCentre Plus and Business Link were all identified as likely to impact upon the way that these organisations provide funding. The establishment of Local Area Agreements and the subsequent development of Multi Area Agreements across ‘city regions’ will also bring changes in funding patterns. To some emergence of city region strategies was a particular cause for concern to chief officers in Rural Community Councils as it was feared that areas on the periphery of city regions could become isolated. By contrast, the development of city regions has also allowed some infrastructure organisations to contemplate the possibility of more cross local authority working, if not for their own organisation then for other TSOs.

4.2 Assessment of the funding situation for the sector as a whole by infrastructure organisations

The chief officers of infrastructure organisations were asked to comment on the funding situation for TSOs in their area. Most considered that the current situation was not easy. Mirroring points made about the infrastructure organisations themselves, they said that the sector as a whole is being affected by the loss of key funding streams. These perceptions were influenced, necessarily, by local experience and the availability of dedicated funds in their areas of operation. At the time, in mid 2008, uncertainty stemming from the development of unitary local authorities was an important issue and produced concerns about future funding for the sector.

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Chief officers in infrastructure bodies also reported that in the sector as a whole there was uncertainty about the effects of the government commitment to contracting public sector services from the third sector. Principal concerns included a belief that grants to third sector organisations were reducing in number and becoming increasingly hard to obtain. While some chief officers felt that grants would remain an important part of the funding landscape, it was thought that some authorities were ‘dressing up’ grants as contracts or service level agreements. There was a strong sense amongst chief officers that while ‘the new game is tendering and procurement’ in the public sector, the impact was not yet being felt very strongly. It was commonplace for chief officers to state that many of the organisations they worked with generally did not want to move to delivering public services.

Furthermore, it was argued that smaller organisations in particular were often simply not in a position to bid for such contracts and probably never will be. As one observed:

‘there is an assumption on behalf of government that the sector wants to deliver public services. Actually we don’t, it’s not what we’re here to do but we have to go along with it as long as government says we have to, and there’s an expectation that we know what we have to do.’

We cannot be certain at this stage in our research whether such views are fully representative of the views of smaller or medium-sized TSOs which deliver front-line services. In our recent study in North Yorkshire, we found that there was a significant variance between the perceptions of infrastructure organisations and front-line third sector organisations about the motivations for and advantages of tendering for contracts. TSOs delivering primary services tended to be more interested in pursuing this route to funding than infrastructure organisations expected.⁷

⁷ Chapman, T. and Crow, R. (2008) *A Thriving Third Sector: a study of North Yorkshire and City of York*, Middlesbrough: Social Futures Institute. By ‘primary services’ we referred to those organisations which deliver front-line services such as social care, training, accommodation. ‘Secondary services’ refer to, for example, information advice and guidance, debt counselling, advocacy, and so on.

5 The capacity and capability of the sector

In this preliminary assessment of the general wellbeing of the third sector in the study region, we asked chief officers of the infrastructure organisations about how the sector is faring and its capacity to deliver services to beneficiaries. Here we provide an overview of chief officers' perceptions of the strengths of the sector and the challenges it faces in the prevailing political, economic and cultural environment. We begin with a discussion of the capacity of the sector in terms of its human resources. Following this, we turn attention to the quality of leadership in the third sector.

5.1 Trustees

A pressing issue for many TSOs is the need to recruit and retain committed, appropriately qualified and experienced trustees to govern organisations. There was no clear consensus amongst respondents about the extent of difficulty that was encountered in recruiting trustees, but most agreed that there was a problem associated with getting the *right calibre and range* of trustees to serve on the boards and management committees of third sector organisations in their area. It was commonly stated that organisations do not have the right mix of skills on their boards.

This was sometimes due to a failure to identify clearly the skill mix they needed and recruit accordingly. The recruitment process was, many argued, too often shaped by a willingness to bring in people who were already known to organisations rather than to advertise or 'sell' the position of trustee as a real opportunity. As one chief officer stated, 'most are recruited through nepotism or pestering ... organisations don't advertise or do inductions ... they [the trustees] operate in an environment of ignorance ...' Problems of recruitment were thought to be particularly acute in finding treasurers to serve TSOs in the region.

In some areas, particularly in areas suffering multiple deprivation, it was reported that there was a general shortage of people with managerial or professional career backgrounds, which could limit the pool of skilled and experienced potential trustees. Respondents were aware that the time commitment involved in being a trustee could be onerous, particularly on

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boards where a core groups of trustees do most of the work. Similarly, the risk of personal liability or reputational damage may be substantial too. One said, 'the more people get to know about their role as a trustee, the more likely they are to leave because they appreciate it's risky'. In some cases, respondents were very frank in their assessment of the reason for difficulties in recruiting the right people, 'Why would bright, intelligent professionals want to get involved with the sector when you look at the people already involved with it?' The consequence can be that trustees are drawn from a limited pool of third sector activists, people who several respondents referred to as 'the usual suspects' – 'the same people serving on lots of committees'.

The skill set of trustees was identified as a problem. It was claimed that TSO trustees did not fully understand their role, had insufficient knowledge to do the job properly and were either resistant to training or were not offered training. This is not to say that trustees were not committed to the organisations they served, but as one chief officer said, 'There is too much altruism and not enough business skills ...' This level of commitment could, in turn, create difficulties and several respondents stated that retaining the same trustees may not necessarily be a good thing. As one commented, 'They stay, and stay, and stay ...' This can lead to stagnation and leave a board or management committee with limited skills and experience. A consequence of this could be that some boards are 'managed' by their chief officers and other employed staff, 'Some boards have no idea what's going on; others want to do operational stuff'. Another commented, 'There are still a lot of organisations that are led by their CEO and their trustees live in a veil of ignorance until something goes wrong – it is a very dangerous situation'. As we progress in this research, it is clearly going to be important to explore the impact and efficacy of governance arrangements on the operation of organisations.

5.2 Employees

Chief officers at the infrastructure organisations think that, on the whole, the third sector is a good place to work. It is attractive for people who are committed to particular causes and it can offer real job satisfaction. They believe that a key attraction of the sector is that there is a high degree of flexibility and autonomy which makes it possible for people to get things done and 'make a difference'. The work can be rewarding in terms of

meeting people's 'personal and moral expectations' and 'there are some excellent opportunities, especially for women ... it's such an intangible sector yet the learning experience is phenomenal'.

However, it was also recognised that employment conditions can be less favourable than in the public sector. Pay is relatively low and many smaller organisations cannot afford to offer incremental pay rises (and often no pay rises at all). Many organisations offer no employer pension scheme or other benefits which are common in the private and public sectors. It was said that career development may also be limited because of 'flat' organisational structures and because many organisations are small. Consequently, there is a shortage of middle management jobs and few higher-level jobs to move up to.

The biggest disadvantage of working in the sector is considered to be insecurity, stemming from short-term funding. Respondents informed us, however, that some employees worried more about insecurity than others. For some, employment insecurity can be offset and compensated by the rewards of job satisfaction. Nevertheless, it was felt that that relatively poor conditions of work, low pay and insecurity deters some people from working in the sector and can result in recruitment problems.

Short-term funding was identified as a key factor in staff turnover. A chief officer commented, 'There are too many people left in a position where they are seeking funding to fund their own posts – that's not right.' High turnover was regarded by some as a real problem, leading to a loss of knowledge, experience and a dislocation of relationships with communities which can take a long time to establish. On the other hand, some felt that turnover can help renew and refresh organisations, and that individuals can benefit from moving between jobs and organisations. It was noted, however, that many chief officers in the sector – including those in the infrastructure organisations – can 'get stuck', staying in the same job for many years.

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Discussion about employees' training and skills revealed differing viewpoints and some significant tensions.

- On the whole, it was felt that the third sector workforce has a good level of capability, as a result of skills acquired through experience rather than through formal education and training. People in the sector tend to be 'multi-skilled generalists', as one put it.
- Some feel that 'the sector needs people with experience, not qualifications'. Others feel that the sector workforce needs to be better trained, better qualified and more 'professional'. 'People are driven by passion – but that needs to be supported by training.'
- There is general support for staff training and recognition that commitment to training is increasing at all levels. But views differ about what is needed and relevant to the sector, and how existing knowledge and experience can be validated. It was noted that staff training budgets are often low or even non-existent – and that training budgets are often first in line for cut-backs when funding is tight.

5.3 Volunteers

Several of the chief officers in infrastructure organisations were in a particularly good position to comment on the state of volunteering since they hosted volunteer bureaux/centres. The general consensus was that there continues to be a steady stream of people coming forward to volunteer in the third sector and that recruiting volunteers is not particularly difficult except, perhaps, when very specific requirements need to be met. Where difficulties arose, it was generally due to one or more of the following factors: delays caused by Criminal Records Bureau checks; problems associated with benefit regulations and the risk of losing state benefits; insufficiently well-developed recruitment procedures; and inappropriate induction training by TSOs.

It was acknowledged that volunteers can have different motives for becoming involved with TSOs. While most are clearly committed, some regard volunteering primarily as a 'social' activity while others see it as a stepping stone to employment. There is an impression that the categories of people becoming involved in volunteering may be broadening, to include more young people.

It was generally agreed that volunteers need to be well managed, properly trained, supported and monitored in their roles, as well as being rewarded and appreciated by the organisations they work with. While many organisations achieve this, respondents found the process of locating volunteers in appropriate organisations can be difficult. As one respondent stated, 'The culture tends to be: the volunteer will turn up and then we'll find something for them to do – groups don't plan enough for their volunteers'.

From a policy point of view, many respondents expressed disquiet about government plans to 'compel' people to become involved in voluntary work, either as a condition of gaining benefits or as a compulsory form of community service for recent offenders. As the study proceeds, it will be important to assess the impact of such policy changes on patterns of volunteering, the impact on other volunteers and the willingness of TSOs to take on volunteers who do not freely give their time.

5.4 Leadership in the third sector

There has recently been much discussion about leadership in the third sector.⁸ There have also been policy initiatives such as One North East's⁹ support for leadership development in the sector. The chief officers of the infrastructure organisations – themselves leaders – were asked about the characteristics of leadership in the sector. Initially, we asked them if they felt that leaders were born or trained, in order to get a sense of the importance of leaders' *vocation* to work in the sector as opposed to their *skill-set*. Most respondents emphasised the former trait, arguing that good leadership drew upon innate characteristics. That said, most did emphasise that training was needed to develop those natural abilities.

When we asked respondents to give examples of good leadership in the sector, a wide range of responses emerged which represent a mixture of personality traits, skills and abilities, and behaviour.

8 Streater, J. (2007) *VCS Leadership: views of the sector and implications for a strategy*, Newcastle upon Tyne: VONNE.

Aldridge, N. (2007) *Leadership challenges and the future of the Third Sector* (speech to Strategic HR in the Voluntary Sector Conference 13th March 2007).

Taylor, B., Lee, S and Aldridge, N. (2005) *Leading the Professions: the governance and direction of professional associations*, London: The Association of Chief Executives of Voluntary Organisations.

Taylor, B. and Lee, S. (2005) *The Governance of Professional Associations*, London: Association of Chief Executives in Voluntary Organisations.

9 One North East is the Regional Development Agency for North East England.

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- **A good communicator.** 'Clear and consistent messages to staff.' 'Able to 'read' people.' 'Approachable.' 'Able to make complex information simple.'
- **A good listener and negotiator.** 'Doesn't suffer fools but respects opponents.' 'Firm but fair.' [They] 'listen as well as talk, and do that across barriers.'
- **Enabling and delegating.** 'Allows employees to take responsibility, learn and grow.' 'Recognises capabilities of staff.' 'Treats staff as partners.' 'Trusts others.' 'Able – and prepared – to do everything within the organisation.' 'Someone with first-hand knowledge of working at a low level and has worked their way up.'
- **Inspiring and motivating.** 'Inspires staff.' 'Ability to earn respect and take people with them.' 'Praises people – is a good role model.'
- **Develops and sells a 'vision'.** 'Good strategic mind.' 'Good command of the 'big picture'.' 'Identifies opportunities.' 'Has understanding of both strategy and operation – and able to bring those together.'
- **Realistic and reflective.** 'Prepared to make – and recognise – mistakes.' 'Don't get above themselves.' 'Able to take criticism and accept that you're not the best at everything.'
- **Personal attributes.** 'Honesty, integrity and fairness.' 'Charisma, confidence and maturity.' 'Experience, commitment, positive mental attitude and good health.'

When asked to identify the characteristics of poor leadership, interviewees tended to mirror the opposites of the 'good' characteristics, but also mentioned some specific characteristics and traits. These included a basic lack of drive and inspiration: 'dull and uninspiring'; 'can't sell (or doesn't know) the organisation's message/vision'; 'blinkered'; 'indecisive, weak, lacking in self-belief'; 'won't take responsibility'. Some criticisms of poor leadership centred on arrogance: 'think they always know best'; 'not prepared to listen to arguments'; and 'dictatorial'. Others were more clearly associated with lack of competence, such as: 'can't manage or meet deadlines'; 'can't make decisions, can't stick to decisions'; 'breaks promises'; 'unavailable'; 'doesn't know the staff, understand their capabilities and blames staff for problems'. Finally, respondents raised a number of factors which alluded to the dishonesty of poor leaders: 'In it for what they can get out of it'; 'pursues own agenda – even if that's inappropriate'; 'self-promoting'; and 'dishonest in dealing with others'.

6 How is the sector faring?

Given that this research project is in its early stages, it is clearly not possible to produce definitive observations on how the sector is faring. However, we are in a position to report upon the comments made by chief officers of infrastructure organisations on their impressions of the general situation. It is important to preface this section with some caveats concerning limits to the amount of knowledge chief officers may have about the situation in the sector in their locality.

Infrastructure organisations do not have overall responsibility for gathering information on the sector. In particular, they can have relatively limited information about the operation of national organisations which are working in their area, and they do not necessarily know much about the larger TSOs operating in their area (unless, for example, they have representation on boards). Instead, infrastructure organisations generally have a clearer understanding of those TSOs which actually come to them for support, or with whom they work closely in partnership. These tend to be smaller organisations which are locally based.

Very few infrastructure organisations have detailed databases on the sector in their area, and most have little or no capacity for collecting and updating such information. This means that there is no obvious way for them to determine how the size and shape of the sector is changing. Some organisations do undertake periodic surveys or mapping exercises of the sector locally, but if these surveys are partial or are substantially out of date then intelligence will remain limited.

Not all infrastructure organisations see it as their responsibility to have a detailed knowledge of the sector. For some, their primary role is to be providers of support to those organisations which need it. If this is the case, then it might produce something of a skewed understanding of the sector's needs because they have contact mainly with those organisations which actually require such support.

The infrastructure organisations are often called upon to represent the sector's interests in their area of operation. In many cases, however, the infrastructure organisations are reticent about making too strong claims about either their

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capacity to achieve this or the legitimacy of this role in their own eyes or in those of the sector as a whole. They recognise their limitations.

While chief officers may have a good deal of knowledge of what is going on in the sector (for example, they may know which organisations won or lost a major contract or grant, which organisations have started up and which have closed), they are nevertheless dependent upon the circulation of news formally or informally to them. It cannot be known whether the circulation of this information is an accurate representation of what is going on.

Finally, and perhaps most importantly, chief officers have limited scope to assess the comparative wellbeing of the sector in their area. We know that there are some very good networks within which chief officers of infrastructure organisations operate, which provide them with some intelligence on how they are faring. There is very little, if any, robust comparative evidence at cross-local authority level or regional level on the sector which they can rely upon to assess their local situation.

Bearing these caveats in mind, it is clear that we have to be cautious in our interpretation of the impressions chief officers have given us about the wellbeing of the sector. Furthermore, these caveats alert us, once more, to the real importance of developing mechanisms to produce good quality comparative data over a period of time. What we report upon below, therefore, is impressionistic and will require much more detailed additional analysis over time. As a baseline statement, the exercise provides an outline of what the sector needs to know about itself, and helps us to formulate research questions and methodologies to gather such information in later phases of this work.

6.1 Sector wellbeing

When discussing the general wellbeing of the sector, chief officers' attention turned quickly to the issue of funding. The general view is that the sector has both recurrent problems with the funding environment, and also faces more specific issues which were affecting the sector at the time of study. In terms of current issues that are affecting the sector, it was generally argued that the sector as a whole was suffering from contraction of funding,

but there are some organisations which are doing well. In local areas, there is a mixed picture and the infrastructure organisations seemed unable to discern any clear patterns.

Patterns of change were regarded by many of our interviewees as relatively random; the sector seemed to be affected by the 'ebbs and flows' of funding which were, in turn, affected strongly by local, regional and national social issues and public policy priorities. Some organisations, perhaps particularly the smaller and more locally focused ones, have been shaken by changes in funding streams or the methodologies used to distribute funding and some have closed down.

There was an awareness of organisations in trouble because they seek help from the infrastructure bodies – but there was also awareness of the many small organisations which are active, developing, and which are largely self-sufficient. Chief officers knew of larger, cross-regional or national organisations which were doing well and gaining big contracts from the statutory sector. It was argued that, in some cases at least, these larger organisations were winning bids at the expense of the local organisations although the impact of this on the sector or on beneficiaries was not fully understood. As one respondent stated:

'there is a conveyor belt within the sector of new groups that are developing and evolving, but there aren't any resources to sustain the middle bit of the sector. It is the groups in the middle that are suffering so development is hard at the moment and we're having to help some of them wind up – they're the SMEs of the third sector'.¹⁰

Certainly, the situation was perceived to have become more competitive – and there were concerns about national organisations operating in a 'predatory' way and 'poaching' business from local organisations.

Many chief officers observed that tendering and procurement practices could limit the success of the sector locally. There was an impression that, in spite of compacts, there was a great deal of variation in procurement practices both within and across local authorities. The many different approaches to procurement created confusion and hard work for TSOs who were interested

¹⁰ This assertion is supported by our findings from our previous study of the North East for the VCS Task Force. See Chapman, T., Crow, R., Brown, J. and Ward, J. (2006) *Facing the Future: a study of the impact of a changing funding environment on the voluntary and community sector in the North East of England*, Middlesbrough: Social Futures Institute.

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in tendering. Furthermore, for those organisations which were already working (or had ambitions to work) across local authority boundaries, the complexity surrounding procurement practice could be a major problem and potentially limit the scope for the sustainability and development of local organisations.

The quality of relationships with local government bodies, PCTs, and government agencies was identified as a key factor in the success of TSOs in winning grants, service level agreements and contracts. There was a sense that bidding was becoming more difficult rather than less, and that this was largely due to the increased demand for partnership or consortium working within the sector. As is often stated in discussion about third sector funding, chief officers relayed to us observations about the start-stop, short-term project lifecycle which resulted from short-term funding arrangements.

6.2 Success stories in the sector

On the whole, the infrastructure organisations found it difficult to say which parts of the sector were doing particularly well because they lacked robust intelligence on the state of the sector locally. We can only tentatively report that the following thematic areas of activity were identified as growth areas:

- projects concerned with asylum seekers/refugees and BME groups;
- social and community enterprises;
- employability projects;
- sports clubs;
- young people's projects;
- provision for older people and carers;
- small community organisations (particularly residents' associations);
- the bigger TSOs (and particularly national charities).

To state that this list indicates consensus across the sector would be misleading, as in many cases only a few chief officers identified these particular activities. Several acknowledged that there were 'fashions' in policy and that those organisations which worked in fields currently receiving attention and priority were favoured and so tended to be doing well.

Chief officers were better able to point to organisations which were doing well because they had certain characteristics. These organisations were variously described as: ‘entrepreneurial’, ‘responding to change’, ‘agile’, ‘opportunistic’, ‘able to articulate what they can do’, and ‘well connected’.

There was less knowledge or agreement on which organisational types or beneficiary themes were doing less well or were in decline. While respondents did talk at some length about difficulties with the funding situation facing the sector, most struggled to identify who was suffering the most from funding uncertainty. Clearly, this is an important finding in itself, and highlights the importance of gaining good quality comparable data across the sector as a whole over time to inform infrastructure organisations where the ‘pressure points’ are.

We did, however, gain some clues about parts of the which sector seemed to be under particular pressure. The following organisational categories were cited: community centres – especially when room lettings were declining; community buildings – especially when facing high maintenance and renovation costs without access to sources of funding; local community partnerships; and smaller organisations in general due to reduction in grant funding. In terms of thematic categories, chief officers identified the following types of organisation as being under serious pressure: infrastructure organisations; community education; social care provision; and youth provision (although as noted, this is a mixed picture as youth provision was regarded as a growth area in some localities).

We asked chief officers if organisations which were facing decline had any specific issues to address. The most common explanations for organisations doing less well were as follows: they were insufficiently entrepreneurial; they lacked the strategic vision to remain sustainable; they may be risk averse; and they tended to steer away from opportunities to diversify. These observations were not offered as fundamental criticisms of the organisations themselves, of course, as chief officers were aware that many small organisations simply did not have the capability or capacity to respond to the difficulties they may face. Often, such organisations operated at a very local level on minimal resources, and so it would be harder for them to reorient their activities – if indeed they wanted to do so.

7 Conclusions

The conclusion to this working paper has three parts. Firstly, we summarise our key findings from the research and outline a series of research questions which will be explored in later stages of the project. Secondly, we discuss in more conceptual terms, the scope for researching the third sector as a holistic entity and explore the potential consequences of imposing externalised views of the sector which do not match the understanding of the people who are employed by or volunteer in the sector. Finally, we provide an outline of the next steps in this longitudinal research project.

7.1 Key findings

In conclusion to this paper, it is useful briefly to review what chief officers thought the sector did 'really well' and what it did 'less well'. At the most general level, there was a strong consensus that the sector was particularly good at reaching into communities which could not be accessed as successfully by the public sector or private sector. This was repeatedly referred to as 'the Heineken effect'.¹¹ It was commonly claimed that the sector can connect with 'hard to reach' groups, is particularly good at 'grass roots' and 'front line' work and that it works well in deprived communities, and is good at community support and development. Some respondents expanded on this, stating that, unlike other sectors, the third sector is unencumbered by bureaucracy, gets on with the job at hand, can be innovative, and is good at working with little funding. It brings people together to tackle issues and harnesses people's passion and energy. As one chief officer observed '[the sector is good at] 'the people bit' – that's the stuff the sector is set up to do'.

The principal reason for this success was held to be that the sector had a strong understanding of local needs and that TSOs were (or had started out as) grass roots organisations which had local credibility and therefore the legitimacy to be involved in such work. Much emphasis was also given to the compassion, integrity and commitment of employees, trustees and volunteers

¹¹ This expression originates from a long series of comic lager advertisements first used in the 1970s where the copy line read 'Heineken reaches the parts other beers cannot reach'. A report on the value of the third sector in making effective contact with 'hard to reach' groups in the North East carried the same title, see Johnstone E. and Streater, J. (2005) *The 'Heineken Effect': reaching parts that the Government can't reach*, Newcastle upon Tyne: VONNE.

to engage with such work, which may be less well developed in other sectors (although this was not a universally held view – especially amongst those who had good relationships with the public and private sectors).

Respondents identified a number of areas of activity which the sector, in general terms, needed to improve upon. At an organisational management level a number of issues were noted, including: underdeveloped systems to monitor and communicate performance; the ability to undertake effective risk assessments; and limited capability on legal issues and financial matters. One said that ‘it doesn’t support, value, pay and respect its staff well enough’. Most interviewees made many references to the fact that it was difficult to generalise in such a diverse sector. One chief officer remarked, ‘it is occasionally brilliant – and occasionally dire’.

A principal weaknesses of the sector was identified as its inability to represent its interests as well as it might and, related to this, the apparent tendency of the sector to under-sell itself to beneficiaries, funding bodies and the media. Many chief officers made frank observations about the failure of the sector to *show* that it can work together effectively. Several respondents stated that the sector does not present itself well, by wasting time on internal politics in public settings and being combative – even when dealing with funding bodies. It was also said that organisations can allow competition over resources to limit the scope for effective partnership working, representation, campaigning and lobbying. This, it was felt, could make the public sector reluctant to invest in third sector activity.

7.2 Emerging research questions

In the above section, we have presented the broad conclusions of chief officers when we asked them to provide a broad overview of the sector. While it is not our intention to draw firm conclusions of our own at this stage, it is useful briefly to outline how some of our key findings will inform and shape the methodological direction of future phases of research. Our questions are framed under three headings: sector funding and sustainability; sector impact and innovation; and, people in the sector.

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Sector funding and sustainability

Funding for third sector activity has always been, and will remain, a key issue. Our preliminary research revealed a complex picture which suggests that organisations are becoming more reliant on a wider range of funding streams including: grants; service level agreements; contracts; fundraising; trading; sponsorship; and so on.

The sector partly accounts for this shift by making reference to an increased government preference for the use of contracts to deliver public services at the expense of grants.¹² What remains unclear, however, is the extent to which different types of TSOs are 'enthused by' or 'resistant to' becoming involved with the delivery of public sector contracts. Neither do we know much about: the experiences of those organisations which choose to do such work; how it affects organisational mission and culture; and how it affects the quality and level of service delivered to beneficiaries. As importantly, we will need to explore the impact on those organisations which choose *not* to engage in contract work and take different funding routes to remain sustainable.

As researchers, we must remain open-minded in our analysis and be careful to draw a distinction between the way the sector as a whole positions itself politically about funding, and how individual organisations get on with the job of income generation. Patterns of funding will not just be affected by political intervention, but will also be subject to the impact of wider economic upheavals as global recession takes hold. Recession will put economic pressure on TSOs because: philanthropy and charitable giving may decline; trading conditions may become more competitive; and grants, service level agreements and contracts may become more difficult to win. Social priorities may shift too as unemployment increases and is accompanied by associated social problems. It is our job to explore how individual TSOs and the third sector as a whole respond and adapt to these potentially tumultuous changes over the next few years.

¹² The recently published NCVO *Civil Society Almanac 2009* reports that the level of grant funding has fallen only by about 5 per cent since the turn of the century; however, contract funding and other earned income has increased more substantially, suggesting an overall increase in sector funding rather than contraction.

Sector impact and innovation

Our research has demonstrated that the sector lacks essential information on its size, shape, activity and impact. Indeed, it were not for this study, there would be little prospect for the production of comprehensive and robust comparative data upon which the sector can make an appraisal of its wellbeing over time.¹³ Assessing the contribution and impact of the third sector as a whole or of individual TSOs is a methodologically difficult task. While some techniques are available, they are not widely used and their efficacy has not been universally accepted. The development of techniques to assess the impact of individual TSOs is beyond the scope of this study, but we will examine the many different ways that TSOs attempt to measure performance and communicate their achievements. We will also be in a position to explore, through our *Foresight Panels*, what kinds of evidence convinces external stakeholders that individual TSOs and the sector as a whole is performing effectively, delivering outcomes and achieving its potential.

Government places much emphasis on the importance of third sector innovation as a means of tackling pernicious social problems. In this study, we will be exploring the extent to which innovation is a driving force in the sector. In so doing, we will examine how innovative ideas are generated and implemented, and how such practice is embedded in organisational culture and sustained over time.

Government often calls upon TSOs to ‘share’ best practice and for the public sector to mainstream approaches which have been shown to work well (whether they are provided ‘in house’ or contracted to TSOs or the private sector). It is important that we do not take at face value the principle that sharing good practice is desirable or achievable in the third sector. We do not know if innovative practice is, of itself, a fundamental source of motivation for third sector practitioners. Furthermore, if innovation is taken out of the equation, it could be that organisational effectiveness would be compromised. As is the case in the private sector, innovation can give TSOs competitive advantage in the social market. If the idea of sharing such innovation is anathema to the private sector, then care needs to be exercised before expecting or demanding that TSOs yield theirs to others.

¹³ The Government has invested in a research programme to provide comparable data on the third sector at local authority level about relationships between the third and public sectors. The Ipsos Mori National Survey of the Third Sector for the Office for the Third Sector, published initial results on National Indicator 7, data for each of unitary authorities in North East England and Cumbria can be found at: www.nstso.com/results.

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People in the third sector

The sector is a major employer but has different characteristics from other sectors: pay tends to be lower; job security is perceived to be more fragile; and opportunities for career advancement can be limited by organisational size and financial insecurity. On the positive side, people who work in the sector often claim to have: higher degrees of flexibility; are able to use their imagination and initiative more freely; organisations are generally less hierarchical; and people feel that the work they do has high social value. Because the third sector provides relatively limited employment security, there is considerable circulation of people between organisations and sectors. We need to find out whether this threatens organisational sustainability (through skill and intelligence loss, and loss of key relationships when people leave) or whether it benefits the sector by producing people with a wide range of generalist skills, adaptability and experience.

Many employees in the sector, our research suggests, choose to work there because it fits well with their personal and political values. Indeed, the third sector is unlike the private and public sector because it also depends upon people giving their time voluntarily to causes they believe in. That being the case, it cannot be expected that these people will readily comply with the dictates of either internal or external stakeholders, however well meaning they might be. It is also claimed that the sector is more 'inclusive' than others in the sense that it is willing to give people a first chance to work where other sectors might not; or give a second chance to those whom life has dealt serious blows. Several of the chief officers in our study referred to the wide range of capability in the sector, ranging from highly professional, experienced and skilled people to, as one put it, the 'waifs and strays' that, he said, the sector attracts and absorbs. If this is the case, then it is clear that researchers should be cautious when making comparisons with patterns of workforce capability, development and discipline in the private and public sectors.

People in the sector generally have strong values, can be tenacious in the pursuit of their causes, and are often not reticent about voicing their interests publicly. So it is not surprising that external stakeholders sometimes get the impression that some people in the third sector are competitive, sometimes in conflict and as a consequence, potentially troublesome to them. While it may well be laudable to explore ways of improving the way that the third sector communicates and represents its interests to external stakeholders,

such work needs to be based on a more sound understanding of how value systems in the sector affect practice. In our in-depth qualitative work, we need to explore the origins of these values and find out how they develop and become rooted in organisational culture and practice. We also need to examine the extent to which core values are shared or contested within or between organisations to get a better understanding of the limits of sector cohesiveness. If we find that the sector has such a multitude of values that they cannot easily be reduced to a core of shared elements, then that will tell us something about the limits of defining the sector as a coherent whole. This could have an important impact on external stakeholders' understanding of the sector and may have significant policy implications. In the next section, we start to think about how the sector can be conceptualised in holistic terms.

7.3 Discussion

As the title of this working paper suggests, there are several different ways of conceptualising the third sector in 'big picture' terms. In our title we have characterised the third sector as a mosaic, a jigsaw or an abstract painting. We do not, of course, claim to be presenting a complete and fully thought through conceptual or theoretical model of the third sector here. We have chosen these analogies to convey how important it is to recognise endemic complexity and diversity in the third sector, and to highlight the dangers of imposing analytical or theoretical models on the sector which make little or no sense to the people who volunteer or work in the sector.

Adopting a 'mosaic' analogy would suggest that the sector as a whole has, in some sense, more value than the sum of its component parts. We would also hope that such a point of view would recognise this big picture as a good one – suggesting a society where the third sector makes a very positive and very varied contribution to the building of civil society, tackling pernicious social problems and promoting the development of sustainable communities.

The sheer diversity in the sector is so pronounced that it might defy the attempts of academics to bring all component parts of the sector together, theoretically, into some kind of whole. Even at this very early stage in our research, we have come to realise that organisations which, ostensibly, do the same kinds of thing (that is, third sector local infrastructure

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organisations) are very diverse.¹⁴ To push our mosaic analogy a little further, we think the point is not to pull out all the blue stones from the green, white, red and black in the mosaic and then study them separately as discrete categories. Instead, we must explore where similarities and differences occur across, for example, the categories of organisations which comprise the sector as a whole. If one category of TSO, the local infrastructure organisations, are all *so different* in their structures, functions and ambitions then surely it cannot be assumed that any other organisational types will be easily confined categorically. To do so would completely miss the point and the potential of this research project.

TSOs, it seems, are characterised by their diversity and it is our job to find out why this is the case by exploring the many parameters which affect this diverse picture (such as the funding environment, beneficiary needs, the values and capabilities of the people who are employed or volunteer in the organisation, local cultural factors, and so on). On the basis of this approach to research, we may be in a position to argue, for example, that commonly adopted big-picture perspectives on ‘how to improve’ the sector are false at worst, or mis-applied at best.

If the sector were to be conceptualised as analogous to a ‘jigsaw’, then it might be assumed that the component parts of the sector ‘fit together’ in some sense (whether that is defined by geographical areas, types of organisations, the people who are employed by or volunteer for the sector, and so on). Indeed, our findings do suggest that there are many connections in the sector, between infrastructure bodies, and between them and TSOs. There are also strong relationships between the third sector and its beneficiaries and those organisations which fund it. While this is all true, without wishing to push the analogy too far, the pieces might be very hard to assemble because this is a very big jigsaw and certainly it cannot be constrained within two dimensions. It is very complex and multi-dimensional.

Researchers would face a hard task if they chose to understand the sector in this way but might produce an elegant descriptive model which shows connections and intersections, lines of causality and the consequences of

¹⁴ As a category of TSO, therefore, it would seem to be inappropriate to generate an ‘ideal typical’ model of the structure and functions of an infrastructure organisation which could then be used to compare, favourably or otherwise, with actual organisations. For a wider discussion of the common characteristics and roles of infrastructure organisations, see Macmillan, R. with Batty, E., Goudie, R., Morgan, G. and Pearson, S. (2007) *Building effective local VCS infrastructure. The characteristics of successful support for the local voluntary and community sector*, Sheffield: NAVCA.

change. We could take the analogy to a higher level still by conceptualising the third sector as an organism, building a model of its value system, key institutional components and their interacting functions. In our view, all embracing theories of this nature rarely do much more than describe a situation and all too often underplay the importance of power imbalances and the tensions they produce. The greatest weakness of adopting such a perspective is that it lends itself to the assumption that there is an all-embracing rational account of the sector which is out there waiting to be found. In fact, this might be a conceptual imposition which could make sense to people outside of the sector, but practically no sense at all to the people inside the sector.

While a holistic account would not, in our view, explain very much about the sector – we think it is very important not to abandon the idea of looking out for intersections and networks. This will help us to work out what the limits of sector development are, and where investment in development might best be made to achieve the best outcomes for sector beneficiaries and society in general. Such analysis will probably work best in focused research on, say, particular types of organisations, of organisations which work to help particular beneficiary groups, or organisations which work together or apart in the same locality.

Our third big picture analogy is to compare the third sector with an ‘abstract’ painting. Such paintings, especially in their most abstract form, are very difficult to make much sense of. The complex artistic language which abstract painters adopt is, by definition, somewhat impenetrable – or some might say, wilfully obscure. At an exhibition of abstracts, one might well ask the gallery proprietor ‘what exactly does that picture mean?’ A good answer might be: ‘it depends upon what it means to you’. It seems to us that this analogy encapsulates something about why people in the third sector see the big picture in so many different ways. We observe that people come to be members of the third sector for many different reasons and arrive with many different biographical backgrounds, value systems and social objectives. The social, political, spatial and economic circumstances in their locality, the structure and funding of their organisations, the relationships with other TSOs and other agencies, and so on, all impact on the way they define the sector, its scope to make a difference, its sustainability and opportunities for change. Furthermore, most people we have talked to seem to feel quite comfortable with this diversity of opinion.

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What they feel discomfited by is the tendency of people from outside the sector to be critical of this diversity, and worse, attempts to try to force some kind of order. It is understandable that members of the third sector might be affronted by such observations because, by their very nature, they appear to be critical of the sector. To a sceptical viewer who prefers to look at more representational pictures, the abstract painting can be read as chaotic when, from the perspective of the artist, nothing could be further from the truth.

It is understandable that outsiders might view the third sector as disorganised or even chaotic if they have in mind a worked out model of its structure, functions, interactions and boundaries as they 'ought' to be. It may lead them, in a well-meaning way, to want to 'improve' the sector. Such improvements might include: the development of 'professionalism'; the successful management of 'innovation'; the measurement of success in 'achieving outcomes' and the ascription of 'added value'; the promotion of 'good leadership'; the move away from 'grant dependency' to 'more businesslike' contracting; and so forth. As researchers, we need to ask where and in what circumstances these critical ideas about improvement can or should be adopted by the sector. More important still, we need to maintain a critical awareness of what is understood by these ideas and be careful to consider whom they serve. Definitions of 'professionalism' in relation to third sector activity might be contested, for example, on the grounds that it is being used to encourage procedural compliance rather than a more old-fashioned 'judgement' on what needs to be done.

All three analogies are valuable in our search for understanding. The mosaic approach helps us to see what the sector actually does for society in a holistic sense, and invites us to explore how each of the component parts separately contribute. The jigsaw approach rightly invites us to look for connections and networks, but we recognise that it must be kept within bounds so as not to lose the bigger messages about what is going on in the detail. The abstract analogy invites us to adopt a critical perspective so that the many elements of the sector are not forced into analytical categories which lack real meaning. More importantly, this analogy allows us to question the salience of importing external views of what the sector should be without knowing what the limits of change are or need to be.

7.4 Next steps

Now that we have more clearly defined the scope of our research and have identified many ambitious questions we wish to address over the next few years on the basis of our preliminary study, we can move on to the stage of data collection. This will involve an integrated methodological approach to include:

- A longitudinal qualitative study of 50 TSOs over several years beginning in 2009.
- The establishment of three ‘foresight panels’ which will meet through the life of the study to act as our barometer on the wellbeing of the sector.
- A quantitative longitudinal panel study in three phases beginning in 2010.

Third sector organisation study (‘TSO50’)

We intend to undertake a multi-layered analysis where we capture data on different locations, organisational type and thematic clusters of organisational activity. The benefit of this approach is that we will be in a position to make generalisations about TSO impact in localities, observe how organisations network and establish how they work together. We will study 50 TSOs across five areas in North East England and Cumbria to get more detail on the impact of local political, economic, cultural and social circumstances, and will assess how organisations collectively contribute to tackling a particular issue in one area.

Five broad organisational clusters have been identified – four of which are clearly thematic (older people, young people, arts and heritage, mental health), and a fifth cluster to focus on TSOs working in rural areas. While these thematic and spatial clusters are focused on particular issues, this will not constrain us in the analysis of other thematic issues. For example, organisations which cater for the interests of older people may be very varied – ranging across health, employment, education, leisure, and so on. Similarly, we will not focus purely on the delivery of services to beneficiaries, but will also explore the experiences of older people who work for and volunteer in the sector.

Ten organisations will be identified in each area. These will include (in each area) at least two national organisations (with HQ outside the region), at

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least two larger organisations, two medium-sized and at least two ‘under the radar’ unincorporated organisations. Where possible we will also try to get a blend of well-established and newer organisations.

While we are still in the process of deciding which areas to study, we have committed to the idea of studying areas which have different characteristics, to include: a wealthy commuter belt; an inner-city metropolitan area; a large town with many multiply-deprived areas; a market town and its environs in an isolated rural area; and a unitary county council with mixed rural areas, towns and former industrial villages/townships.

We will undertake work prior to the TSO visits collecting information on the local area and the organisations we intend to study on a prescribed template. Sources of local data will include publicly available area statistics and evaluations (from LAAs, Community Strategies, NOMIS etc.). For TSOs we will include web-searches of newspaper articles, publicly available materials, Charity Commission/Guidestar material, and so on.

We will undertake a two-hour, in-depth interview with the TSO’s chief officer against an interview schedule (based on ideas gleaned from the first study of infrastructure organisations). In the interviews, particular areas of interest will include:

- organisational culture, mission, history and prospects;
- how they provide benefits to local people;
- the skill mix and training needs in the organisation between trustees, officers, staff and volunteers;
- relationships and networks with the public sector, funders, private sector and other TSOs;
- organisational funding, resources and security;
- what they think the future holds for them, and other organisations in their area.

Each TSO will be visited by two members of the research team. Interviewers will take notes on key issues, and they will be taped in order to get detailed quotations where appropriate for analysis (subject to the required ethical guarantees of confidentiality and permissions).

At each location we will also use short post-interview questionnaires to capture some additional attitudinal data so allowing for some quantitative analysis of organisation type and orientation across the study region. We will also create network diagrams for each organisation to measure the strength of association with other TSOs, the public sector, funders and other stakeholders.

We also hope to observe the organisation for the remainder of the day, talking to stakeholders, clients, volunteers, or possibly sitting in board meetings, staff meetings, or watching staff working in the field. While we do not expect to observe the same things in each TSO, we will cover the whole range of activities over the course of each phase of the research to get a good sense of organisational facility, operation, culture and impact.

Foresight panels

We are currently establishing three panels of up to 50 key stakeholders from within and outside of the third sector. These three foresight panels could cover the following areas: northern North East England (Northumberland, Tyne and Wear), southern North East England (County Durham, Tees Valley), and Cumbria.

The purpose of the foresight panels is to assess opinion on the wellbeing of the sector and to examine its prospects for the future in the context of key issues facing the area or the economy generally at the time. As such, these panels will act as a barometer on both changing attitudes about and the changing circumstances of the sector as well as alerting us to future prospects and issues.

Panels will be constructed, by invitation, to include: elected Members; public sector officers; representatives from funding bodies; larger TSOs (including affiliated TSOs with HQs elsewhere; medium-sized TSOs working within and across local authority boundaries; and smaller unincorporated TSOs.

We will produce a schedule for each seminar outlining key issues for debate. This will draw upon data collected in the TSO study and the previous infrastructure organisation study to assess the importance of our findings and to find out what stakeholders think should be done to address key issues. Panel sessions will be located at accessible locations and will take place over half a day. Facilitators will explain the process carefully and provide any stimulus materials we may wish to use to energise debate.

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In addition to the main facilitator, all events will be attended by two researchers to ensure that data are captured. As panels will be held annually, templates for recording data will be produced to ensure the impact of change in the attitudes of key stakeholders can be accurately compared over time. As it is unlikely that all members of the foresight panels will be able to attend all meetings, we will follow up the events with short questionnaires to capture attitudinal data from the whole panel. Panel members will receive summary reports on the findings from each event.

Quantitative panel study (beginning 2010)

It is evident that there is a need to gauge systematically the changing wellbeing of the sector by establishing trend analyses via a regular survey of TSOs. We will collect comprehensive and robust quantitative data on the sector using a longitudinal survey of the sector in North East England and Cumbria. For the survey, we will construct a typology of organisations in the sector so that a quota sample can be built. This typology will be based on the quantitative research and analysis undertaken by Southampton University (in collaboration with NCVO and Guidestar) and on our analysis of TSOs in the study region. The production of the research instrument and sample frame will also be informed by our discussion with foresight panels.

Current plans are that the panel survey will be based on a matched quota sample of approximately 4,000 organisations across the survey region to produce a dataset of a minimum of 2,000 TSOs in the first phase of the panel to a minimum of 1,500 organisations at the end of phase 3 accounting for fall-off. In order to prevent 'sampling fatigue', the survey is expected to be repeated at two-year intervals. It is expected that the surveyed members of the panel may have to be rotated after each 'run' of the panel survey and that 'hard to reach' groups will be actively recruited via mail shot, e-mail and telephone.

A quota sample is the most cost-effective approach to gain intelligence on how different parts of the sector change over time. These data can then be weighted to capture the shape of the sector as a whole. Quota sampling is possible in this study because the initial quantitative research by Southampton University will have collected data on the whole sector, so allowing for the generation of a robust typology of TSOs upon which to base the quota.

It is not possible for us to specify at this stage how a typology would be constructed upon which to base a quota sample. However, we speculate that such a typology would need to incorporate a number of elements including:

- size of organisation (defined by turnover, employed staff, number of volunteers, etc.);
- legal status and pattern of governance (ranging from unincorporated and informal organisations to CICs, cooperatives, mutuals, etc.);
- longevity of organisations;
- organisational function (defined by its purpose, for example, delivering primary, secondary or tertiary services);
- place of operation (ensuring that the whole survey region is represented in the quota sample).

The principal purpose of the panel survey is to track change in the sector over time. This will provide an up-to-date quantitative resource to support findings from qualitative longitudinal studies of TSOs, and the data on stakeholder attitudes from the foresight panels. It is also anticipated that findings from the qualitative work should feed back into the panel survey work by introducing new questions as issues arise. Possible change issues might include:

- the changing funding environment;
- legislative and policy change/change of government;
- changes in political leadership at local authority/county level;
- social, economic or environmental changes or crises;
- change in public attitudes towards giving and volunteering;
- technological change (affecting the way charities work and creating new threats or opportunities);
- spatial transformations (such as the establishment of city regions, economic restructuring in rural areas, etc.);
- emerging social, technological, health and lifestyle issues.

It is our expectation that three quarters of the questions in the fixed response panel study will be consistent across all phases. The remaining quarter will be left open for the introduction of new themes as the project progresses.

Appendix one

The following material was sent to the infrastructure organisations prior to the interviews so that respondents would be informed about the study and the issues likely to be covered in the interviews.

Northern Rock Foundation Third Sector Trends Study Advance Schedule for Interviewees

Introduction to the project

This research aims to provide an objective and thorough analysis of the dynamics of the third sector in North East England and Cumbria over a three-year period. The research will involve longitudinal qualitative analysis of stakeholder perceptions and organisational practice in order to develop a more complete understanding of the impact and potential of the third sector in this region.

We will undertake:

- Interviews with all infrastructure organisations in North East England and Cumbria;
- Interviews, focus groups and conference events with key stakeholders;
- A longitudinal study following 50 TSOs over three years involving interviews and observation;
- A panel study involving a quantitative questionnaire.

Our interest is in third sector development. Through the evidence we collect and the understanding we gain, we aim to support the development and health of the sector – this project is *about the sector and for the sector*.

We will be creating a resource of reliable information on the sector at regional level (North East England and Cumbria).

We are in this research for the long-term as impartial observers and we will be doing rigorous social scientific research to gain an objective picture at a local level over time.

Ethical clearance

Everything that you say to us will be kept confidential. When we are reporting on the findings of this study we will write about some of the things that you have talked about, but we will not use your name and all of the data will be kept anonymous. We will need you to sign a consent form to show that you understand what your participation in this study involves.

Biographical information

To begin with, we may ask you some of the following questions:

- What role do you play in your organisation?
- How long have you worked in the organisation?
- How long have you been involved in the third sector?
- If this isn't your primary role, what is your professional/occupational background (what expertise do you bring)?
- Have you worked in the public sector/private sectors?
- Have you had any training specific to the post?
- What is it that attracted you to this post?

SECTION ONE: The role of your organisation

1. As an infrastructure organisation, what do you do?
2. Do you provide any additional services as an organisation?
3. What is the geographical coverage of your services?
4. What is the membership structure of your organisation?
5. Does your organisation have a formal constitution?
6. About how many members do you have?
7. What are the benefits and responsibilities of membership?
8. How does your organisation sit in relation to other infrastructure/capacity building organisations in the sector?
9. How effectively do you work with other infrastructure/capacity building organisations?
10. Which organisations do you have strong positive relationships with?
11. Can you tell us about the history of your organisation?
12. Do you have a clear idea of what the organisation will be doing in three years' time? If yes, what is that?
13. What kind of information/data do you hold about:
 - (a) member organisations?
 - (b) the sector in general terms?
14. Can you tell us, in broad terms, about the funding arrangements for your organisation?
15. What do you expect your funding situation to be in three years' time?
16. Is the operation of your organisation affected by the way it is funded?
17. To what extent would you say that you represent the interests of the sector as a whole in this area?

SECTION TWO: What are the key issues facing the sector *as a whole* in the area within which you have responsibility?

This section is about your understanding of the general 'landscape' of the third sector in the area where you operate, rather than about your own particular organisation.

18. Is the funding environment changing locally?
19. How is the sector faring in the area where you operate?
 - (a) Where are the main areas of growth?
 - (b) Where are there areas of decline?
 - (c) Are there any particular examples of innovation? What are they?
 - (d) Who sets the agenda in this area in terms of needs and priorities?
 - (e) Where are the gaps in provision? Why do you think this is?
 - (f) Which beneficiary groups or communities are particularly well served in this area? Why do you think this is?
20. How well does the local 'compact' work in the area?
21. How does the sector in North East England and Cumbria differ from the sector nationally/in other parts of the UK?
22. Do local TSOs work well with the public sector in this area?
23. Are there specific local circumstances affecting the sector in this area?
24. Are there any local circumstances which are currently affecting the way your infrastructure organisation operates?

SECTION THREE: People resources in the sector

This section is about the people who make up the sector. The objective of the section is to explore the extent to which infrastructure organisations understand the needs of the sector and how this informs the way they work to build capacity in the sector.

25. Trustees and Directors

- (a) How effective is the sector in recruiting trustees/directors?
- (b) How effective is the sector in retaining trustees/directors?
- (c) Do trustees/directors have the right level of skills and expertise to support organisations?

26. Employees

- (a) Are there recruitment issues facing the sector?
- (b) To what extent do TSOs have difficulty in retaining employees?
- (c) Is the third sector workforce appropriately qualified and capable?
- (d) What are the training and skills needs of the sector?
- (e) How are training issues within the sector being addressed?
- (f) What is the experience of employment in the third sector in this area?
- (g) How does employee turnover affect the sector?

27. Volunteers

- (a) How well does the sector attract and retain volunteers?
- (b) Are volunteers able to meet the needs of organisations?
- (c) Are there any significant barriers to volunteering?

28. Are people well managed in the sector?

- (a) How well do Boards support organisations' strategic direction?
- (b) How well do organisations manage employees?
- (c) How well do organisations manage their volunteers?

29. Can you tell us about leadership in TSOs?

- (a) Do you think the best leaders are 'born' or 'trained'?
- (b) What, for you, makes a good leader?
- (c) What, for you, makes a poor leader?
- (d) Do you think there are more good leaders or bad leaders in the third sector?

SECTION FOUR: External perceptions of the sector

30. How is the sector perceived by external stakeholders in your area?
 - (a) Public sector (for example LAs, PCTs etc.)
 - (b) Private sector
 - (c) General public
31. What does the sector do really well?
32. What does the sector do less well?
33. How well does the sector work together?
 - (a) Where are the best examples of organisations working together?
 - (b) Are there examples of organisations failing to work together?
 - (c) Is the sector represented effectively, in this area, on partnerships?
 - (d) How well does the sector deal with competition over resources?
 - (e) How effective is the sector at influencing policy and strategy in the public sector?

Appendix two

Infrastructure organisations participating in the study

2D (Teesdale & Wear Valley)
BECON
Blyth Valley CVS
Catalyst (Stockton-on-Tees VDA)
Chester-le-Street CVS
Community Action Northumberland
Community and Voluntary Organisations Sedgefield (CAVOS)
Derwentside CVS
Durham City CVS
Durham Rural Community Council
East Durham Trust
Evolution (Darlington CVS)
Gateshead Voluntary Organisations Council (GVOC)
Hartlepool Voluntary Development Agency
Middlesbrough Voluntary Development Agency
Newcastle CVS
North East Social Enterprise Partnership (NESEP) (Chair)
North Tyneside VODA (Voluntary Organisations Development Agency)
One Voice Network (Co Durham) (Co-ordination & Events Officer)
Pentagon Partnership (Tyne & Wear)
Redcar & Cleveland Voluntary Development Agency
South Tyneside CVS
Sunderland CVS
Tees Valley Forum
Tees Valley Rural Community Council
Voluntary Action Cumbria
Voluntary Organisations Network North East (VONNE)
Voluntary Sector North West
Wansbeck CVS



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