



# What makes a Third Sector Organisation tick?

Interactions of foresight, enterprise,  
capability and impact

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[www.nr-foundation.org.uk/thirdsectortrends](http://www.nr-foundation.org.uk/thirdsectortrends)

Third Sector Trends Study **What makes a Third Sector Organisation tick?**

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## ii Foreword

It is highly satisfactory that the start of 2010 sees the simultaneous publication of two major reports on emerging findings from the Northern Rock Foundation's Third Sector Trends Study (TSTS). These are *'What makes a Third Sector Organisation tick? Interactions of foresight, enterprise, capability and impact'* from Tony Chapman and colleagues at Teesside University, and *'Beyond "flat-earth" maps of the third sector: Enhancing our understanding of the contribution of "below-the-radar" organisations'* by John Mohan, University of Southampton and colleagues.

Together these reports show the TSTS meeting the main challenges which it was charged to address, that of extending national understanding of the sector to the local perspective, and of contributing to robust methodology for studying the local sector. Both reports reflect 'work in progress', but their emerging findings already contain important messages for sector researchers, practitioners, funders and policy-makers. Both examine the realities behind some of the powerful rhetoric which currently influences thinking about the local third sector.

The study led by Teesside University focuses on attributes regarded as especially important to organisations in a time of economic uncertainty – in particular, sustainability, and the ability to plan strategically, network, measure and communicate success. Developing a new approach to the measurement of performance, the research shows that one-dimensional measures or concepts of 'a sustainable organisation' are not helpful within the diversity which characterises local third sectors. Policy-makers should find the relatively high levels of performance amongst different kinds of organisations particularly helpful for informing next steps.

While demands for better local mapping are becoming commonplace, the University of Southampton paper provides the first detailed 'audit' of the practical challenges involved in such research. It overturns the notion that study of the 'local sector' requires a simple shift of focus from national to local – relevant data is often not available, and researchers will gain new insight into the methodological challenges of local mapping.

Policy-makers will gain a more in-depth understanding of the shape of the local sector, and why it can be so elusive in relation to policy. The report also presents innovative results on the relationship between numbers of organisations and local need, and its discussion of whether and where local organisations appear on 'radars' should prompt fresh policy thinking about infrastructure and support needs.

The full report on the quantitative local mapping will be published in the Autumn, but selected data from the study will also be made available on the project website before then. Although these studies focus on the North East and Cumbria, there is no reason to believe they would not apply to other regions, and results from both reports provide a valuable springboard for similar studies of the local sector in other regions.

**Cathy Pharoah**

Chair, Advisory Board, Northern Rock Foundation TSTS  
February 2010

## iii Background to the Third Sector Trends Study

The 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 sector is perceived by itself and its stakeholders. It is also hoped that it will influence how the sector works. Most importantly, the research should help future activity meet beneficiary needs more effectively, securing more positive outcomes.

The research has several different strands, and a phased inter-related programme of work. In the first phase, Teesside University's Third Sector Development Unit (TSDU) is undertaking a qualitative study of the sector. The research team is led by Tony Chapman (Teesside University) and Fred Robinson (Durham University), and researchers include: Robert Crow (Research Associate, TSDU), Peter van der Graaf (Research Fellow, TSDU), Victoria Bell (Research Associate, TSDU), Judith Brown (independent researcher and consultant), Chris Ford (independent researcher) and Sue Shaw (independent researcher and policy analyst).

Alongside this, in the first two years of the study, colleagues at the University of Southampton, the National Council for Voluntary Organisations and Guidestar UK are undertaking a comprehensive mapping exercise of third sector organisations (TSO) in the study region. Following this, and using information from this part of the work, TSDU will undertake a longitudinal panel study of TSOs, continuing through to 2012.

The research programme as a whole aims to:

- produce robust data and independent analysis on the scale and scope of the third sector in the North East and Cumbria;
- provide an objective and thorough analysis of the dynamics of the sector through longitudinal study of stakeholder perceptions, organisational practice and local impact;
- develop a more complete understanding of sector impact and potential, and assess policy and practice implications;
- 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, research findings are being 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 local trends over time. These will be interpreted in the light of detailed analysis of stakeholder views, network and organisational analysis, and comparison with other regions and countries if 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.

# 1 Introduction

This is the second working paper from the Northern Rock Foundation Third Sector Trends Study. The TSO50 study is an exploration of how 50 Third Sector organisations (TSOs) change over time in response to external circumstances, the dynamics of their own organisation and changing beneficiary needs, or perceptions of need, in a complex social market. The emphasis on studying change is an important element of the originality of this study as it has allowed us to take the time to think very carefully about how to explore the parameters of change. As this report shows, this required the development of an innovative approach to the research and analysis, but it is hoped that observers recognise the value of undertaking a root and branch reappraisal of methodological options, rather than rushing in too quickly and merely replicating partial or flawed methodologies which have been used before.

The aims of this report are two-fold. First, to explain how we intend to study, in methodological terms, the way TSOs change over the next six years. Secondly, to present preliminary findings from our first wave of this study undertaken between June and November 2009. The picture we produce of the Third Sector in this report is partial, but it shows how we have established baseline findings upon which we can explore change in future waves of study.

The aim of the TSO50 is to study a range of organisations with particular features, serving different beneficiary groups and operating in a range of circumstances over time. The essence of the approach is to access the full range of organisational types, but also be very careful not to constrain the analysis by assuming what impact these typological definitions might have on organisational operation or impact over time. As researchers interested in 'data driven' analysis and theory, the intention is to produce typologies as the research evolves to explain how organisations work and how they respond to change. As we hope to demonstrate in this report, our substantive conclusions are interesting and challenging, but most importantly, have the potential to produce a radically new way of understanding the causes and impact of change in the Third Sector.

# 1

## **1.1 What do we already know about the Third Sector in the North East and Cumbria?**

As a starting point, we review briefly the findings from our first report<sup>1</sup>. Following this, we will outline the conceptual ideas we have developed so far and explain how we use these ideas to take our research to the next stage. The first phase of the research involved in-depth interviews with 29 infrastructure organisations in the study region, the North East and Cumbria. The purpose of that programme of interviews was, firstly, to introduce the project and ourselves as researchers to key stakeholders, in order to encourage the Third Sector to contribute to this long-term research project. Secondly, we wanted to explore the extent and depth of knowledge and understanding of the Third Sector. Thirdly, we sought to determine where the gaps in knowledge are and identify key research questions which are of interest to the Third Sector. And finally, it was hoped that a broad view may be gained on what the Third Sector was doing well and where the Third Sector faced its main challenges. The main findings of the research can be summarised briefly by reflecting on this last aspect: what the Third Sector feels that it does well, and what it feels it does less well.

- The Third Sector is effective at reaching into communities which cannot be accessed as successfully by the public sector or private sector.
- The Third Sector connects with 'hard to reach' groups, is particularly good at 'grass roots' and 'front line' work and works well in deprived communities where it provides effective community support and development.
- The Third Sector is relatively unencumbered by bureaucracy, gets on with the job at hand, can be innovative, is good at working with limited funding.
- The Third Sector brings people together to tackle issues and harnesses people's passion and energy. Much emphasis was put on the compassion, integrity, and commitment of employees, trustees and volunteers.

<sup>1</sup> Chapman, T., Robinson, F., Brown, J., Shaw, S., Ford, C., Bailey, E & Crow, R (2009) *Mosaic, Jigsaw or Abstract? Getting a big picture perspective on the Third Sector in North East England and Cumbria*. Middlesbrough, Social Futures Institute.

Respondents identified a number of areas of activity which, they felt, the Third Sector needed to do better. At an organisational management level, in particular, a number of issues were noted, including:

- Organisations generally had underdeveloped systems to monitor and communicate their performance.
- The Third Sector needed to develop its ability to undertake effective risk assessments.
- The Third Sector currently had a limited capability on legal issues and financial matters which needed to be addressed.
- Third Sector champions were currently not able to represent Third Sector interests as well as they might.
- The Third Sector had a tendency to under-sell its achievements to beneficiaries, funding bodies and the media.
- TSOs often allow competition over resources to limit the scope for effective partnership working, representation, campaigning and lobbying.

An over-arching theme which emerged in the first phase of the study was that the infrastructure organisations lacked detailed knowledge of the Third Sector's shape, size and structure. While there was good sector intelligence in some areas, the majority view was that the Third Sector needed to learn more about itself in order to build its capacity and capability and to represent its interests more effectively. It was clear that the Third Sector did have a strong sense of identity, but it was equally apparent that this sense of identity derived mainly from stakeholder's belief that the Third Sector was 'different from' the public and private sectors. When the anatomy of the Third Sector itself was scrutinised, by contrast, it became clear that the Third Sector was perceived in different ways and that its beauty is very much in the eye of the beholder. Having explored what chief officers in infrastructure organisations feel is happening in the Third Sector, the next stage of our work – the TSO50 study – has involved intensive research on the practices of organisations delivering front-line services to beneficiaries.

The first report looked at conceptual models of the Third Sector: mosaic, jigsaw and abstract, using those ideas to consider how to make sense of the Third Sector. This approach is briefly overviewed in the next paragraphs.

# 1

## 1.2 Unpicking the mosaic: recognising the importance of difference

By adopting a ‘mosaic’ analogy, it was argued that the extent of diversity in the Third Sector may be so pronounced that it may defy the attempts of academics to bring all component parts of the Third Sector together, conceptually, into some kind of whole. We realised that organisations which, ostensibly, are involved in similar kinds of activities (that is, local infrastructure organisations) are very diverse.<sup>2</sup> At that stage of the research, we concluded that 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.

The point of the mosaic analogy was to demonstrate that it was unwise to separate the different ‘types’ of organisations in the Third Sector and study them as discrete categories. The purpose of this report, therefore, is to explore organisational characteristics (defined in a range of ways) to ascertain whether it is possible to distinguish different organisational practices and whether any such differences were related to organisational type. This will help us to understand whether similarities and differences in practice run across categories of organisations in order to determine ‘endemic’ characteristics of organisations.

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 work for or volunteer in the organisation, and local cultural factors). 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 Third Sector may be false, of limited value or mis-applied.

<sup>2</sup> As a category of TSO, therefore, it would seem to be inappropriate to generate an ‘ideal typical’ model of the structure and functions of a Local Infrastructure Organisation (LIO) which could then be used to compare, favourably or otherwise, with actual organisations. For a wider discussion of the common characteristics and roles of LIOs see MacMillan, R (2007) *The unsettled state of third sector infrastructure: questioning effectiveness, sustainability and configuration*. Conference paper presented at VSSN Day Conference, November 2007.

### **1.3 Rebuilding the jigsaw: exploring the importance of networks**

If the Third Sector were to be conceptualised as analogous to a ‘jigsaw’, then it might be assumed that the component parts of the Third 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 Third Sector, and so on). Findings from the first phase of the research suggested that there are many connections in the Third Sector, between infrastructure bodies, and between them and TSOs. Strong relationships were also evident between the Third Sector and its beneficiaries and those organisations which fund it.

The problem researchers face, it was argued, is that the pieces of the jigsaw might be very hard to assemble because of the size of the puzzle and the likelihood that the big picture cannot be constrained within two dimensions. While we recognised that we could produce an elegant descriptive model of the Third Sector (which described connections and intersections, lines of causality and the consequences of change) such an approach might underplay the importance of power imbalances and the tensions they produce. Indeed, it was concluded that to impose such a conceptual model might make sense only to people outside of the Third Sector, but practically no sense to the people inside it. That said, we remain convinced that it is very important to explore interactions and networks as this may help to explain what the limits of sector development are. Furthermore, such work may assist in determining where investment in development might best be made to achieve the best outcomes for funding bodies, sector beneficiaries and society in general.

# 1

## 1.4 Allowing for abstraction: studying the Third Sector with an open mind

In the first report, we concluded that defining the Third Sector is complex because it means different things to different people. It was observed that people come to be members of the Third Sector for many reasons, arrive from varied backgrounds and may have different 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, all impact on the way people define the Third Sector, assess its scope to make a difference, its sustainability and its opportunities for change. Furthermore, most people we talked to seem to feel quite comfortable with this diversity of opinion.

What people in the Third Sector felt uncomfortable about was their perception that 'outsiders' tended to be critical of this diversity. They were, consequently, suspicious of attempts to try to impose some kind of order upon the Third Sector. It is understandable, though, that outsiders might view the Third Sector as chaotic if they have in mind a particular model of its structure, functions, interactions and boundaries. It may lead them to want to 'improve' the Third 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. What we did not know, prior to undertaking this study, was the extent to which TSOs already meet these benchmarks of success, and if they do not, to understand, depending on the organisation's size, structure and mission, if they really need to achieve them or not. As researchers, we need to ask where and in what circumstances these critical ideas about improvement can or should be adopted by the Third Sector. More important still, we need to maintain a critical awareness of what purposes such ideas seek to achieve and consider whose interests they serve.

# 2 Research methodology and approach to analysis

## 2.1 Identifying the TS050

At the outset, we decided to explore organisational change on three dimensions: the area within which organisations operate; the size of the organisations; and, the broad beneficiary groups which the organisations served. How we went about this requires some explanation.

### 2.1.1 The study area

The TS050 sample was divided equally between the four sub-regions within the North East and Cumbria in order to get comprehensive coverage of the whole study region.

The North East of England has four sub-regions. Two of them, **Northumberland** and **County Durham** have recently become unitary authorities – but some organisational structures, such as the CVSs, are still based on the former districts.

Although much of Northumberland is rural, the south east part of the county has a strong industrial heritage, particularly mining. In County Durham, mining has also had a profound impact on economy and society. The coalmining industry provided the basis for economic well-being in both counties throughout the nineteenth century and much of the last century and has shaped the geographical, political, economic and cultural characteristics of place and people. Since the demise of mining and its associated industries, these areas have suffered significant social problems, including ill health, worklessness and deprivation. As a consequence, in both counties, the former coalfield areas have become a focus for social and economic regeneration.

Northern and western Northumberland and western County Durham are mainly rural areas. There are affluent enclaves, especially within commuting range of the larger urban centres. However, much of northern Northumberland and parts of western County Durham are characterised by their relative isolation and their distance from services and employment opportunities.

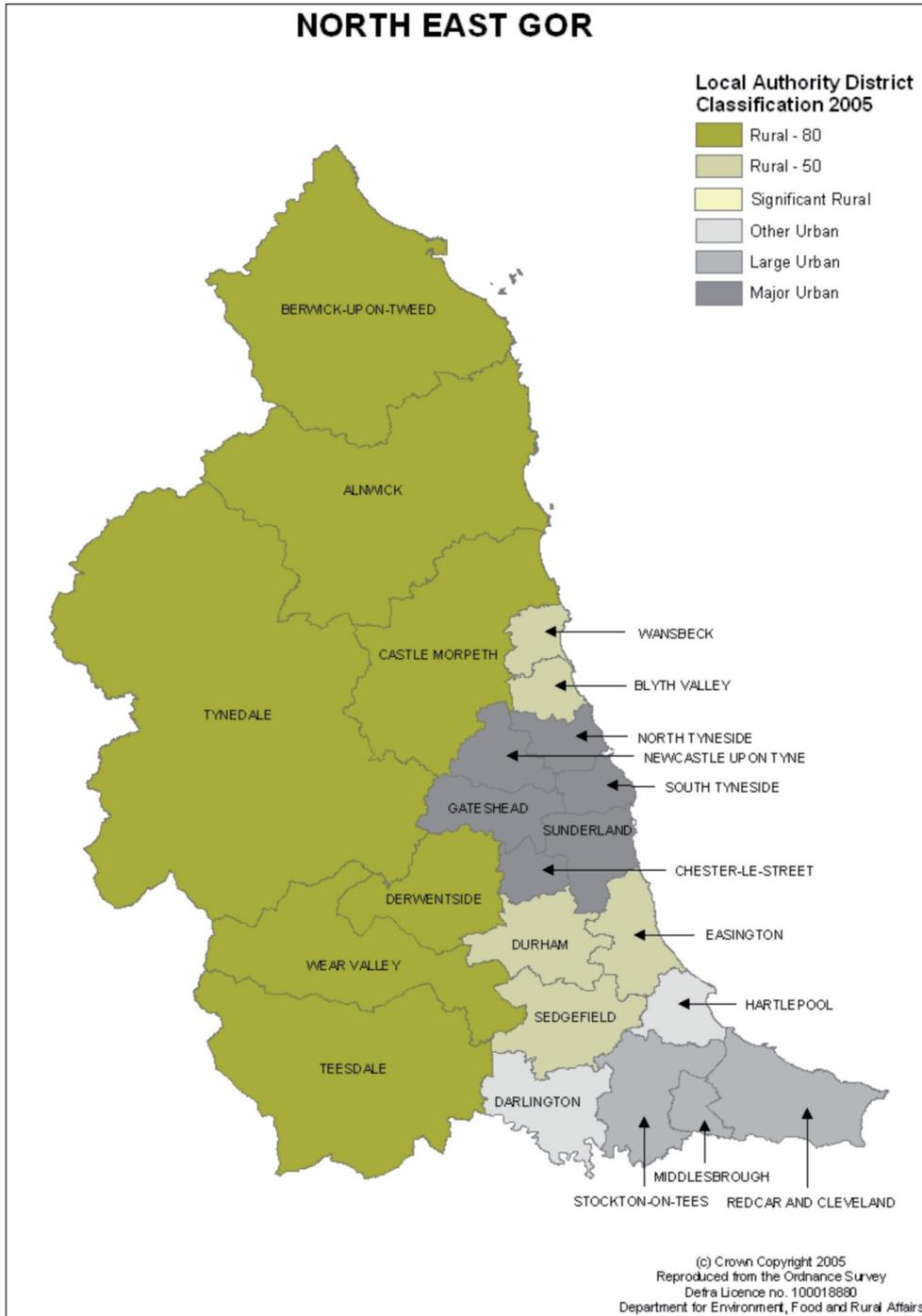
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The North East has two conurbations: Tyne and Wear and Tees Valley. **Tees Valley** is a polycentric urban region with a population of 650,000 people and is comprised of five unitary authorities: Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees. The sub-region has experienced considerable economic change over many years as formerly staple industries, notably steel and chemicals, were restructured. The area has received significant government regeneration funding, and has witnessed many policy initiatives, but worklessness, ill health, low educational achievement, and urban decline have remained pernicious problems. That said, the area is also characterised by its variations in levels of affluence and deprivation. Stockton-on-Tees and Middlesbrough, for example, have some of the most and least affluent areas in the North East region, so producing pronounced variations in lifestyle and opportunities for residents.

**Tyne and Wear**, with a population of 1.1 million, is the largest urban area in the North East region. It has five local unitary authorities: Gateshead, North Tyneside, South Tyneside, Sunderland and Newcastle upon Tyne. Newcastle is recognised as the regional capital and, as such, is the location of the region's Government Office and the Regional Development Agency. It is also the centre of the region's business sector, financial services, regional media, retailing and education. The quayside area of Newcastle and Gateshead have been transformed through regeneration initiatives to produce a major cultural and leisure district which attracts national and international attention as a visitor destination. The sub-region is relatively vibrant but has many areas of considerable deprivation.

**Cumbria** has the English Lake District at its centre and an industrial belt along its coast from Barrow-in-Furness to Workington. Cumbria is largely a rural area with expanses of natural beauty which attract large numbers of visitors and wealthy second home owners. While the area is well connected to the national motorway system via the M6, the geographical characteristics of the area can make travel and communication within the county relatively complex, with the result that many areas suffer from relative isolation. The Lake District leisure industry provides employment, often relatively low paid and seasonal. Although the area is characterised by an image of affluence and well-being from the tourist's point of view, there are significant areas of deprivation, especially in the industrial towns along the coast.

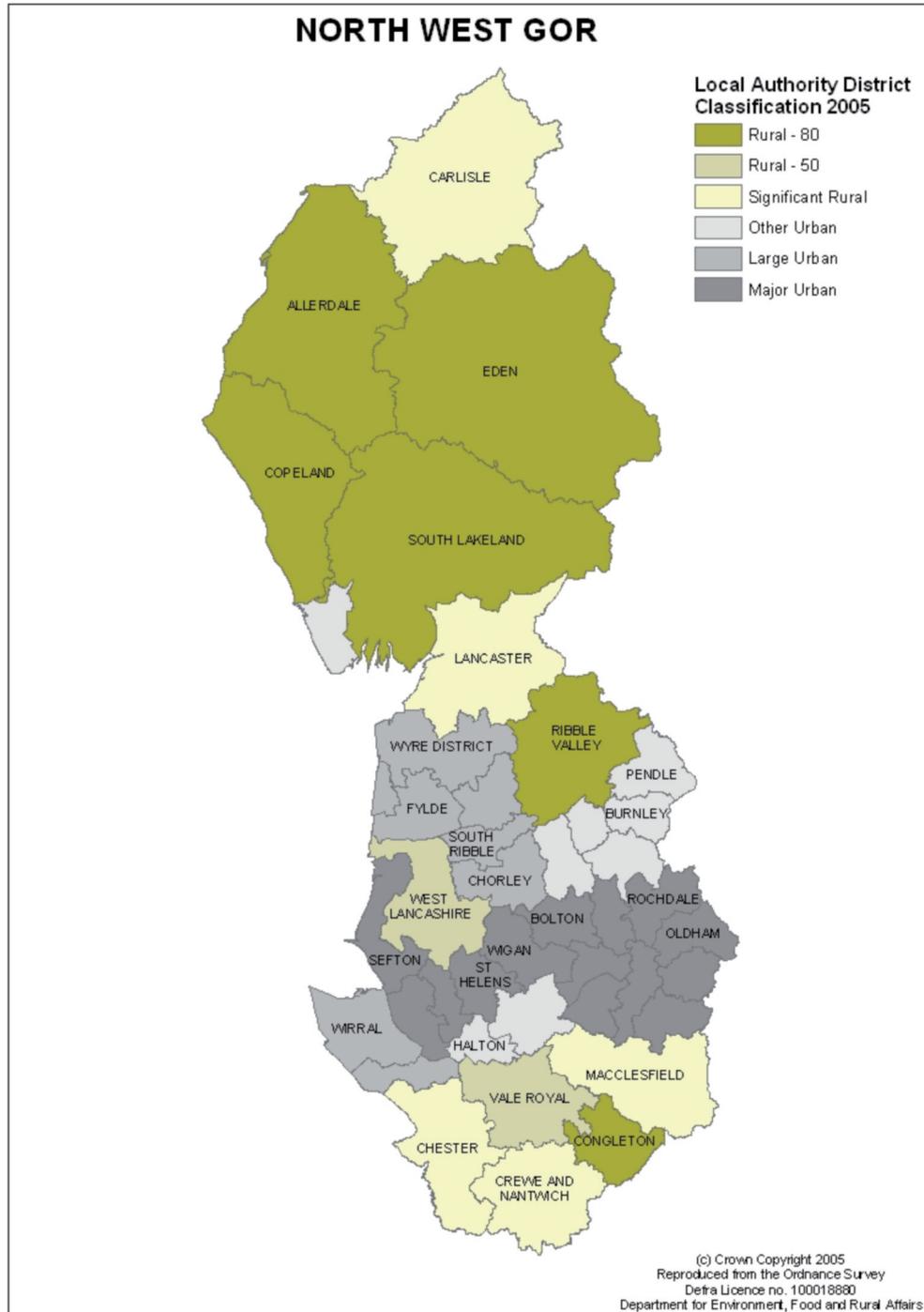
Figure 2.1 Rural-Urban Spatial Structure of the North East Region.



Source: Map of the North East Government Office Region showing the Rural/Urban Local Authority District Classification 2005 with named rural districts [www.defra.gov.uk/evidence/statistics/rural/rural-atlas/atlas-maps/44.jpg](http://www.defra.gov.uk/evidence/statistics/rural/rural-atlas/atlas-maps/44.jpg) Reproduced under the terms of the Click-Use Licence

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Figure 2.2 Rural-Urban Spatial Structure of the North West Region



Source: Map of the North West Government Office Region showing the Rural/Urban Local Authority District Classification 2005 with named rural districts [www.defra.gov.uk/evidence/statistics/rural/rural-atlas/atlas-maps/55.jpg](http://www.defra.gov.uk/evidence/statistics/rural/rural-atlas/atlas-maps/55.jpg) Reproduced under the terms of the Click-Use Licence

## 2.1.2 Thematic areas of beneficiary activity

Given the varied economic, geographical, cultural and social characteristics of the study region, the research team decided to gain overall coverage of the area by dividing the TSO50 into five geographical groupings to cover each of the five sub-regions. Furthermore, it was decided that in each of these areas, we could focus on a particular beneficiary theme. The purpose of this approach was to gain more insights into the interactions between TSOs working with similar beneficiary groups. The five areas were designated as follows:

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

Our objective was to select TSOs in each area where their principal area of activity specifically served a particular beneficiary group. It was recognised that in many cases, organisations might also serve secondary beneficiary groups. For example, some organisations which were involved with arts, heritage or environmental issues provided opportunities for volunteering for young people, older people or people with mental health issues. In Cumbria, organisations were selected on the basis of them operating in rural locations rather than identifying organisations which had a specific rural issues remit (although some did).

In choosing the organisations in each category, care was taken to ensure that cross-cutting themes were also taken into account. The key cross cutting themes are: Black, Asian and Minority Ethnic (BAME) groups; gender; disability; community sustainability; worklessness and deprivation. Because the project has, at its core, a strong interest in the contribution of the Third Sector to the development of sustainable communities and strengthening civil society, we decided not to include those TSOs which focus primarily on generic health concerns such as heart disease, cancer, and so on. Similarly, whilst it was recognised that animal welfare charities are of deep concern to many people and can affect the well-being of communities, we felt that this impact was less direct than the theme areas defined above. TSOs which were concerned primarily with international issues (such as development and

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crisis relief) were excluded as their activities do not impact directly upon the study region apart from opportunities for volunteering, employment and campaigning. Finally, organisations delivering social housing were excluded on the grounds that the closeness of housing associations to government priorities lead many commentators to question whether they fully constitute a part of the Third Sector.

### **2.1.3 Organisational size**

Organisational size, as measured by financial turnover and numbers of employees, was thought to be an important marker of variation in TSO capacity to serve different beneficiary groups. In each of the designated areas, organisations were selected in four main categories:

**Large national organisations** were selected where the national headquarters was based outside the study region. TSOs with different governance structures were identified, including branch, franchise, federated and confederated organisations. Some of these organisations were quite large, with many employees and volunteers, while some were very small federated or confederated organisations which had very few employees.

**Larger regional/sub-regional organisations** were selected if they had more than 24 employees and had a turnover of at least £1,000,000. It was expected that such organisations would work, at minimum, across local authority boundaries and often across sub-regional boundaries. Such TSOs were also selected on the basis of their relatively complex funding structures, including contracts, Service Level Agreements and grant funding together with fundraising, trading or sponsorship.

**Medium sized organisations** working at a local level were selected primarily on the basis of number of employees and turnover. The number of employees in such organisations was defined in broad terms as between 5 and 24 staff, although in many cases it was not expected that all or most employees would work on a full time basis. The turnover of organisations ranged from £200,000 to £999,999. The area of operation of medium sized organisations was often restricted to one local authority area.

**Smaller organisations** were identified primarily on the basis of organisational form, income and numbers of employees. It was decided that a mix of incorporated and unincorporated organisations could be included in the sample. It was expected that some small TSOs in the sample may have been larger in the past, while others were fledgling organisations which might grow in future. Some TSOs are small because this is the appropriate size and structure for their purpose and it is unlikely that they would grow in the foreseeable future. Small organisations were defined as those with income lower than £200,000 and fewer than 5 employees.

## 2.2 Sampling

Once the organisational typology was defined for sampling purposes, the research team undertook a detailed search of existing listings of TSOs in each of the areas identified. The principal sources of listings included the Charity Commission and Guidestar, together with local listings which were made available to us by infrastructure organisations.

An important element of the research was to avoid identifying only those TSOs which appeared to be flourishing so as not to build into the sample a skewed picture of organisational well-being. We therefore attempted to select sets of organisations which had a variety of characteristics and with different levels of recent success in, for example, maintaining funding levels. Indications of organisational well-being was explored, where possible, by studying financial data and annual reports submitted to the Charity Commission. Another source of intelligence came from our previous round of interviews with chief officers of the local infrastructure organisations. In these interviews, respondents provided us with an indication of organisations which were 'doing well' or 'struggling'.

At the end of the process of selecting organisations, the whole research team met to discuss the choice of organisations to be approached, ensuring that the range of organisations fitted basic sampling criteria. In each of the geographical areas, we sought to ensure that the sample included preferably *at least two* national organisations, larger organisations, medium sized

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organisations, and small organisations. The remaining two TSOs could fall into any category, although care was taken to ensure that the balance between the four main organisational sizes was maintained across the whole sample.

TSOs were contacted initially by letter to explain the purpose of the study and what their involvement would be. Following this, the chief officer of the organisation was telephoned by one of the researchers to explain further what the study was about, to tell them about how the research would be done, and to invite the organisation to become involved. At this point, if the organisation agreed to be involved, a date was set for the researchers to visit the organisation and undertake an interview.

The response to our request from most organisations was very positive and respondents were pleased to give their time. The most common reasons for non-involvement in the project were not to do with principled objections to the study, but rather: difficulties associated with contacting organisations; the pressure of work on organisations which led them to feel that they could not spare the time; or, as was quite common, difficulties in establishing a convenient time for an interview.

The first interview took place in June and the final interview was undertaken in November 2009.

By the end of the process of selecting potential organisations and gaining the agreement of TSOs to engage with the project, a sample of 50 organisations was successfully achieved. The characteristics of the sample are listed in Table 2.1 below.

**Table 2.1 TS050 Sample characteristics**

Area (sub region) and theme	National TSOs	Regional Larger TSOs	Local Medium sized TSOs	Smaller TSOs	N=
County Durham: Arts, heritage and environment	2	1	1	6	10
Cumbria: TSOs operating in rural environment	2	2	3	3	10
Northumberland: TSOs working with older people	2	1	3	4	10
Tees Valley: TSOs working with younger people	2	4	1	3	10
Tyne and Wear: TSOs working in mental health	2	2	2	4	10
Total TSOs =	10	10	10	20	50

## 2.3 Approaches to interview and observation

The interview schedule used in this study was based on the menu of topics we used in the first phase of interviews with chief officers of local infrastructure organisations. This list of topics was initially drawn up on the basis of detailed analysis of Third Sector research literature and analysis of contemporary government policy<sup>3</sup>. The topicality of the questions in regional context was also evidenced in previous research undertaken by the present authors<sup>4</sup>.

Most of the sections of the interview schedule had previously been tested in the study of infrastructure organisations. The balance of areas of questioning in the schedule was changed, however, to reflect our growing interest in:

- How TSOs strategically plan for the future;
- How well governance arrangements work for the TSO;

<sup>3</sup> There is no space here to present a thorough analysis and review of the research literature. However, contextual analysis of the present authors' position is provided in Chapman *et al.*, 2006, 2007, 2008 and 2009a, 2009b. Further useful reading on the Third Sector in its wider European context can be found in Evers and Laville 2004. Recent government policy on Third Sector development can be found in Office of the Third Sector 2006a, 2006b, Cabinet Office 2007, 2008, HM Treasury 2006. For recent policy analysis on the Third Sector, see: Kelly, 2007; Haugh and Kitson 2007, Davies 2008, Carmel and Harlock 2008, Birch and Whittam 2008, Powell 2007, Osborne and McLoughlin 2004.

<sup>4</sup> See Chapman *et al.* 2006, 2007, 2008a, 2008b.

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- How TSOs work with other organisations in their area;
- How TSOs measure their success in serving beneficiaries;
- How they communicate their achievements.

These interests arose directly from the first phase of our research and are explained in depth in our first report.<sup>5</sup>

At the beginning of the interview, we explained the value of the project to respondents and clarified that any information shared would remain confidential and that they would not be identifiable in any published material or to other respondents of the research. We also made it clear that the Northern Rock Foundation would not have access to information about which organisations had taken part or have access to the interview material gathered.

In some cases, respondents stated that they were not particularly worried about confidentiality and did not mind if their organisation was named as a participant in the study. We explained, in these circumstances, that confidentiality was also important for the benefit of organisations which had not been invited to participate in this element of the study. Before the formal interview commenced, respondents were invited to sign and date an ethics release form stating their understanding of the process. All respondents agreed to do so and in no cases was the interview terminated by respondents prior to its planned conclusion.

Interviews were digitally recorded with the full consent of interviewees. We informed respondents that recording would enable other members of the research team to listen to interviews to ensure valid interpretation. Respondents were assured that any reportage of quotations from interviews would be anonymised.

After the first five interviews were undertaken, the order of the interview schedule was reviewed. The purpose of this was to re-order questions when they had affected the flow of the interview. That said, the schedule was designed primarily as an aide memoire for the researchers to explore a series of issues, rather than to overly-formalise the interaction between respondent and interviewer.

<sup>5</sup> See Chapman and Robinson *et al* 2009.

## 2.4 Observation

In addition to formal interviews, we also made a series of observations about each organisation we visited and these were written up immediately after the interview. Observations were made on the following factors:

- The built environment within which the TSO was located.
- The building within which the TSO was situated.
- The way the TSO presented itself to clients and visitors (external decoration, signage, threshold security, reception arrangements, furnishings in the reception area, availability of information on display, etc.).
- Arrangements for meeting and greeting and general organisational ambience.
- Location and situation features of the interview room.
- Observations (where possible) when taken on organisational tours after or before the interview.

Observation is a valuable methodological tool in social science research, especially so when undertaking work which is concerned with developing a more fundamental understanding of organisation culture. The specific purpose of the observation exercise was to gather information on how the TSO organised its space and, more specifically, presented itself in physical and social terms as an organisation to outsiders. The approach is non-invasive and non-judgemental in the sense that the researchers do not approach their work with particular expectations in mind. Nor do they make judgements about what they see, measured against pre-determined typologies or standards of organisational behaviour. Instead, the intention is to explore why organisations have decided to present themselves to outsiders in the way they do and understand what purposes such decisions may serve. It should be noted that in this approach, researchers are also mindful of factors related to the presentation of the organisation which organisations may not have purposefully thought through. In this sense, as researchers, we are as interested in what is 'absent' as that which is 'present'.

Observational material is not being collected in order to assess individual TSOs against some kind of 'gold standard' of what a good organisation should be. As the aim of the project is to study organisations with an open mind, such an approach would be counter-productive. That said, as researchers, we are mindful about how 'outsiders' may make judgements about organisational

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competence, well-being, professionalism, reliability, and so on, based on their own observations. Often, outsiders comment on the importance of TSOs being 'businesslike' and 'professional', so it is likely that organisational presentation can be an influential factor. Such impressions may have an impact on the way that influential outsiders, such as funding bodies, make decisions about giving grants or awarding contracts. By the same token, we are also aware that TSOs create external impressions of themselves to serve very different audiences depending upon what the organisation does and whom it serves.

Consequently, in our next round of interviews in 2011, we want to explore how organisations decide *how* to present themselves to outsiders and explore the meanings underpinning the impressions they choose to make. It is understood, of course, that such choices are not freely made. Our initial research indicates that organisations are limited in their scope to shape external impressions of their identity by the funds they have available to achieve such objectives. TSOs are not generally in a position to design, build and dress their buildings in the fashion of a major bank or corporate headquarters. But there is more to it than that. The impressions TSOs give of themselves has, perhaps, to reflect their earnest desire to serve their beneficiaries rather than to exert corporate confidence through corporate self-aggrandisement. At this stage of our *research*, our reportage on evidence collected through observation will be very limited. This is because this methodology has been introduced to explore how individual organisations change over time, rather than merely to make comparative comments between organisational types.

### **2.5 Recording, managing and analysing data**

The research process is planned to span seven years, so secure storage of confidential data is a priority. For each organisation a separate paper file has been created to store interview transcripts and copies of all published material collected from organisations, websites and press material.

This research project has proceeded from the principle that a 'root and branch' reappraisal of the work of the Third Sector needs to be undertaken.

In a similar way to the work of ethnographic researchers, and those sociologists who subscribe to the idea of 'grounded theory'<sup>6</sup>, we aim to develop a broadly based understanding, as far as possible, from what has been seen and learned rather than entering into the field with pre-determined ideas and expectations.

Therefore, in the analysis of the interview data, content analysis and observation has generated the themes that have emerged and been constructed. This research is an iterative process rather than a linear course, which will evolve and develop as the research progresses, with answers emerging over time. The analysis has been approached using grounded theory as a guide, "as a set of principles and practices, not as prescriptions and packages"<sup>7</sup>. Thus we must be cautious in using the term 'grounded theory' loosely and all the complexities that may arise from this. Hence, in this instance, we think it is more appropriate to refer to our analysis as 'data driven theory' as we feel that this is a better description of how we have developed our analysis of the qualitative data. Whilst the analysis of the data has been driven by the responses of organisations to questions asked by the researchers, the coding carried out from these has allowed freedom to the researchers to proceed as the data emerged. From this coding of the data, and through much discussion, the researchers have been able to develop theoretical categories to further understand 'What makes TSOs tick'. These categories are discussed in detail in the following section.

The qualitative approach to analysis of the TSO50 data is supplemented by the use of some basic quantitative measures. For each organisation, basic information is recorded on SPSS. A range of variables have been identified for baseline data and input of subsequent rounds of data collection. With these measures of hard data, the researchers have also generated an organisational assessment tool to provide a baseline for the measure of organisational change over time. This is discussed in more detail in section 3.2 of this report.

<sup>6</sup> See for example, Glaser, B. and Strauss, A. (1967) *Discovery of Grounded Theory: strategies for qualitative research*, New York, Sociology Press.

<sup>7</sup> Charmaz, K. (2006: 9) *Constructing Grounded Theory*. London, Sage.

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## 2.6 Balancing objectivity, ethics and organisational well-being

The aim of this research is to gain a fundamental understanding of the operation of TSOs in the context of the work of the Third Sector as a whole. Its objective is to produce 'data driven theory' which emerges from an exploration of a wide range of data types and sources, and through a process of triangulation. Data driven theory, by definition, avoids the adoption or application of 'gold standards' to the work we are doing. No assumptions are made about which organisational characteristics and behaviours are beneficial or damaging. Furthermore, no credence is given to popularly adopted assumptions, especially from outside of the Third Sector, about what the Third Sector should be like. Consequently, terms such as 'professionalism', 'businesslike' and so on, are explored in a critical way, in order to explain what they mean, why they are used, and whose interests they serve.

Engaging in a large research project of this kind which is intended to span many years is demanding on participants from the Third Sector in terms of their investment of time. We are very grateful that people are so willingly investing in our work. It is understandable, however, that we are often asked how the research will ultimately benefit their individual organisations, their beneficiaries and the Third Sector as a whole. At present, we are in the unfortunate position of only being able to say that we do not really know! This is because we are exploring new ways of finding out what is going on in the Third Sector and making sense of that in conceptual and theoretical terms. We admit that this is a bit of a luxury. However, even at this relatively early stage of the research we are starting to produce findings which, we think, will be of real benefit to the Third Sector and its beneficiaries.

# 3 How can we measure how Third Sector Organisations change over time?

In a study of organisational change, the advantages of longitudinal research are considerable, because it helps to explain the complex interplay between internal and external factors. As we are still in the early stages of that work, our initial objective is to develop a method of measuring change over time. In so doing, we have developed a template to describe organisational profiles.

The word 'describe' is used purposefully to make it clear that we do not make overall value judgements at this stage of the research on what factors shape organisational success. That said, we have made evidence based assessments on a wide range of organisational characteristics to provide us with a benchmark to compare organisations against in two and four years time.

This approach raises some ethical issues because we did not inform our respondents that this is what we would do prior to interview. The reason for this is simple – we did not *know* that this is how we would analyse the data. On the contrary, our aim was not merely to report on what the organisations say they are doing, but rather to find out how to analyse organisational change in the Third Sector. This is an important distinction which needs some explanation.

A lot of qualitative research on TSOs already exists. Often these studies are undertaken as 'snap shots' in time to capture a picture of what is going on. Such research can be very illuminating if fieldwork is undertaken rigorously and every attempt is made to ensure that as much objectivity as possible is injected into the research instrument and the analysis of data. Often, however, much of the snapshot research is neither particularly rigorous nor objective – but, rather, is undertaken with the intention of demonstrating a point. We are determined not to do this because this would undermine the credibility of the research project and raise serious questions about the point or value of investing such large sums of money in reporting 'what the Third Sector already knows'.

As noted in the introduction to this report, we argue that the Third Sector does not actually know that much about itself. And as a consequence, popular assumptions circulate which, through repetition, seem to gain the status of knowledge. Often these are based on arguments about the particular value

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systems in the Third Sector, about the very specific problems they suffer in funding terms, about how the Third Sector can reach parts others cannot, and about the added value that TSOs give in their work. All of this may be true, of course, but there is not much reliable evidence to demonstrate it.

It would be very easy for us to demonstrate from the 50 in-depth interviews, almost anything we want about the Third Sector from the data we have already. For example, we could show that the Third Sector is acting in a businesslike way, or show that it is resisting pressure to be so. We could demonstrate that the leaders are driven by their values, or by their love of innovation, or their love of fighting for and winning contracts. In short, we can find enough 'evidence' to tell any story that anybody might want to hear.

It is important in the analysis of qualitative research to draw a distinction between 'data' and 'evidence'. Data are the words on the tapes and transcripts which have been collected. Evidence, by contrast, is 'produced' through analysis. The more reliable the data and the method of analysis, the better is the evidence.

## **3.1 Devising the TS050 analytical data frame**

A data frame was developed to analyse key trends. This involved making informed assessments of where organisations sit in relation to a range of features. To ensure that the data frame was comparable between organisations and could be adapted over time in response to unexpected findings, the analytical tool was developed in a number of phases. All of the phases involved extensive discussions between the researchers to reach final decisions.

Firstly, a long list of organisation features was drawn up against which every TSO could be measured – large or small, whatever beneficiary group it served, no matter where it operated.<sup>8</sup> A long process of selection and refinement

<sup>8</sup> We have undoubtedly been influenced by the established academic literature on organisational analysis – particularly from a sociological perspective – in framing the questions we asked in interviews. Similarly, our line of analysis is influenced by our experience and understanding of current policy and practice in the sector and in government. That stated we feel that we had a relatively free hand to explore organisational characteristics and did so with as much of an open mind as could reasonably be expected. A key element of our work was to allow the data we collected to inform us about the organisational characteristics which are shared across the third sector. Salamon and Anheier (1997) provided one attempt at classification, but their purpose was to provide a basis for international comparison and therefore is characterised by its generality rather than specificity and was of limited use for the present study. Organisational studies in the UK focuses mainly on the public and private sectors and there is, as yet, relatively little analysis of Third Sector Organisations. In this sense, therefore, we were relatively unencumbered by former academic attempts to define organisational types.

was undertaken to achieve equivalence between features. In addition we sought to avoid categories which could, by definition, favour one particular organisational type over another. For example, a feature defined as ‘is effective in tendering for public sector contracts’ could unfairly consign a large number of organisations to the lowest category of capability simply because they were too small to tender, or had neither an interest in nor a need to tender. In short, every organisation must have an equal chance of achieving a top score in any of the categories.

The list was refined to 20 features which were grouped under four headings which reflect the characteristics of the sub categories: *foresight*, *enterprise*, *capability* and *impact*. These four broader categories (which are defined in detail in Section 3.2) were created to represent what appear to be the cornerstones of organisational activity. At this point it is necessary to present an important caveat: in subsequent phases of research, it may be discovered that these categories do not best describe the foundations of organisational practice. If that turns out to be the case, however, the method that has been employed allows for the possibility of ‘shuffling’ the 20 sub-categories into different configurations. Nor is the possibility of increasing or reducing the number of sub-categories ruled out if that proves to be necessary.

Having made this point, however, we are convinced that the approach taken is as robust and objective as is possible at the present stage of the work. We know this because the process has genuinely *forced* us to challenge our own expectations and prejudices and we have been surprised by what has been discovered. The data frame was generated in a similar way to conventional qualitative analysis, through rigorous coding and analysis of the data. We have constructed a data frame that, we feel, *challenges* rather than *reinforces* personal prejudices. If the conclusions we draw are contested because they clash with the understanding of others, then a valuable job has been done because it will have encouraged reflection on the taken-for-granted. It is our job to question the conventional wisdom (although we doubt that such a thing exists) not to confirm it.

Undoubtedly, the terminology we have adopted will not please everyone equally. Readers might have preferred it, for example, if we had not created categories which reflect aspects of organisational pragmatism but had, instead, focused on other aspects such as TSOs’ fundamental value systems. Assessing value systems involves making big value judgements, however, and

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we do not feel comfortable with this. It is not for us to say which beneficiary groups are the most deserving; what organisational forms are the most worthy of inclusion; what kinds of practices are the most appropriate; and, what the ideal pattern of funding is that organisations should rely upon. And more important still, it is not for us to insinuate that the values of the Third Sector are different from or better than those of other sectors. Such observations are not possible unless comparable research was being undertaken simultaneously.

Once the 20 categories had been defined and grouped into four more general areas, researchers then independently read transcripts, listened to recordings, and examined the findings from content analysis and other statistical information. Each of the 20 categories were then scored against a small sample of organisations with very different characteristics to ensure that the approach could be applied to any organisation. At this stage in the development of the data frame, it was also essential that researchers came to similar conclusions in their assessments of the same organisation. Each organisation was assessed independently, and then scores were compared and discussed until agreement was gained on a final score. The system ranges from a score of '1' (meaning that compliance to or achievement of a particular feature was practically non-existent) to a '5' (meaning that the organisation could not reasonably be expected to achieve more than it does in this respect). Researchers had to make sure that they used the whole range of scores so as to avoid gravitation to the mean.

All the organisations in the sample were then assessed independently by at least two researchers before the individual TSO was discussed and final scores agreed. The scores were then entered into SPSS for analysis against a range of independent variables (such as number of employees, income, beneficiary theme, area of operation, and so on). Implicitly, the scoring mechanisms we have adopted would seem to suggest that a TSO that scores 100 points in our scheme is the best kind of organisation in terms of effectiveness and impact. But we do not yet know that.

The 50 organisations involved in the study might well ask the question, why haven't we had a chance to see our scores? The reason why we are wary about sharing our scores with them at this stage, is the possibility that doing so might affect the way they plan and go about their work. At one level our concern is rather selfish – we want our research to retain a sense

of academic purity so that the results we produce, ultimately, are the most reliable that we could ever hope to get. At another level, we do not want to interfere with the way organisations do things because we do not know what works best for organisations in general, or organisations with their particular characteristics. To imply that we do, could set them off in the wrong direction completely. What is exciting about this approach, is that we had no idea what the exploration of the interplay between organisational features would produce until the whole process was complete. Furthermore, at this stage, we have absolutely no idea what factors will affect organisational success in future. But of course, once we return to the organisations in 2011 and 2013, we will have a baseline for measurement and it will be possible to assess what factors affect organisations. In so doing, we will also be able to consider the interplay between organisational features and external factors.

Nobody knows, at the moment, what the funding situation will be when we return to the TSO50 in the summers of 2011 and 2013. Nobody knows what impact a change (or not) of government might have. Nobody knows what the social market will be like, in the sense that the issues of the day may change and result in a flood of grants, or more giving, or extra volunteers, moving in the direction of this beneficiary group or that. What we will be able to do at that time is to investigate what the impact has been and explain in precise terms how this has affected the practices of particular organisational types.

We hope that this argument reassures the organisations which have participated in the study that their investment has been, and will continue to be, worthwhile for the Third Sector as a whole. We understand that the process of analysis is sensitive as it has involved us making independent, and hopefully objective, assessments of organisations against each feature in order to determine what factors affect success over time. While we do engage in a process of scoring against a wide range of organisational features, we do not in any way imply that these scores will have any impact on their future prospects. On the contrary, we simply do not know if an organisation which has excellent foresight, capability, enterprise and impact will protect it at all from the vagaries of the future.

We hope that the research in general will bring real benefits. It is expected that one key outcome will be the development of a self-appraisal tool for TSOs.

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## **3.2 The TS050 scoring tool**

In this section, we provide more detail on how we have scored organisations against the four main categories: foresight, enterprise, capability and impact. As explained in the previous section, these broader categories were devised by grouping together sub-categories of organisational characteristics. We are aware of various approaches to the construction of organisational typologies from the academic literature, and recognise that this may have influenced our thinking when grouping categories to some extent. However, the point of the exercise is to avoid adopting rigid categories. Indeed, as the research progresses we may shuffle the sub-categories and perhaps introduce new ones depending upon what the data we collect tells us about the way TSOs operate in a changing environment.

### **3.2.1 Foresight**

Foresight is defined as the capability of an organisation as a whole to be able to anticipate change and develop strategic plans to accommodate to or exploit opportunities arising from change. Change is considered on three levels: change in the external economic, political and cultural environment; change in the organisation itself; and, change in beneficiary needs.

#### **Knows what they are there to do and who they serve**

- Does the organisation have a clear understanding of who its beneficiaries are?
- Does the organisation know how it can best serve its beneficiaries?

#### **Plans on the basis of realistic appraisal of capability**

- Does the organisation know how to assess opportunities?
- Does the organisation know what its capabilities are and match these with its ambitions?

#### **Leaders are focused on longer term objectives**

- Does the organisation's leader(s) focus on its 'big picture' objectives?
- Does the organisation plan its activities with its principal objectives in mind?

#### **Governing body understands aims and supports plans**

- Does the governing body have the right skills mix, energy and commitment to develop and support organisational objectives?
- Does the governing body work with 'one mind' once agreement has been reached on the organisation's objectives?

### **Would consider making hard decisions in response to challenges**

- Does the organisation remain focused on its principal strategic objectives if faced with new opportunities or a crisis?
- Would the organisation contemplate radical action to ensure continued service to its beneficiaries (such as downsizing, merger, closing)?

### **3.2.2 Enterprise**

Enterprise is defined as the organisation's capability to marshal its resources and prioritise its energies to achieve the objectives it sets itself in its strategic mission. Enterprise is the means by which the organisation successfully positions itself in order to generate, find or win opportunities which will ultimately benefit its beneficiaries.

#### **Knows how to spot and assess opportunities**

- Does the organisation have knowledge and a clear understanding of where opportunities might present themselves?
- Does the organisation have a mechanism to undertake successful opportunity appraisals?

#### **Knows when to compete or cooperate with others**

- Does the organisation know who its potential competitors or partners are and understand its relationship with them?
- Does the organisation have a clear understanding of its reasons for choosing to compete or cooperate?

#### **Uses innovation to meet beneficiary needs**

- Does the organisation employ innovative practice with the sole purpose of meeting the needs of its beneficiaries?
- Does the organisation know how to learn from its own and others' innovative practices?

#### **Has an organisational culture which is responsive to change**

- Does the organisation have the ability to marshal all its resources to address new challenges and opportunities?
- Does the organisation communicate with and successfully prepare its people for change?

#### **Maintains useful relationships with stakeholders to help achieve aims**

- Does the organisation maintain positive relationships with relevant external stakeholders?

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- Does the organisation know which networking or relationship building opportunities to prioritise in order to pursue its objectives?

## **3.2.3 Capability**

An organisation's capability is defined as its ability to employ, manage, and develop its resources in order to achieve its strategic objectives. All of the resources of the organisation are considered including: its trustees, employees and volunteers; its financial resources; its property; and its relationships with partners, funders and other key stakeholders.

### **Staff, volunteers and trustees are properly prepared to perform their roles**

- Does the organisation employ effective strategies to inform and train its staff to undertake their roles successfully?
- Does the organisation understand how to motivate its staff to maximise their potential?

### **Is appropriately 'professional' in approach to practice**

- Does the organisation approach its work in such a way as to win the confidence of its beneficiaries, funders and other key stakeholders?
- Does the organisation know how to deal with trustees, employees and volunteers who could or do undermine their professionalism?

### **Can work effectively with other organisations**

- Does the organisation prioritise the maintenance of effective and productive relationships with the TSOs with which it works?
- Does the organisation know when and how to adapt its own practice preferences in order successfully to work with other organisations?

### **Plans and manages finances effectively**

- Does the organisation have the appropriate skills and systems in place to plan and manage its finances and budgets successfully?
- Does the organisation plan its use of financial resources successfully to maximise its impact on serving beneficiaries?

### **Understands and implements relevant procedures and practices**

- Does the organisation have sufficient knowledge and understanding of its statutory responsibilities (e.g. safeguarding, health and safety)?
- Does the organisation have (or have access to) appropriate systems and processes to manage its responsibilities?

### 3.2.4 Impact

Impact is defined as the organisation's capability to serve its beneficiaries effectively and to make a wider contribution to the community of practice within which it works, to the Third Sector in general, and to civil society broadly defined. Crucially, this involves the ability of the organisation to understand its impact and to be able to communicate this effectively to outsiders.

#### **Communicates role and impact successfully to relevant audiences**

- Does the organisation adopt and maintain appropriate media to communicate its purpose, activity and successes?
- Does the organisation prioritise the resource it commits to its communications strategy to maximise organisational benefit?

#### **Beneficiaries are appropriately involved in shaping organisation's activities and development**

- Does the organisation ensure that it maintains awareness of its beneficiaries' changing needs?
- Does the organisation ensure that beneficiaries have an appropriate role to play in shaping the organisation's strategic mission?

#### **Benefit to users is assessed and considered**

- Does the organisation adopt appropriate methods to record, monitor and report upon its impact?
- Does the organisation act upon its intelligence on user impact to maximise the benefits to the people who use its services?

#### **Makes a positive contribution to the Third Sector**

- Does the organisation make a positive contribution to its own 'community of interest' within the Third Sector?
- Does the organisation make a positive contribution to raising the esteem, impact and reputation of the Third Sector in wider terms?

#### **Seeks to maximise impact on social well-being**

- Does the organisation have sufficient knowledge and understanding of its ability and potential to contribute to social well-being?
- Is the organisation driven primarily by its purpose to serve its beneficiaries?

# 4 Findings

The purpose of this section of the report is to present the initial findings from our data analysis of the TS050. The discussion is divided into four main sub-sections which explore issues surrounding foresight, enterprise, capability and impact. In each sub-section, five categories of analysis are explored in more depth to mirror the quantitative analysis which was presented in the previous section.

At this stage in the research process we do not explore the data in great depth. Instead, our aim is to produce headline findings which can subsequently be discussed at Foresight Panels. Following which, key themes for further exploration will be identified which will bring the biggest benefits, in terms of intelligence, to the Third Sector, its stakeholders and beneficiaries.

In the concluding section of this report, key questions arising from the research will be raised, together with an outline of the next steps in the analysis of the TS050 data and for the project as a whole.

## 4.1 Overview

In this section some basic analysis of the TS050 baseline data is presented.

**Table 4.1 TS050 Organisational scores**

TS050 Scores	Mean
Average total score	73.52
Foresight average score	19.64
Enterprise average score	17.42
Capability average score	19.18
Impact average score	17.36

Table 4.1 presents summary data on the scores achieved by the TS050. The average total score achieved out of a possible score of 100 is 73.52. Beneath this headline score, TSOs score most highly in terms of their *foresight* and *capability*; followed by *enterprise* and *impact*.

**Table 4.2 TS050 Sub-section scores**

<b>TS050 Scores</b>	<b>Mean</b>	<b>Deviation from mean</b>
<b>FORESIGHT</b>		
Knows what they are there to do and who they serve	4.65	+0.64
Plans on the basis of realistic appraisal of capability	4.06	+0.05
Leader(s) are focused on longer term objectives	3.71	-0.30
Governing body understands aims and supports plans	3.69	-0.32
Would consider making hard decisions in response to challenges	3.96	-0.05
<i>Average sub-score</i>	<i>4.01</i>	
<b>ENTERPRISE</b>		
Knows how to spot and assess opportunities	3.96	+0.34
Knows when to compete or cooperate with others	3.65	+0.03
Uses innovation to meet beneficiary needs	3.22	-0.40
Has an organisational culture which is responsive to change	3.29	-0.33
Maintains useful relationships with stakeholders to help achieve aims	3.96	+0.34
<i>Average sub-score</i>	<i>3.62</i>	
<b>CAPABILITY</b>		
Staff, trustees & volunteers are properly prepared for their roles	3.75	-0.17
Is appropriately professional in approach to practice	4.04	+0.12
Can work effectively with other organisations	3.84	-0.08
Plans and manages finances effectively	3.82	-0.10
Understands and implements relevant procedures and practices	4.12	+0.20
<i>Average sub-score</i>	<i>3.92</i>	
<b>IMPACT</b>		
Communicates role and impact successfully to relevant audiences	3.67	+0.14
Beneficiaries appropriately involved in activities and development	3.61	+0.07
Benefit to users is considered and assessed	3.73	+0.19
Makes a positive contribution to the Third Sector	3.06	-0.48
Seeks to maximise impact on social well-being	3.63	+0.09
<i>Average sub-score</i>	<i>3.54</i>	
<b><i>Average overall TSO score</i></b>	<b><i>3.71</i></b>	

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Table 4.2 presents the scores for each of the twenty sub-categories which underlay overall scores for *foresight*, *enterprise*, *capability* and *impact*. The data show that, in broad terms, the TSO50 score well across all of these principal categories, particularly so in the case of foresight and capability. TSOs score less well in terms of *enterprise* and *impact*. In the substantive analysis which follows in Section 5 of this report, the sub-sections are discussed in more depth.

**Table 4.3 Organisational scores by TSO size**

	<b>Foresight</b>	<b>Enterprise</b>	<b>Capability</b>	<b>Impact</b>	<b>N=</b>
Small	17.65	14.55	16.85	15.45	20
Medium	19.90	19.30	19.60	17.80	10
Large	22.00	21.40	21.80	20.40	10
National	21.00	17.30	20.80	17.70	10
Total	19.64	17.42	19.18	17.36	10

Table 4.3 shows the scores of organisations by size. These data reveal that organisational size has a consistent impact on our assessment scores. Essentially, what the table shows is that the larger the organisation is, the higher score it is likely to get across all four categories. The data for national organisations looks, on the surface, to be puzzling. The reason why these data do not show consistency with the trend seems to be that many of the national organisations were, in fact, very small branch, federated or confederated units which, in many ways, shared similarities with the smaller organisations in the overall sample. It is interesting to note that national organisations do less well than might be expected in terms of enterprise and against the overall trend. However, they seem to benefit from their association with a national organisation in terms of foresight and capability.

**Table 4.4 Organisational scores by TSO income**

Size by income	Foresight	Enterprise	Capability	Impact	N=
Small North East & Cumbria	18.07	15.31	17.41	16.14	29
Medium North East & Cumbria	22.00	20.50	22.00	18.33	6
Large North East & Cumbria	22.71	22.29	22.00	21.00	7
National organisations	20.67	17.83	21.50	17.17	6
Total	19.56	17.29	19.16	17.25	48*

Note: \* financial data were not available for two of the organisations.

Table 4.4 details organisational scores by income of organisation. In this table national organisations exclude the small federated or confederated branches and they are included within the ‘smaller organisations’ category. These data again illustrate a strong association between organisational size and scoring levels, with larger organisations achieving the highest scores. Interestingly, the impact and level of enterprise in national organisations continues to remain lower than for the general trend.

**Table 4.5 Assessment of TSO situation in three years**

Confidence about the future	Foresight	Enterprise	Capability	Impact	N=
The organisation will grow	20.78	19.78	19.83	18.10	18
The organisation will remain about the same	19.33	16.52	19.14	18.57	21
The organisation is likely to become smaller	22.60	19.60	22.40	16.40	5
The organisation is likely to be in serious difficulties	17.75	14.25	17.25	14.50	4
Total	20.08	17.88	19.58	17.85	48

Table 4.5 indicates that the confidence of organisations about their own future appears to related to the scores we have given them in terms of foresight, enterprise, capability and impact. There is clearly a close association between their confidence and our assessment of their ability to exercise foresight. The association is less clearly marked in relation to impact, but appears to be related to some extent. The picture is more mixed for enterprise and

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capability, where our assessment of their abilities does not seem to match their views on their future situation. Of course it may be the case that the pessimism of some organisations may be ill founded, and we will be able to explore this in subsequent rounds of the research process.

**Table 4.6 Organisational scores by number of employees**

Number of employees	Foresight	Enterprise	Capability	Impact	N=
None	17.83	13.67	15.83	16.17	6
Low (1-4)	18.40	15.07	17.87	16.53	15
Medium (5-24)	20.69	19.63	20.50	17.88	16
High (25+)	22.33	20.75	22.33	19.75	12
Total	20.04	17.78	19.57	17.71	49

Table 4.6 presents data to compare TSOs, depending upon the number of employees they have. It is apparent from this table that the TSOs with more employees tend to be scored more highly. This is consistent across all four categories of foresight, enterprise, capability and impact.

**Table 4.7 TSO scores by size of organisation  
(number of full time equivalent employees)**

Section A TSO size by number of employees	Foresight					N=
	Know what they are there to do and who they serve	Plan on the basis of realistic appraisal of capability	Leader(s) are focused on longer term objectives	Governing body understands aims and supports plans	Would consider making hard decisions in response to challenges	
None	4.33	4.17	2.33	3.50	3.50	6
Small (1-4)	4.67	3.67	3.13	3.20	3.67	15
Medium (5-24)	4.76	4.06	4.12	3.82	4.06	17
Large (25+)	4.58	4.50	4.50	4.25	4.50	12
Total	4.64	4.06	3.70	3.70	3.98	50

Table 4.7, Section A, explores the relationship between TSO size, as measured by the number of full-time equivalent employees, and the scores we have given them for 20 aspects of organisational activity. The first section of the table, which is concerned with foresight shows that, the larger organisations are, the higher scores they tend to get in relation to their ability to appraise their own capability, the ability of their leaders to focus on long-term objectives and their ability to consider making difficult decisions in response to challenges. It may be the case that larger organisations score better against each of these factors because they have the capacity to specialise or perhaps because they have achieved a critical level of organisational success enabling them to build up a degree of momentum in dealing with particular situations. We do not know this for sure, because when we return to organisations in two and four years time, we may find a very different story. This is the point of the research process, of course, rather than to mechanically 'grade' organisations hierarchically as if we knew already what the 'best' characteristics of organisations are.

The correlation between TSO size and score breaks down, however, in relation to organisational mission and governance. These findings are not, perhaps, surprising because trustees or committee members would be much closer to the operation of an organisation when it is very small. Similarly, there is no reason to expect that organisational mission should necessarily be stronger as organisations become larger.

Section B	Enterprise					
	Know how to spot and assess opportunities	Know when to compete or cooperate with others	Uses innovation to meet beneficiary needs	Has an organisational culture which is responsive to change	Maintains useful relationships with stakeholders to achieve aims	N=
None	2.83	2.67	2.50	2.50	3.17	6
Small (1-4)	3.00	3.33	2.67	2.60	3.47	15
Medium (5-24)	4.12	3.82	3.53	3.65	4.24	17
Large (25+)	4.17	4.25	3.75	4.00	4.58	12
Total	3.64	3.64	3.20	3.28	3.96	50

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Section B of the table is concerned with enterprise. In every case we find that there is a strong correlation between organisational size and score. The larger TSOs appear to be better at: assessing opportunities; knowing when to compete or cooperate; using innovation to meet beneficiary need; having an organisational culture which is conducive to change; and, maintaining useful relationships with stakeholders. Is this because larger organisations have the time and capacity to specialise, plan and scan opportunities? We cannot say for sure. Or could it be a flaw in our own methodology which has, somehow or other, led us to look more favourably at larger organisations – as if we have been seduced by an idea that bigger is better. We do not think so – we have avoided gold standards, we have no ‘ideal type’ in mind of what the best type of organisation should be like, and we certainly could not have planned it this way – the results of the process are as surprising to us as they may be to anyone else.

Section C	Capability					N=
	Staff, volunteers and trustees are properly prepared to perform their roles	Is appropriately ‘professional’ in approach to practice	Can work effectively with other organisations	Plans and manages finances effectively	Understands and implements prevalent procedures and practices	
TSO size by number of employees						
None	2.83	2.83	3.00	3.67	3.50	6
Small (1-4)	3.40	3.60	3.53	3.33	4.00	15
Medium (5-24)	4.00	4.29	3.88	3.82	4.12	17
Large (25+)	4.25	4.75	4.50	4.33	4.50	12
Total	3.74	4.02	3.82	3.78	4.10	50

The third section of the table, Section C, which is concerned with organisational capability, also demonstrates a strong correlation between TSO size and score except in the case of planning and managing finances. Of those TSOs with employees, the correlation between size and score is stronger. But the organisations with no employees are also strong in this respect. This reassures us that we have scored organisations highly according to their mission and structure and not by size, *per se*. Why, after all, would

a very small organisation need to have complex financial issues to deal with if they have low incomes – so they *should* be able to manage finances reasonably straight forwardly. That said, such organisations do not achieve a score of 5, suggesting that even in very small organisations, they are not getting everything right in this respect.

The remaining columns of the table indicate a strong relationship between size and score. Larger organisations seem to prepare their staff, trustees and volunteers better to do their roles; they score more highly on professionalism, and on working effectively with other organisations, and on the implementation of procedure and practice. We suspect that this is, again, to do with bigger organisations being more able to specialise. It could also be a success breeds success model, but we are not sure about this, and will not be until we return in two and four years time to see how they are doing.

Section D TSO size by number of employees	Impact					N=
	Communi- cates role and impact success- fully to relevant audiences	Beneficiaries appropriately involved in shaping activities and development	Benefit to users is con- sidered and assessed	Make a positive contri- bution to the Third Sector	Seeks to maximise impact on social wellbeing	
None	3.50	4.50	3.83	1.50	2.83	6
Small (1-4)	3.40	3.40	3.67	2.67	3.40	15
Medium (5-24)	3.71	3.24	3.47	3.35	3.88	17
Large (25+)	3.92	3.83	4.08	3.92	4.00	12
Total	3.64	3.58	3.72	3.06	3.64	50

Section D of the table demonstrates the least strong association between TSO size and score. The only area where there seems to be a clear correlation is in contribution to the Third Sector and to social wellbeing in general. This *could* be associated with the bigger organisations being more able to specialise and participate in such activity, but we have to be careful about making this assertion. It could be that they are more adept at communicating achievements in this respect, or it could be that the volume of their activity simply gives

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them a wider reach when compared with very small organisations which, essentially, serve the interests only of their own immediate constituency. It could be that we have adopted a view about social capital which gives preference to organisations which have a wider impact, when compared with organisations which are much more localised and have a very intense impact but on fewer people. We are mindful of the potential for misinterpretation in relation to areas of impact where we have had to make intuitive assessments due to the lack of more concrete evidence.

We need to remain vigilant, as the research progresses, in the way we interpret what we read, see and hear and ensure that when we triangulate different elements of data we do so in as objective a way as we can. But even if we have some doubts about the strength of our assessments in the more nebulous areas of activity (such as impact on social wellbeing or contribution to the Third Sector), the benefits of producing these scores outweighs, by far, the alternative of picking out quotes to show what we want to say, or what *others* want us to say, about the Third Sector.

The remaining columns in Section D of the table reassure us, to some extent, that our assessments are as reliable as could be expected at this stage of the research. There is, for example, amongst organisations which have employees, an association between TSO size and ability to communicate successfully to relevant audiences. This, we expect, is about capacity to focus and specialise on such activity. But small TSOs with no employees do well too – probably because they do not need to communicate too widely, but appropriately to their needs.

A key area of activity where there is significant variation in the data is the ability of organisations to involve their beneficiaries in shaping activities and mission, and the extent to which benefit to users is measured and assessed. Smaller organisations seem to do very well in this respect. Very small TSOs without employees are best, by far, at involving beneficiaries in shaping activities and development. This is not, of course, surprising as the organisations generally exist to serve their members who *are* the beneficiaries. The largest organisations also do quite well in this respect, but we think that in many organisations this might be as much to do with the imposition of monitoring of outputs by contracting organisations as it is associated with an organisational culture to involve beneficiaries and

measure success of impact. As the qualitative analysis, which follows, shows – many organisations are reticent about involving or valuing the involvement of grass roots participants in governance and are not convinced about the value of measuring beneficiary impact because they have a strong belief that their practice is appropriate.

**Table 4.8 Confidence about the future by organisation size**

Expectations in 1 year's time	Full time equivalent employees				
	None	1-4	5-24	25+	N=
The organisation will grow	0	3	4	3	10
The organisation will remain about the same	4	11	12	9	36
The organisation is likely to become smaller	0	1	1	0	2
The organisation is likely to be in serious difficulties	1	0	0	0	1
N=	5	15	17	12	49
Expectations in 3 years' time	None	1-4	5-24	25+	N=
The organisation will grow	0	6	7	5	18
The organisation will remain about the same	4	8	6	4	22
The organisation is likely to become smaller	0	0	3	2	5
The organisation is likely to be in serious difficulties	1	1	1	1	4
N=	5	15	17	12	49

The process of organisational scoring we have undertaken is not intended to 'predict' organisational success in future. Instead, the purpose is to provide a benchmark to assess how organisations change over time in response to the external environment and their own organisational dynamics. It is useful, nevertheless to consider how organisations felt about their future prospects. Table 4.8 provides some clues about the relationship between organisational size and confidence about the future. As the numbers of organisations are small, only frequency scores are given.

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The key finding from the first panel of the table is that in one year's time, the majority of organisations (36) expect to be about the same size and only 10 expect to grow. In three years time, however, 18 expect to have grown, while 22 expect to remain the same size. These data suggest that the Third Sector is generally confident about its future. Size of organisation seems to have an impact on expectations. Very small organisations with no employees do not expect to grow or reduce in size and only one expects to be in serious difficulties. None of the TSOs with employees expects to be in serious difficulties in a year's time, but three do in three years. Only two TSOs with employees expect to be smaller in a year compared with five in three years. The general expected trend is that TSOs with employees will remain the same size, but that about a third expect to grow. Size of organisation does not appear to indicate different levels of confidence in this respect.

**Table 4.9 Financial health compared to organisational score and organisational size (row percentage)**

	Increasing consistently	Reasonably steady	Fluctuating profile	Decreasing consistently	N=
	<i>TSO overall score</i>				
Highest scoring	38.5	15.4	38.5	7.7	13
Mid-range score	13.6	27.3	50.0	9.1	22
Lowest scoring	6.7	26.7	46.7	20.0	15
All TSOs	18.0	24.0	46.0	12.0	50
	<i>Organisation size by FTE</i>				
Larger (25+FTEs)	33.3	25.0	33.3	8.3	12
Medium (5-24)	17.6	17.6	58.8	5.9	17
Fewer FTEs (1-4)	13.3	26.7	40.0	20.0	15
No employees	0.0	33.3	50.0	16.7	6
All TSOs	18.0	24.0	46.0	12.0	50

Finally, Table 4.9 explores the relationship between financial stability and organisational score and size. The first section of the table shows that amongst the highest scoring TSOs, about 55 per cent have an income profile over the last four years which is fairly steady or increasing reasonably consistently. By contrast, amongst the lowest scoring TSOs, fewer than 35per cent are in

this positive situation. That stated, it is also clear that amongst the highest scoring organisations, almost 39 per cent have fluctuating income profiles. It is apparent from these data that there is a strong relationship between organisational score and a pattern of decreasing income, with the lowest scoring TSOs almost three times as likely to have falling income compared with the highest scoring TSOs.

The second section of the table compares financial profiles with organisational size, as measured by the number of full-time equivalent employees. The data indicate that larger organisations appear to be more financially secure over time than smaller organisations, however, a third of such TSOs have a fluctuating income profile. It appears from these data that medium sized TSOs are the most vulnerable to fluctuating income profiles.

These data provide evidence to suggest that larger organisations in the TSO50 are the most likely to have had the strongest financial profiles over the last four years. But it is by no means certain that larger organisations have the best future prospects judging by the relatively high levels of fluctuating income in such organisations. Similarly, when assessing the financial history of organisations compared with overall TSO scores, it is apparent that the 'highest' scoring organisations are not less vulnerable to fluctuating income.

In the next section of this report, we attempt to put flesh on the bones of this analysis through an exploration of the qualitative data.

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## 4.2 Foresight

Organisational foresight has been defined in this study as ‘the capability of an organisation as a whole to be able to anticipate change and develop strategic plans to accommodate or exploit opportunities arising from change’. Change is considered on three levels: the external social, political and economic environment, the organisation itself, and beneficiary needs.

**Table 4.10 TS050 Foresight scores**

FORESIGHT	Mean	Deviation from mean
Knows what they are there to do and who they serve	4.65	+0.64
Plans on the basis of realistic appraisal of capability	4.06	+0.05
Leader(s) are focused on longer term objectives	3.71	-0.30
Governing body understands aims and supports plans	3.69	-0.32
Would consider making hard decisions in response to challenges	3.96	-0.05
<i>Average sub-score</i>	<i>4.01</i>	

It is evident from these data that, in terms of *foresight*, TSOs have a very clear idea about what they exist to do and who they serve. Indeed, the average score of 4.65 points sits well above all other categories in the scoring sheet. It is also evident that TSOs score highly on the extent to which they plan on the basis of their capability, and that they are willing to consider making hard decisions in response to challenges.

### 4.2.1 Knows what they are there to do and who they serve

The analysis of TS050 data demonstrates clearly that nearly all organisations have a very clear understanding of who their beneficiaries are. It is also apparent from the analysis that meeting the needs of beneficiaries is at the core of organisational mission and culture and is a significant driving force which shapes nearly all other aspects of organisational activity. Organisational size, age, structure, legal form, and so on appear to have little effect on the intensity of awareness of organisational mission. Small organisations with simple structures, little income and with few or no employees are no less able

to articulate their mission in this respect than large national organisations which have complex structures, significant resources and many employees and volunteers.

By contrast, when we assessed whether the organisation knows how it can best serve its beneficiaries the situation becomes more complicated. A disjuncture is evident between idealistic notions of how beneficiaries needs could best be met in an ideal situation, set against the practicalities of achieving this within the limited resource base of the organisation. Undoubtedly, those organisations which were under pressure to secure adequate funding to achieve their objectives, felt less confident about their ability to meet their objectives. Quite often, these were the relatively small organisations with a limited resource base. But that is not to say that all small organisations were in the same situation. On the contrary, some very small organisations had a very solid financial base to achieve what they wanted, or in the case of some organisations, they needed very little funding to do what they were doing. Similarly, some of the larger regional and national organisations had a clear understanding of how they could achieve what they wanted, but struggled to find a way of doing this due to a challenging funding situation. It might be expected that financial insecurity could be a factor to encourage organisations to shift their beneficiary focus. But we did not find this to be the case in the majority of the TS050.

In short, the reason why organisations are so clear about their beneficiary mission is simply expressed: the organisation was set up to achieve an objective and as a consequence, this has become fully ingrained in organisational culture.

#### **4.2.2 Plans on the basis of realistic appraisal of capability**

Given the very strong mission of organisations it is not surprising that most are effective at assessing opportunities and making decisions on the basis of their principal objectives. We found very little evidence to suggest that organisation mission is driven by the external funding environment. However, (lack of) resources can have an impact on an organisation's long-term planning – as one would expect.

Most organisations have well established values and organisational practices which affect their approach to planning for the future. In nearly all cases,

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planning is based on a realistic appraisal of their current capability. Underlying this is a strong sense that most organisations were operating more or less at the right size to meet their objectives. While some organisations were prepared to consider increasing the size of their operation in response to opportunities, they were not driven by a desire to grow larger as an objective in itself.

Organisations which are more confident, consistent and rigorous in their formal, long-term business planning tend to have a more secure resource base. Such a resource base could include, for example, significant and secure long-term financial investments, the ownership of property which produced regular income from rents, or regular trading activity.

For many of the organisations which did not have a strong resource base, planning could be a precarious and (sometimes almost pointless) process. One of the consequences of this is that planning is to an extent 'opportunity led' with high levels of dependence on maintaining existing, and responding to new, external funding streams: 'I think it is a shame that what we do is governed by other peoples' income streams'. This in turn means that their access to opportunities can be led by funding, and as one admitted: 'I always say we're not funding led, but the reality is we probably are', and another stated: 'We try to have a business plan, we try not to chase funding, we do have the ability to turn things around very quickly, so if funding does come our way then we can respond, but we do have a business plan and we try not to go outside of that, we try to stay very focused on what we're doing and we have quite a strong business plan...'

Several organisations which were wholly or heavily dependent on particular contracts or grants felt that they were continually 'on the edge of the precipice' and that it would only take one thing to happen and they would close.

One of the most interesting findings we have made is how organisations tend to assess their future prospects in the relatively short term. Most organisations were relatively confident that they would remain in operation, more or less at their current size, for the next two to three years. They were very much less confident about their situation beyond that point. We describe this as an 'abyss mentality', where the longer-term future seems to be very much more insecure than it probably will be. While this assertion needs to

be tested as the project proceeds over several years, we already have some evidence to suggest that fears about the future can be unfounded.<sup>9</sup>

### **4.2.3 Leaders are focused on long-term objectives**

Leadership and planning in organisations is undoubtedly affected by the external funding environment, especially so in more financially vulnerable organisations. This is not to argue that leaders' personal ambitions are of secondary importance because the evidence suggests that most organisations generally remain selective in their assessment of opportunities even when they face financial insecurities.

Styles of leadership varied significantly, depending on the size and structure of organisations. National organisations which had regional offices were subject to national policy and were connected to national management hierarchies. While there was much scope for regional managers to play a leadership role, this was often constrained by the hierarchical decision-making processes established in the organisation. Federated and confederated regional organisations tended to allow for a higher degree of autonomy and leaders tended to have more scope to shape the direction of their organisation locally. Furthermore, leaders from larger organisations could also have an impact (positive or negative) on the operation of the Third Sector in an area, depending upon their approach to using or developing local networks.

Our evidence demonstrates that organisations could have strong and effective leaders, irrespective of whether they established the organisation or not. For some leaders who had established an organisation, the issue of succession planning concerned them, suggesting that they felt a strong bond between organisational well-being and their personal investment. As one commented: 'One of the biggest challenges facing our organisation is about replacing me. It's something the board talks about quite a bit, a Third Sector organisation is often as good as its Chief Officer... we've got a couple who I'm sure will move on, then we've got three who will all retire at the same time... I can see that being an issue in five years. Succession strategy is really key... the Board has given me this to do this year, i.e. work out how we get a successor.'

<sup>9</sup> In our study of the Third Sector in the North East in 2005, for example, it was found that just over 54 per cent of organisations expected that their income would fall significantly in the next two years.

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In very small organisations this feeling was often particularly pronounced. Often this was a source of motivation to 'keep the ship afloat', but in exceptional cases, it could result in leaders feeling that the organisation itself had become a burden upon them.

In medium sized organisations, many of which had employed current leaders long after the organisation was first established, leaders could also feel a very strong sense of responsibility for organisational well-being. This, in a number of cases could lead to very heavy commitment and time investment in the organisation. As noted by one respondent: 'I've already accumulated over a week of time owed to me and I just cannot see me getting that time back. I daren't take more than a week off and I certainly cannot take a holiday at the minute because there is no one with the skill to manage the organisation. It really is an issue and is down to funding at the end of the day.'

For the most part, leaders remained quite close to beneficiaries, although this could be more difficult in larger regional and national organisations due to the volume of day to day organisational management. Sometimes this could be frustrating for them, especially so if they became more distanced from front-line activity by the imposition of top-down policies from head office. Dislocation from beneficiaries was often a source of regret, but this was by no means universal. Some leaders became more interested in managing organisational issues to ensure that clients ultimately gained the most benefit. Often this involved work outside of the organisation by becoming involved in networks, being a member of boards of other TSOs, or being a member of public sector led decision making bodies. However, in some cases, leaders found that the time they needed to invest in organisational management severely limited the time they could spend doing front line work with beneficiaries. As a consequence, they devoted significant amounts of time working voluntarily in their own organisation.

This strong sense of vocation and blurring of boundaries could, in turn, impact on what they expected from their staff and volunteers. As one respondent argued: 'One of the things you have to be really aware of are your own shortcomings, I expect everyone to run at 100 miles an hour'.

#### 4.2.4 Governing body understands aims and supports plans

Preliminary analysis on the role of governing bodies suggests a mixed picture on their efficacy. Efficacy was dependent upon a number of factors including: levels of commitment and involvement; the competence and skills mix of the governing body; the level of beneficiary representation; and, with the exception of purely voluntary organisations, the strength of the productive relationship between governing body and chief officer.

The approach to the recruitment of directors and trustees is neither consistent across organisations as a whole, or between organisational types. In a few cases, the recruitment of trustees was a highly formalised process, involving the placement of advertisements in the local or regional press which was followed with the establishment of selection panels and interviews. As one stated: 'We've been very careful in picking out the Board of Directors for what each of them can bring to the organisation'. For others it was much less focused, as one respondent put it 'We do it in an ad hoc way'. In many cases, TSOs approach people they already know who they consider have the right attitudes and skills.

TSOs often had difficulties in filling positions on their governing body with people who had strong business skills: 'you get who you can rather than necessarily who you want' and 'Recruitment is extremely difficult of Trustees, no-one knows how difficult it is...I do not have the right skills mix'. This was particularly so in relation to accounting and finance, and those who did have trustees with these skills recognised how beneficial this could be. Sometimes it was felt that there were too many trustees who had been on the board of governors for 'donkey's years' and brought little benefit and needed to be replaced by others with stronger business acumen or influence in wider circles. No evidence was found to suggest that trustees were put off from joining boards because of potential personal liabilities.

While this needs to be explored further as the research progresses, our initial impression is that chief officers are largely responsible for the day to day management of organisations and, on the whole, strategic work also falls to them. Both of these points are summed up by one respondent: 'I'd say we have one Trustee (of nine)...who has an understanding of the financial complexities of the organisation, which is really quite scary, and again in terms of the strategic thinking, again I think I only have one'.

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This is not to say that trustees are not able to exercise their responsibility when the need arises. Chief officers are also often largely responsible for finding trustees as well as working with them.

In only a very few organisations was it apparent that the governing body had little more than a tokenistic role to play in rubber stamping what the chief officer wanted to do and so were 'just figureheads'. Chief officers commonly stated that they needed a strong board to assist them in making difficult strategic decisions, consequently some felt insufficiently supported and were taking action to remedy this: 'What I'm trying to do is get more proactive people on board who are looking at the bigger picture and are seeing things that I do not see, perhaps challenging (me) a little more... I suppose you do not want to be totally led by your Board of Trustees, it should be a collaboration, but I think it's me that's driving it at the minute and they're just tagging along... At the moment, I feel quite isolated'.

Sometimes the reverse could be the case, however: 'One of the negative things is we had a couple of people who wanted to inspect things... to death... and of course, as we've made the organisation more fit for purpose, professionalised the organisation, the need for trustees to go out inspecting, really, wasn't relevant and wasn't needed... so we lost a couple of trustees because of that.'

## **4.2.5 Would consider making hard decisions in response to challenges**

Many of the organisations studied had already made hard decisions in the past in order to secure their future viability. In some cases these were very positive decisions, where the organisation decided to take a new direction which carried potential risks. These include changing the name of the organisation; continuing when a national organisation consolidated and, in turn, withdrew its support; and, merging with another organisation. These all, to some extent, signify a loss of identity for the organisation. It could suggest that the specialist service that they provide and security of funding are paramount in their ability to proceed with difficult decisions when they are challenged.

In other cases, hard decisions were forced upon organisations by changes in their pattern of funding. Decisions led by contingency such as 'funding crises'

include voluntary redundancies and putting a hold on staff training and development (apart from free training), thus potentially reducing the ability of the organisation to serve its beneficiaries. One organisation, for example, was keen to diversify through the development of a social enterprise trading arm. 'We've got quite a bit turnover and quite a lot of money coming in, but we have a hell of a lot of money going out and we know that if we do not keep one step ahead we'll go under... all it would take is for [our main contractors] to say "we're not sending any more people here and that would be a massive collapse".'

To suggest that difficult strategic decisions are led entirely by contingency would be misleading. Strategic thinking often involved making realistic appraisals about the capability and capacity of the organisation and the quality of its work, and then taking tough decisions on what needed to be done to improve its performance. Sometimes this involved, as one chief officer put it, 'weeding out the dead wood'.

Another hard decision was resolving whether to continue or close down. One organisation felt that they were no longer as useful to their beneficiaries as they once were, the leader believed that there were no longer any personal benefits to carrying on and since losing the last member of paid staff had not attempted to seek funding: 'I do not need this anymore – I do not get much out of it now... [the organisation] needs a rebirth and refunding'. It was evident that this was far from an easy decision for the respondent.

The management of change was a struggle for some TSOs: 'We are really slow at change... really bad at change... we're quite a cerebral organisation, we think about things for ages, we think and we assess and we evaluate and that's what makes us good person-centred people, but it means that any change we make you feel strangulated sometimes and it means that we miss out on things sometimes.' Others were more nimble and responsive to change: 'We're big enough to make a difference, but small enough to move quickly... we do not have the system paralysis that you often get within the [public sector]. I think the voluntary sector has a feel and an ethos. The Third Sector is good at engaging with people and the statutory service is not so good at that... There is also less of a 'them and us' feel which you sometimes get within the [public sector]. The voluntary sector has a softer, lighter touch, so we have the benefit of being within the voluntary sector family, but working to [public sector] principles.'

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**4.3 Enterprise**

Enterprise is defined as ‘the organisation’s capability to marshal its resources and prioritise its energies to achieve the objectives it sets itself in its strategic mission. Enterprise is the means by which the organisation successfully positions itself in order to generate, find or win opportunities which will ultimately benefit its beneficiaries.’

**Table 4.11 TS050 Enterprise scores**

<b>ENTERPRISE</b>	<b>Mean</b>	<b>Deviation from mean</b>
Knows how to spot and assess opportunities	3.96	+0.34
Knows when to compete or cooperate with others	3.65	+0.03
Uses innovation to meet beneficiary needs	3.22	-0.40
Has an organisational culture which is responsive to change	3.29	-0.33
Maintains useful relationships with stakeholders to help achieve aims	3.96	+0.34
<i>Average sub-score</i>	3.62	

*Enterprise* scores average 3.62 points. Beneath this headline figure, it is clear that TSOs are stronger in their ability to spot and assess opportunities and maintain useful relationships with stakeholders to achieve their aims. TSOs also score highly on their ability to recognise when it is good for them to compete or cooperate with other TSOs. They do less well on having an organisational culture which is responsive to change and also have lower scores on using innovation to meet beneficiary needs.

**4.3.1 Knows how to spot and assess opportunities**

The extent to which organisations are aware of what is going on in the Third Sector and of the opportunities that are available to them is sometimes in doubt. This was not found here. Most of the organisations were conscious of what is going on and were able to assess opportunities (should they so wish). For example, most organisations can seek and identify contracts and grants, suggesting that they know where to go for funding and are aware of changing funding streams.

Organisations get their information from many different sources including networking; connectedness of the board to internal and external activities; and, the chief officer (or board members) being members of other decision making boards. Their ability to spot and assess opportunities can be dependent on how outward looking they are, for example, of being aware of changes in the Third Sector before they happen so that they can be in a position to capitalise on opportunities that may arise. Networking is an effective way of anticipating change. We found that the main way that organisations do this is through networking at events and interacting and engaging with others in the Third Sector and beyond. In short, by getting involved: 'I suppose I'm in a unique position sitting on a number of [TSO or public sector] Boards, you get a fair idea of the gaps in the market'. Organisations can exploit these networks in order to improve their own service provision: 'we're well networked enough to know where best practice might be, scrutinise that, and then create something of our own using our own resources'.

Some organisations were strategic about building relationships and were aware of how to use them to benefit their own organisation in the future. Larger organisations generally have more capacity to concentrate on building these networks and this may be one of the reasons why larger organisations are generally more confident about their future: 'Quite a lot of my role is about strategic engagement with public sector partners and other TSOs both representing the organisation but also creating relationships we can build on in the future.... positioning is important in those sort of relationships in order to have a voice on [beneficiary theme] issues, so we have a voice when decisions are being taken...we're an active participant with the public sector'.

#### **4.3.2 Knows when to compete or cooperate with others**

In a competitive social market where funding is limited, TSOs need to assess when it is better for them strategically to compete with other organisations and when it is most beneficial for them to work cooperatively. We found quite a lot of interaction between organisations, but often had to work hard to get them to recognise it.

A very clear finding from the TSO50 research is that cooperation between organisations which operate in rural areas can be particularly strong. This appears to be partly related to the relatively low density of TSOs in rural areas, but is also dependent upon the role larger organisations play in fostering cooperative action.

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Organisations saw collaboration and cooperation with other organisations as a positive way of managing competition: 'As an organisation, we would tend towards collaboration as a way of managing competition rather than confrontation'. They also saw the benefit of this for increasing their chances of gaining funding: 'we're very good at trying to negotiate bids together.. we do compete, but there are bigger opportunities if we work together'; and, 'When you're a small organisation like ours, you have to do partnership working – it's the only way you can do it.' There were concerns, however, that if there was a further increase in public service delivery by TSOs, then competition may intensify: 'we're actually moving into a competitive tendering field and what you find is that organisations that have been working together are now working against each other'.

Some of the smaller organisations operated more or less in isolation, providing bespoke services or functions that other organisations would not be interested in doing. Some medium sized and larger organisations are also relatively isolated. This is not to say that they are unaware of organisations which cooperate with them, but rather, that they keep a degree of social distance and adopt a 'live and let live' attitude. As one respondent put it: 'We tend to ignore each other – healthy respect.'

Competition for resources was sometimes a cause of tension between organisations: 'I sometimes feel quite naive because I am really pro-partnership working whereas sometimes in the Third Sector there is just blatant hostility, sometimes suspicion towards partnership working'; and, 'I haven't got a lot of sympathy for bleaters. I do not think it's the same as managing a commercial organisation, a health trust or a local authority, there's a very specific ethos. I think we have a duty to manage within that business discipline otherwise all we're going to do is end up as perpetual grant seekers... or tin rattlers. That to me will always be a position of weakness.'

For other organisations, competition over funding resources was not as important as competition to attract volunteers: 'We're competing with other TSOs for volunteers...there's about 10 per cent of the village will get involved with voluntary activity so we're all competing for that 10 per cent'.

### **4.3.3 Uses innovation to meet beneficiary needs**

Government often makes reference to the high levels of innovation within the Third Sector to tackle social problems. Our evidence does not show that the desire for, or necessity of, innovation was of great importance in defining what drives TSOs. Indeed, some organisations eschewed the idea of innovative practice, arguing instead, that they operated professional practices that already worked well for them. Furthermore, such organisations tended to be quite critical of those organisations which had started to work in their field which claimed to be innovative, but in their view, were not operating professionally or effectively: ‘everyone has jumped on the [beneficiary theme] bandwagon and everyone thinks they can do [this kind of work] and that is why on some occasions it fails’. While some organisations were sceptical about the use of the term innovation, or were puzzled by what it actually meant, most organisations were undoubtedly very ‘creative’ in the way that they worked.

Some organisations, especially those which were in financial difficulties, sought to develop new ideas or creative solutions to produce a positive image of their organisation in the hope that this might influence funding bodies: ‘Unless we become a big provider of statutory contracts we’re going to have to be very innovative about what we do...so we’re adopting a core philosophy that enables us to be a bit more innovative, using different funding streams, doing different projects, it’s going to be absolutely crucial to our survival’.

It is clear that whether the organisation considered that they were using innovation or not, the needs of the beneficiaries were at the forefront of their work and so for many, innovation was seen as a means to an end as opposed to an end in itself.

### **4.3.4 Has an organisational culture which is responsive to change**

Few organisations in the public, private or Third Sector can generally expect to operate in the same way over long periods of time. Change is produced by shifting beneficiary expectations and needs, by transformations in the way organisations can be funded, and in response to internal changes in the way that organisations operate.

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That stated, we found that a few of the very small organisations were able to operate in relatively continuous ways. They achieved this if there was no real prospect of competition in the delivery of their services, if they had a substantial portfolio of property, or if they were a volunteer-run, self-funding organisation. Some of these organisations did not believe in change and in fact did not need to in order to continue to serve their existing beneficiaries: 'I cannot really see any major changes coming about...if it's not broken do not fix it!'

Responsiveness to change depends to a large extent on the size of organisations and where they sit in their organisational life-cycle. Large TSOs are more complex organisations which take time to make significant shifts in strategic direction, but also generally have sufficient capacity and resources to weather storms. Exceptionally, one organisation revealed it had a system in place for monitoring risk and this was regularly updated so that they could monitor and act on any potential weaknesses.

Many smaller organisations do not have the resources to plan their response to changes in the external environment. Instead, they are subject to external forces and can find themselves 'bobbing around in the rapids', or in a constant 'battle for survival' – reaching out for a safe haven. The acute sense of vulnerability of organisations which are not financially secure can lead them to make decisions to change their practices and sometimes the direction of the organisation, being led by funding streams that are available. These decisions may not, ultimately, be beneficial to them or their beneficiaries. Some TSOs lack the capacity or confidence, to change. Due to their stage in their organisational lifecycle, they may be running out of steam, or have served their purpose.

### **4.3.5 Maintains useful relationships with stakeholders to achieve aims**

Organisations generally had very good relationships with the public sector organisations or foundations which supported them through grants or entered into contractual agreements. Many TSOs worked hard to maintain good relationships of this kind. We found very little evidence to suggest that there is much tension or conflict in such relationships, and that for the most part they are underpinned by a good deal of reciprocal trust. This is not to argue that the relationship is an equal one. TSOs knew that they needed

to work well with funding bodies, and had to demonstrate their willingness to meet their expectations successfully. While relationships can be strained between TSOs and funding bodies *during* tendering processes or when making grant applications, these are often relatively short lived if organisations are successful in achieving their objectives. Failure to achieve success in gaining grants or contracts could strain relationships between TSOs and funding bodies, but again, this tended to be short lived.

With the exception of very small voluntary organisations, TSOs leaders (chief officers and chairs) tended to devote time to external networking activities where they would come into contact with a range of key stakeholders. While the number and depth of such relationships varied between organisations, very few had no involvement in other organisations. The extent to which intersecting trustee/director relationships operate in particular areas has yet to be fully explored, but initial analysis suggests a web of integrated connections between TSOs and with other public sector organisations. Generally, organisational leaders sat on local or regional policy committees or steering groups in areas of activity which were related to their own organisational objectives. This demonstrates that leaders were actively engaged in external work which could provide them with access to intelligence and opportunities which might otherwise pass them by. As in the world of private business or the public sector, respondents tended to view this activity as time consuming, which sometimes diverted them from essential work in their own organisation, but recognised that such participation was 'the way of the world'.

For most TSOs, relationships with the private sector were seriously under-developed or non-existent. In some cases where the TSO was involved in a similar area of activity as a private sector provider, leaders were careful not to 'step on the toes' of other organisations by straying into their area of operation so as to defend themselves from reciprocal invasion on their own territory. Others would consider partnerships after seeing evidence of good private sector practice, putting benefits to beneficiaries before personal feelings: 'I've seen some of the stuff that some of them do, and it's bloody good with excellent service user outcomes – can I let my feelings about the Third Sector get in the way of a good outcome for someone? I do not think I can.' In reality, private sector and TSOs operated different aspects of services which could not be profitable for the former and would exclude the latter from making serious claims about social benefit.

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Many respondents were often puzzled by questions about relationships with the private sector and found it difficult to say if they had any contact with the private sector. This is interesting, because it demonstrates that TSOs do not recognise potential advantages of becoming involved in mutually beneficial partnerships with business. This may be due to the limited number of large independent businesses operating in the study region and the generally high levels of reliance on the public sector for funding. It may also be due to different motivations, for example, the profit objective of the private sector. However, when probing this issue, interviewers were often able to find out about quite well established, albeit, small scale associations with the private sector. One organisation, for example, had very positive relationships with a local business representative body, with a large retailer and a local industrialist. These businesses provided pro bono support, engaged in fundraising activities (usually under the guise of national fundraising campaigns) and the regular provision of products which beneficiaries could use for free. This organisation was exceptional, however, and it would seem that individual TSOs and the Third Sector as a whole needs to think more carefully about the potential advantages of working with business.

TSOs are generally well aware of the importance of signalling their willingness to engage in effective partnerships, show their capability and demonstrate reliability. 'We've had to prove ourselves to the public sector...that we are capable providers, that we are working in the 21st Century...there's an us and them attitude, it is getting better, but it is a cultural shift'; and, [The Third Sector needs to be better at business] '...not like Oliver, "please, sir, can I have some more?"... get better at being better... every organisation has something that can be turned into a product.'

## 4.4 Capability

Organisational capability is defined in this study as ‘its ability to employ, manage, and develop its resources in order to achieve its strategic objectives. All of the resources of the organisation are considered, including: its trustees, employees and volunteers; its financial resources; its property; and its relationships with partners, funders and other key stakeholders.’

**Table 4.12 TS050 Capability scores**

CAPABILITY	Mean	Deviation from mean
Staff, trustees & volunteers are properly prepared for their roles	3.75	-0.17
Is appropriately professional in approach to practice	4.04	+0.12
Can work effectively with other organisations	3.84	-0.08
Plans and manages finances effectively	3.82	-0.10
Understands and implements relevant procedures and practices	4.12	+0.20
<i>Average sub-score</i>	3.92	

The organisational *capability* mean scores are high, at 3.92 points. TSOs seem to do best in relation to their capability to approach practice with appropriate levels of professionalism and in understanding and implementing relevant procedures and practices. These differences are not pronounced, however, as it is also evident that TSOs manage finances effectively and can work well with other organisations. The least strong attribute in this section is the TSOs’ ability to prepare their staff, trustees and volunteers to undertake their roles.

### 4.4.1 Staff, trustees and volunteers are properly prepared to perform their roles

Qualitative evidence suggests that TSOs give serious consideration to their responsibilities in preparing staff successfully to undertake their roles. This objective is supported by a relative ease of recruitment of employees into the Third Sector in many areas of activity and good levels of retention. Training is regarded as an important priority but small organisations can

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struggle to find the money to pay for it: 'I keep my fingers in lots of pies and if there is any free training or free workshops, then I got and pick up something new.' It can also be difficult to find the time to do it.

As noted above, the ease of recruiting trustees into the Third Sector is more patchy, especially so when seeking to appoint trustees with core business and finance skills. Trustees also tended to be the most resistant to engaging in training.

In this study, most of our respondents were chief officers of TSOs or the chair of a board of trustees/directors or management committees. The majority of these people are graduates, often with additional professional qualifications. While few were trained specifically for their roles in the Third Sector, it was evident that they could draw upon transferable skills gained in formal education, occupational training and experience.

Volunteers (excluding trustees) could be crucial to the success of the organisation, especially so when it was heavily or wholly dependent upon them. Levels of dependence upon volunteers clearly had a significant impact on how organisations valued them. Some larger TSOs, particularly national organisations, had significant numbers of volunteers who were professionally managed by full-time employees. In these TSOs, volunteers were well trained, mentored, supervised and given small allowances to pay for their travel and other out of pocket expenses. Large regional organisations are also often effective in this respect: 'I think if you use the research, i.e. on why people volunteer, then our recruitment and retention has certainly gone up, some people treat volunteers [badly]... but you have to make them feel part of it, they're like gold dust, they always get an induction pack, we do support and supervision with them, we agree their objectives...'

In organisations which had low dependence on volunteers, it was sometimes argued that they found it difficult to allocate roles and to adequately train and supervise. While some volunteers came 'oven ready' and were regarded as very beneficial, others could create more work than the organisation had the capacity to resource. For others they were regarded as a mixed blessing. One respondent stated that volunteers are 'a nightmare to manage' because they needed to be nurtured. 'I'm constantly bringing in flowers for them... for some volunteers we're doing *them* a service – but I'm happy with that.'

Another described some volunteers as 'time-wasters' or 'very needy and high maintenance', but most were said to make a huge contribution, so were appreciated and rewarded by 'little touches' like 'nice biscuits and tea and coffee always on the go.'

TSOs which are wholly dependent upon voluntary support tended to operate informally, where the motivation to become involved was a mixture of an interest in the work of the organisation and associated social activity. As one respondent stated: 'people like each other, it's very pleasant socially. People like sitting and chatting in the pub [after the voluntary work is finished] and they have a common interest'.

In some organisations the line between volunteering and employment could become quite blurred, suggesting a strong sense of vocation. Employees in several TSOs added to their hours of work by also volunteering. In the case of more senior, staff, this could sometimes be used as a palatable excuse for the long hours they committed to their work.

In several organisations, there was a fairly well trodden pathway from beneficiary/client to volunteering, especially so in the youth work and mental health organisations, and some movement also into employment. This does not only suggest that organisations *value* clients, volunteers and employees, but also indicates that there is significant investment in them in terms of support, mentoring and training.

#### **4.4.2 Is appropriately professional in approach to practice**

Assumptions that charities, voluntary and community organisations are 'unprofessional' or 'amateurish' in their practices are relatively, and perhaps surprisingly, commonplace. Stereotypical views such as these are not borne out by the evidence collected in this study. Indeed, as one respondent, who had previously worked in the public sector observed: 'I had the impression that everyone in the Third Sector were failed social workers, but actually, you get into it and you find that everyone has a degree, people had actually chosen this as a career and that was actually quite a surprise to me.'

As would probably be expected, in many respects national organisations work in a similar way to large public sector or private sector organisations. They are large enough to have relatively formal bureaucratic procedures

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and hierarchical management structures. Such organisations work hard to communicate their professionalism to beneficiaries, key stakeholders and their funders. In procedural terms, such organisations have well established systems to manage their finances, human resources, communications and so on.

Similarly, most larger regional organisations tend to have strong organisational systems and most recognise the importance of communicating their professionalism to funders and beneficiaries. That said, leaders in these TSOs are generally quite uncomfortable with the idea of formal hierarchies and attempt to develop relatively flat organisational structures and develop cultures which are inclusive and empowering for their employees and volunteers.

Organisations which provided services which were governed by statutory rules or constrained by professional standards (such as TSOs which deal with mental health issues, young people or providing care for disabled or older people) were fully prepared to comply with such strictures. Many staff were highly qualified people, especially so in areas where professional qualifications were required to perform their role autonomously.

Levels of professionalism could be threatened if organisations had difficulties in recruiting appropriately qualified staff. Some respondents argued that short-term contracts could limit the response to job advertisements, but this was not a general view, with many arguing that people in the Third Sector were accustomed to this. Recruitment problems could be particularly pronounced in relatively isolated rural areas where there was a small pool of potential employees with the requisite skills and knowledge. As one respondent stated: 'We have had real problems recruiting because I do not think there is a very good skills core around here.'

Some TSOs felt that their ability to practice in a professional way could be undermined by pressure to work in consortia led by larger regional or national organisations. Such doubts were partly fuelled by a dislike of being in a subordinate position to a lead partner, and partly because the definition of outcomes in such contracts could constrain approaches to practice – particularly so in challenging their potential to add value to the services they provided.

Those TSOs which sought to be inclusive and empower their staff were proud of their achievements: 'I like to think we give our staff a lot of autonomy, we like our staff to work on their own initiative'; and, 'we appoint people with high level skills so we're not directive in what we do, we give them a patch and within a broad framework of guidance, encourage them to develop their own approach.' There could be a down-side to this, however, when employees or volunteers failed to achieve the right levels of commitment or performance. In one TSO which had fewer than ten employed staff, it was stated that if just one person was not fully 'pulling their weight', then everybody in the organisation suffered, but that it was 'incredibly difficult to tackle the situation without damaging several other relationships.' Whether this is a specific issue for TSOs or for all small organisations is open to question, but it is apparent that trying to deal informally with inequities in motivation and effort was a common thread in many organisations.

In the smallest organisations, projecting 'professionalism' in a formal sense is less of a concern. It is less likely to be defined in terms of formal procedures or practices, but rather as a measure of competence to get the job done, and to show beneficiaries and key stakeholders that the work done is of the right quality. Some very small organisations run as community groups or local societies and exist to serve the interests of that group rather than a wider constituency of beneficiaries – in such circumstances, procedural issues are of very low importance.

#### **4.4.3 Can work effectively with other organisations**

In instances where they do, generally, organisations work effectively with other TSOs and, as shown above, can see the benefits of working in partnership. These partnerships often depend on the chair/chief officer and their relationship with other organisations, or the networks or allegiances that they build with each other.

The smaller organisations were the most likely to seek support from infrastructure organisations, and in some cases it was stated that this was an invaluable source of support – particularly in relation to legal issues, back office services, information on funding and assistance with grant applications, and so on. But many small organisations did not work with local infrastructure organisations because they could operate more or less independently, or because their focus led them to have closer relationships

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with just one other organisation which played a significant role in the field within which they worked.

Medium sized organisations tended to look to the infrastructure organisations for bespoke support, particularly from a local volunteer bureau, although quite often the arrangement was led from the other direction as the bureau searched for placements for volunteers. Medium sized TSOs also took up opportunities of training from infrastructure organisations from time to time. Support of this kind might be accessed from other larger TSOs which also played an infrastructure role. Larger and national organisations stated that they had the capacity to meet most of their own requirements without information, advice or support from local infrastructure organisations.

Furthermore, some argued that the Third Sector had to recognise that the failure of some organisations was inevitable or necessary. The perceived strength (or not) of an organisation was another reason that organisations were wary about working with others, as one respondent noted: 'There's no mileage in working with some organisations because they're not going anywhere... [two local medium sized charities round here] could go to the wall because they've sat back on their laurels... They expect a funder will bail them out.' Another observed: 'We know that there will be some casualties but the writing has been on the wall for many years and I think TSOs should be looking forward and should be planning for the future... I think some of these organisations won't be missed.'

#### **4.4.4 Plans and manages finances effectively**

Measuring how well TSOs organise, plan and manage their finances well is generally a complex and sensitive issue. However, respondents were very open about their approach to managing finances, possibly as a result of the Third Sector-wide preoccupation with talking about funding. In many cases, respondents seemed to find it therapeutic sharing worries they had about raising income and managing finances. As one respondent stated 'it grieves me to have to think about money all the time because that's not why me and most of my colleagues came into this work... we chose not to go into economically-driven careers and yet here we find ourselves having to think like business managers and be commercial.'

Organisations with a strong business sense tend to have a clear understanding of trends and organise their finances accordingly by making, for example, realistic charges for services they offer and taking seriously the process of bidding for tenders and contracts. The more confident organisations integrate many different aspects of their work with the aim of securing their financial future – by, for example, building close relationships with key stakeholders in funding organisations, communicating their successes well, and prioritising time for pre-bidding activity when opportunities were *expected* to come along.

Some organisations did not need to have a strong business orientation because they were either sufficiently financially secure to have real independence, or because they did not need to deal with complex finances due to the small scale of their organisation. In some cases, TSOs were voluntary subscription organisations which made them self-financing, and others did not really need much money at all, apart from small sums for newsletters, tools or consumables. As one small community organisation argued, ‘We do not apply for funding, it’s a matter of pride, we can manage’.

Some of the organisations which had complex operational requirements needed to be well run financially, but did not seem to be achieving this. Indeed, several TSOs did not have a business plan, or if they did, it had not been updated and was no longer fully relevant. In some cases, organisations simply buried their heads in the sand, hoping that a chance bequest might come along whilst refusing to face the realities of how to maintain the cost of their service, maintain their building, or even (in one case) pay their staff. The majority of organisations which needed to take financial matters seriously, however, did so – even if it felt uncomfortable to them.

#### **4.4.5 Understands and implements relevant procedures and practices**

A common perception which circulates within the Third Sector is that statutory bureaucratic processes can be a costly and damaging impediment for TSOs – especially in terms of the attraction and recruitment of volunteers. Many of the interviews in the previous study with local infrastructure organisations seemed to reinforce this view. However, we found no evidence to suggest that bureaucratic processes surrounding safeguarding, such as Criminal Record Bureau checks, limited the number of volunteers or interest in volunteering. Similarly, organisations did not resent time or resource invested to process such checks.

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Larger organisations, especially national organisations, were large bureaucratically driven organisations with a full set of established organisational practices surrounding, for example, personnel management, finances, procurement, communications and so on. Depending upon the professional speciality of the organisations, it was also evident that any statutory or professional requirements surrounding practice were understood and integrated into organisational procedure.

Medium sized and smaller organisations tended to seek support from other TSOs on a regular basis (such as payroll and accounting services) or from time to time if they needed to tackle a particular issue (such as a difficult personnel issue which had led to industrial tribunals or other forms of employee/beneficiary-led legal action). Many small to medium sized organisations held indemnity insurance to provide them with assistance if things went wrong. For the very small organisations, the most likely organisation to deliver support was the local CVS or VDA. One respondent explained that they found bureaucratic systems and planning a challenge or even a distraction when they wanted to be involved in front-line work, and conceded that at best, 'we do *try* to stay focused'.

Small organisations, especially those which were entirely run by volunteers, did not generally need to establish many regularised and formal practices, apart from basic statutory requirements such as health and safety, CRB checks and food hygiene rules. In procedural terms, many such organisations have a simple committee structure, but do not need formal procedures to surround this activity. In very small organisations, committees meet in people's homes, or in the local pub or hall and often this serves also to be a social occasion.

## 4.5 Impact

Impact is defined as ‘the organisation’s capability to serve its beneficiaries effectively and to make a wider contribution to the community of practice within which it works, to the Third Sector in general, and to civil society broadly defined. Crucially, this involves the ability of the organisation to understand its impact and to be able to communicate this effectively to outsiders.’

**Table 4.13 TS050 Impact scores**

<b>IMPACT</b>	<b>Mean</b>	<b>Deviation from mean</b>
Communicates role and impact successfully to relevant audiences	3.67	+0.14
Beneficiaries appropriately involved in activities and development	3.61	+0.07
Benefit to users is considered and assessed	3.73	+0.19
Makes a positive contribution to the Third Sector	3.06	-0.48
Seeks to maximise impact on social well-being	3.63	+0.09
<i>Average sub-score</i>	3.54	

Organisational *impact* scores are the lowest in the analysis, with a section average of 3.54 compared with an overall TS050 mean of 3.71. This section of the assessment also had the most variation in scores. In relation to *impact*, it is evident from these data that TSOs seem to do best in considering and assessing the benefits to their users, and they communicate their role and impact reasonably successfully to relevant audiences. Beneficiaries are appropriately involved in organisations, although perhaps to a lower extent than might have been expected given the Third Sector’s oft-quoted claims to be inclusive.

The scoring for the contribution of the Third Sector to overall social well-being is also lower than might be expected (although it is not, of course, possible to compare this with the activities of the public or private sectors). Within this sub-category, the weakest area is the overall contribution of the organisation to the Third Sector. This is an interesting finding because it undermines, to

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some extent, claims that the Third Sector aims to be cohesive and inclusive in its practices and ethos. It may suggest that organisations concentrate on benefiting those in their own area of work. However, the score does not dip below 3.00 points, which would suggest that more than half of organisations make more than a limited contribution to the Third Sector as a whole.

## **4.5.1 Communicates role and impact successfully to relevant audiences**

Most TSOs in the sample felt that they were well respected in the field within which they worked and also in the areas where they operated: 'We're seen as being *up there* with [a prominent TSO in our field]. We're seen as dynamic, up-to-date, innovative.'

Communicating the right message to the people who are clients and beneficiaries of their services was a major priority for many organisations. In some street-facing organisations, much thought was given to the way the organisation presented itself to its supporters and to its beneficiaries. In one organisation, significant investment had been made in the renovation of their frontage because their clients had identified it as a major priority to make the centre attractive, accessible, inclusive and 'for them'. Some organisations had worked extremely hard to plan their interiors to make the organisation welcoming and relaxed for their clients, using murals, flexible furniture arrangements, availability of refreshments, music and video screens, and so on.

Office space was often designed, decorated and organised to give a clear impression of the organisation's 'businesslike' orientation. Many TSOs had well designed logos, often placed on roll-up stands in their offices to communicate who they are and what they do. In most cases, even in relatively small organisations, TSOs ensured that they had well organised reception areas, and they worked hard to meet and greet clients and visitors in a welcoming and professional way. Impression management represents the organisation's eagerness to position itself successfully.

Not all organisations invested time, energy and funding in this way. Some offices were relatively chaotic, sometimes quite shabbily decorated and furnished. Others had an incongruous mix of well developed websites and promotional material, but unwelcoming or disorganised office space. While we observed the environment which TSOs had control over, within the

limitations of the resources they had, we make no judgements as to whether such factors affect the quality of services offered, the general professionalism of the organisation, or the organisational impact. As the research progresses, however, we will ask organisations where their priorities lie and how they position themselves in relation to other organisations they know, compete or cooperate with.

Externally, TSOs used many approaches to raise their profile, ranging from parking their liveried vehicles in public places, the delivery of mail shots, regular newsletters and pamphlets, issuing of press releases, organisation of celebratory or campaigning events, to the development of sophisticated websites. For national TSOs, profile raising was easier, to some extent, because they had a national recognisable brand to identify them. But this did not always serve their local interests, because local funding bodies assumed that they were wealthy organisations with philanthropic backers or a professional fundraising capability.

Some TSOs which, in almost every other respect, were very efficient and businesslike organisations, had out of date and barely legible websites with poor navigation which made it difficult for users even to find their address and telephone number. Others had very well organised websites, but it was very difficult to get through to the organisation on the phone or get a response from letters and emails. An overall impression was gained that many TSOs, apart from the national organisations, do not invest heavily in communications. As the research progresses, we need to explore why this is the case, and whether or not such investment makes a difference to organisational well-being.

As noted above, more energy is invested in face-to-face networking to promote organisational interests than into other forms of communication. It may well be the case that this is a better method of communicating with stakeholders, but it is a moot point as to whether low levels of investment in communication assists organisations in meeting their mission to be inclusive in beneficiary terms. Those TSOs which choose not to tackle issues such as a 'forbidding' exterior to their premises, inadequate response to enquiries, or to limit their communication to 'only by email', may need to consider if these are the right ways of building their client or member base.

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A cursory analysis of the local press in the study region demonstrates that TSOs command a good deal of space. Certainly, some TSOs made it their business to ensure they were 'in the news at least once per month'. This aspect of the research has yet to be undertaken, but we suspect that the common claim that the Third Sector does not receive its fair share of press attention is probably a falsehood. Instead, the problem probably lies with TSOs not telling the story of their successes very well when communicating them to the press. Ultimately, the question remains to be explored: which TSOs need to have a strong media profile, and which ones do not?

## **4.5.2 Beneficiaries are appropriately involved in activities and development**

One of the principal claims of the Third Sector as a whole is that it is 'closer' to beneficiaries than the public or private sector. The oft-quoted phraseology of the 'Heineken effect': of 'reaching the parts other sectors cannot reach' does not sit particularly well with the evidence from the TSO50 if closeness is measured against 'involvement' of beneficiaries. We found that in a minority of organisations beneficiaries are very closely involved in shaping the mission and practices of organisations – but in the majority, they are not. Given the currency of government policy interest in ideas surrounding the 'personalisation agenda', it could be that the Third Sector as a whole is missing a trick in this respect and needs to think about how to develop and deepen its relationship with beneficiaries.

At present there sometimes appears to be a degree of tokenistic involvement of beneficiaries. Often this takes place at governance level where chief officers, sometimes almost reluctantly, seek to appoint a service user to the Board of Trustees. In many other organisations, chief officers seem not fully to value the 'grass roots' members of their Board because they lack the requisite business skills or because they have been there 'too long'. When baldly stated, these observations sound particularly harsh. In reality, however, most chief officers are faced with a real dilemma as they try to seek support to make their organisation work effectively, whilst also respecting the organisation's mission to 'serve' its beneficiaries' needs.

The very notion that most TSOs feel that they exist to 'serve' beneficiaries is of real interest analytically. In one sense, this ingrained culture of service reveals something about intentionality – about helping the world to become

a better place. In another, it may represent an interest in shaping the world in a particular way – that is – defining what it is that people need in order to improve their lives, rather than asking them what they want.

We need to leave aside these wider questions for the present, for this issue needs to be debated directly with the Third Sector in the next phase of the research where we will stage a number of ‘foresight panels’ to discuss our findings. But what we can report is that some organisations do listen to, involve and empower beneficiaries and this seems to have a significant impact upon their approach to practice. In some organisations, user engagement is structured and integrated and ingrained in the culture of the organisation. For example, some TSOs have a separate committee for service users to use as a platform to state what they need and what they want from the organisation. While this could be regarded as a second-best solution, because the beneficiaries are kept at arm’s length from a decision-making Board of Trustees, it may be a practical solution which allows ‘different voices’ to be heard in the right environment.

We do not know, at this stage, whether this is the right path for all organisations, or what the balance should be between the professional judgement of the practitioner and the individualised needs of the client. We need to remember that many people who volunteer or work in the Third Sector do so because they want to have the autonomy to try new things, to do things their own way. To threaten that autonomy could dis-empower or de-motivate them. Equally, it has to be recognised that TSOs are not always free to shape their practices to match the requirements of beneficiaries, because funding organisations impose outcomes upon them. Finally, it must be recognised that beneficiary needs can only be met in the context of finite social and economic resources. In a competitive social market, there will always be arguments about whose needs are the most urgent.

#### **4.5.3 Benefit to users is considered and assessed**

In the previous section, beneficiary involvement in TSOs was considered. This section is concerned with the extent to which TSOs have developed appropriate mechanisms to demonstrate whether or not they are achieving their objectives. An assessment of organisational success in achieving this objective has to be undertaken within the context of organisational mission, capability and capacity. This is an important issue on different levels.

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Firstly, to examine how organisations frame the question ‘how do we know if we are achieving what we want to do’ from the perspective of beneficiaries. Secondly, to find out if they are practicing in an ‘efficient’ way – that is, using their resources to best effect. And thirdly, whether they can produce the ‘evidence’ to demonstrate the worth of what they do to the people or organisations which finance their activities.

It is evident that, for the most part, TSOs measure the benefit of what they achieve for their clients in a piecemeal way. When asked how such measurements are taken, we were offered a wide range of responses. Some organisations have procedures to examine user satisfaction and use regular surveys or mini-phone interviews to find out what clients think about the quality of services provided. Others have established formal complaint procedures to deal with client dissatisfaction. However, many organisations simply did not know how to answer the question because they had not addressed the issue. Others grasped for evidence that came to mind: one respondent stated, [we get] ‘lovely letters and cards’, or as another said ‘[well] they keep coming back for more’. Others argued that ‘we know if they’re not happy because they ring up and tell us.’

From an operational point of view, the overall impression gained from the evidence is that TSOs do realise that they ‘ought’ to do better in finding out how well they are doing and recording that information, but they do not prioritise it. In some organisations the lack of attention to measuring success is explicable, because the members of the organisation *are* the beneficiaries and the fact that the organisation continues to exist is evidence enough for them of its success.

Measures of impact are important from the perspective of many organisations which fund TSOs through grants and contracts. Often such organisations impose measurements of success as a condition of funding, such as recording ‘outputs’ from services. Whether such measures actually assess the relevance, quality or impact of the service provided is, of course, an open question. Certainly, such measurements fall short of achieving a wide ranging ‘social audit’ of organisational impact.

Only a very small number of organisations in the TS050 had attempted social audit. In those few organisations which had undertaken an audit, it was evident that they were concerned to demonstrate impact for individuals, for the organisation and for the wider community within which they operated. Such organisations recognised the importance of elements of external independent evaluation in order to ensure that the audit was credible to external stakeholders. Clearly, part of the motivation to undertake a social audit was to demonstrate the efficacy of the organisation and to position itself well in the eyes of funding bodies. But the motivation to audit was also driven by a genuine interest in finding out how well they were doing so that practice could be improved, and an interest in exploring methods to reach that understanding. Organisations which had undertaken audits tended to be amongst the longest established, most secure and confident in the TS050.

TSOs had a tendency to measure their impact only if they were obliged to do so by funders. And where that is not a requirement, benefit was 'assumed' rather than tested. Often this was based on an assumption that 'we know what we are doing'.

#### **4.5.4 Makes a positive contribution to the Third Sector**

The TS050 research evidence strongly suggests that being a member of the Third Sector means something significant to respondents. Views on what *constitutes* the Third Sector, what its values are (or should be), and how its boundaries are drawn are not consistent. Respondents often addressed the issue of what the strengths of the Third Sector are by 'looking in the mirror' at other sectors. Indeed, the Third Sector was often defined by identifying how the Third Sector is 'different from' the public or private sectors. Intangible though the distinctiveness of the Third Sector appears to be, there is little doubt that many people see the Third Sector as something special, and in some cases as 'a social movement'.

When respondents were asked about their personal career biographies we identified many different routes by which people had journeyed into and through the Third Sector. Some people defined themselves as Third Sector 'through and through', had always worked in the Third Sector and were repelled by the idea of working within the bureaucratic and political constraints of the public sector or by business discipline in the private sector. Others had worked in other sectors and had gravitated towards the Third Sector,

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often driven by their disappointment with their level of impact in other sectors, and their desire to 'make a *real* difference'. One respondent said: 'I worked in local government for 30 years... I got to the stage where I wanted to do something different before I died... [it's] an opportunity to do something different, to work in a different sector, to do something positive.' Often this was allied to ideas about people and places, as this comment suggests: 'I think there's a huge quality in the North East, both in its people and what the region has to offer and in a small way, I want to try and promote that as much as I possibly can, so it's not just about [what we do], it's also about a personal mission to see the people of the North East benefit.'

By contrast, some people came to the Third Sector for contingent reasons – the need of a job, the opportunity to volunteer, through social or personal circumstances, or simply because of happenstance. As one interviewee stated: 'I was working for the [public sector] and transferred up here... I saw this job advertised and I thought at that time that I would only be doing it for a couple of years but it keeps me out of mischief... it tends to happen, you get sucked in.'

Given the strong sense that the Third Sector is something special to the people that are in it, it may be expected that most members would want to make a contribution to the well-being of the Third Sector in general terms. The evidence suggests that this is the case through the cooperative behaviour of individuals and practices of organisations. Often this benefited the organisations within which individuals worked, but we gained a sense that this was not the *only* motivation.

As we noted in our first Northern Rock Foundation Third Sector Trends Study report, the Third Sector often struggles to present itself to outsiders as a cohesive entity and finds it hard to find representatives who can communicate collective interests. One result of this is that the Third Sector can come across to outsiders in a negative way. As one respondent stated: 'there is a tendency of the sector to moan... all they'll talk about is money, that's not necessarily helpful.' At national level, the Third Sector often prides itself on its campaigning voice for positive social change.

Respondents rarely made reference to the campaigning role of the Third Sector as a whole, either to support sector interests, or to support wider

societal issues. Indeed, individual organisations rarely commented upon their interest in campaigning. There were some exceptions. As one respondent stated: ‘We do campaign because the Board is adamant that we’re a charity first... we’re also seen as a pain in the backside [by the public sector] because we campaign, but they do realise we have to campaign.’ Or as another commented: ‘We haven’t been afraid to point out when the emperor’s got no clothes on... but I still get the feeling that, if something’s coming down from [a government department] then certain administrators, senior managers and chief executives treat that as if it’s tablets of stone and you cannot deviate from it, regardless of what we said.’

#### **4.5.5 Seek to maximise impact on social well-being**

This section is concerned with the contribution people in the Third Sector make to society in broadly defined terms. Such a contribution could be made on a wide canvas by campaigning on a regional or national scale, or in a very localised context by holding coffee mornings in the community. It is not for us to argue that people in the Third Sector *should* make such a contribution above and beyond what they do when working or volunteering. But as people in the Third Sector often say that this is one of the main characteristics of the ethos of the Third Sector, it is necessary to explore the extent to which this is the case.

It became apparent from our study of the TS050 that people were attracted to working in the Third Sector for many reasons. A common thread which ran through many of our interviews, however, was the idea of making a contribution to society in more general terms. Many people we interviewed articulated the ‘special’ contribution of the Third Sector by claiming that they ‘added value’ to the day to day work they did through employment or volunteering. For many, this was clearly a strong motivating force for them: ‘What leads you is that there’s a need out there, you do not think about where it’s going to lead you. You get carried away with the passion and the infectious enthusiasm of everyone in the community... it was an adventure... it was so much fun to make it happen’.

The ‘added value’ the Third Sector provides, compared with other sectors was used to justify investment in the Third Sector: ‘We do what is in our SLA, but we also do what is outside of it, which is partly goodwill as we won’t get as much money for it as a glossy consultancy company would do.’

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Expectations of added value could be burdensome. As one respondent argued: 'Because we deliver, we get people asking for more and more... and sometimes we struggle a bit to do all that's asked of us... and we have difficulty saying no... that's a plug for getting more funding for more workers... There's almost the assumption, well you've managed so far on so little so we'll put a little more on... and we are... we do think about which straw's going to break the camel's back.' As another interviewee argued: 'it's your love and your curse at the same time... I do have a real passion to make a difference in people's lives.'

The Third Sector finds it hard to demonstrate what it is, precisely, that adds value to their work. 'We cannot have our cake and eat it all the time.... We need to have a clearer picture of [how] the voluntary and community sector play a key role in the delivery of services and what are they doing to provide added value to public services... and if we can better understand that then the sector will have a better understanding of what their position is.'

These comments suggest that the production of social capital is a bi-product of their day to day work. Indeed, many organisations we have studied are deeply embedded in the areas within which they work and seem to make a significant contribution to community sustainability. Closeness to communities and understanding of the difficult issues people face can affect the mission of organisations significantly. Some organisations seek to maximise their impact by integrating and growing different streams of activity rather than just doing what they've always done. This sometimes involves bidding for funding streams which they may not previously have considered and does not reflect a mission merely 'to follow the money'. Having an ambition to do more for their communities or beneficiaries is laudable, although if not carefully managed could mean that organisations overstretch and weaken themselves.

Not all organisations were as inspired by the urge to strengthen society (broadly or narrowly defined) in this way. Many organisations are quite content to get on with what they do now, and feel no real pressure to change their practices. Some organisations operate like private societies where the beneficiaries *are* their members and little is done to broaden the scope or impact of their work. Such organisations are rarely involved in campaigning except in reaction to actions which threatens their own

well-being. While we are not critical of such a stance, it is worth noting that attitudes and ambitions do differ very significantly between different types of organisation and the people who run them.

One feature of some parts of the Third Sector is the expectation that once an organisation or group is set up, it should remain in operation more or less *ad infinitum*; and when the going gets tough, such organisations more or less expect that they should be bailed out because they do 'good work'. Certainly, this is not a luxury that most commercial businesses can enjoy, even if they do make a significant contribution to social well-being through their services, through taxation, or just by 'being there' in the community.

# 5 Summary of key findings and next steps

This report has presented a new way of analysing the activity of TSOs which has involved us scoring organisations against a wide range of characteristics and activities. At this stage of the research, we have no idea what the relationship between successful organisational investment in such practices and organisational success in the long term is. It is by no means certain that the way categories have been grouped together is correct – nor is it certain that all the relevant categories have yet been identified. Indeed, it may be necessary at later stages in the research to go back to our original data set and explore new factors in light of subsequent insights. In the next phases of the research, however, when we return to the TSO50 and see how they have fared in a complex social and economic environment – we will be able to assess what factors really make a difference.

Once this research and analysis is complete, we should be in a position to create a useful analytical tool for organisations of different types. Our ambition is to develop an easy-to-use tool for self appraisal to help organisations work out what their best options might be in their future development.

At this stage in the research process we do not explore the data in great depth. Instead, our aim is to produce headline findings which can subsequently be discussed at our planned Foresight Panels made up of stakeholders. Following this summary, key themes for further exploration are identified.

## 5.1 Foresight

### 5.1.1 Knows what they are there to do and who they serve

Nearly all organisations have a very clear understanding of who their beneficiaries are. Meeting the needs of beneficiaries is at the core of organisational mission and culture and is a significant driving force which shapes nearly all other aspects of organisational activity. Organisational size, age, structure, legal form, and so on appear to have little bearing on the intensity of awareness of how best to serve beneficiaries.

Those organisations which were under pressure to secure adequate funding to achieve their objectives felt less confident about their ability to meet their objectives. Financial insecurity could be a factor to encourage organisations to shift their beneficiary focus, but we did not find this to be the case in the vast majority of the TS050.

### **5.1.2 Plans on the basis of realistic appraisal of capability**

In nearly all cases, planning is based on organisational mission and a realistic appraisal of current capability. Most organisations seemed to be operating more or less at the right size to meet their objectives – very few were driven by a desire to grow as an objective in itself.

Organisations tended to be confident about their short term prospects and expected to remain more or less at their current size. TSOs tended to have an ‘abyss mentality’ when longer-term prospects were considered, whereby the future seems to be very much more insecure than it probably will be.

### **5.1.3 Leaders are focused on long-term objectives**

Organisations generally had strong and effective leaders, irrespective of whether or not they established the organisation. Leaders play a crucial role in terms of maintaining organisational sustainability and focus.

Leaders generally retained a close association with beneficiaries in practice terms, although this could be more difficult in larger regional and national organisations due to the volume of day to day organisational management.

### **5.1.4 Governing body understands aims and supports plans**

The efficacy of governing bodies is mixed and was dependent upon a number of factors such as: commitment and involvement; competence and skills mix of trustees; beneficiary representation; and (with the exception of purely voluntary organisations) the strength of the productive relationship between governing body and chief officer.

TSOs often had difficulties in filling positions on their governing body with people who had strong business skills and often Boards had long-term members who brought little benefit in terms of business acumen or influence in wider circles.

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## **5.1.5 Would consider making hard decisions in response to challenges**

Many TSOs had experience of making hard decisions in the past in order to secure their future viability. In some cases these were very positive decisions, where the organisation decided to take a new direction which carried potential risks. In other cases, hard decisions were forced upon organisations by changes in their pattern of funding.

Strategic thinking often involved making realistic appraisals about the capability and capacity of the organisation and the quality of its work, and then taking tough decisions on what needed to be done to improve its performance.

## **5.2 Enterprise**

### **5.2.1 Knows how to spot and assess opportunities**

TSOs' capability to spot and assess opportunities is dependent on how outward looking they are. Networking is the most effective way of anticipating change. TSOs generally exploit networks in order to improve their own service provision.

Larger organisations generally have more capacity to concentrate on building these networks and this may be one of the reasons why larger organisations are generally more confident about their future.

### **5.2.2 Knows when to compete or cooperate with others**

TSOs are generally good at assessing when it is better for them strategically to compete with other organisations and when it is most beneficial for them to work cooperatively.

Cooperation between TSOs which operate in rural areas appears to be particularly strong – the quality of cooperation is related to the relatively low density of TSOs in rural areas, but is also dependent upon the role larger organisations play in fostering cooperative action.

### **5.2.3 Uses innovation to meet beneficiary needs**

The evidence does not show that the desire for, or necessity of, innovation is of great importance in defining what drives TSOs. Some TSOs eschew innovative practice and operate continuous professional practices that already work well for them.

It is clear that whether the organisation considered that they were using innovation or not, the needs of the beneficiaries were at the forefront of their work and so, for many, innovation was seen as a means to an end.

### **5.2.4 Has an organisational culture which is responsive to change**

Change is produced by shifting beneficiary expectations and needs, by transformations in the way organisations can be funded, and in response to internal changes in the way that organisations operate.

Responsiveness to change depends to a large extent on the size of organisations and where they sit in their organisational life-cycle.

### **5.2.5 Maintains useful relationships with stakeholders to achieve aims**

Organisations generally had very good relationships with the public sector organisations or foundations which supported them through grants or contractual agreements. TSOs worked hard to maintain good relationships.

Relationships with the private sector were seriously under-developed or non-existent. TSOs were often puzzled by questions about relationships with the private sector and found it difficult to say if they had any contact with the Third Sector or not.

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## **5.3 Capability**

### **5.3.1 Staff, trustees and volunteers are properly prepared to perform their roles**

TSOs give serious consideration to their responsibilities in preparing staff successfully to undertake their roles. Training is regarded as an important priority but can be limited by resources, especially in smaller TSOs.

In several organisations, there was a well trodden pathway from beneficiary/client to voluntary work, especially so in the youth work and mental health organisations, and also some movement into employment.

### **5.3.2 Is appropriately professional in approach to practice**

Organisations generally operate at an appropriate level of professionalism according to their resources and mission. Larger TSOs have strong organisational systems and recognise the importance of communicating their professionalism to funders and beneficiaries.

Leaders are often uncomfortable with formal hierarchies and develop flat organisational structures to create inclusive and empowering organisational cultures. Very small organisations often exist to serve the interests of their members rather than a wider constituency of beneficiaries – in such circumstances, procedural issues can be of low importance.

### **5.3.3 Can work effectively with other organisations**

In instances where they do, TSOs work effectively with other TSOs and can see the benefits of working in partnership. These partnerships often depend on the chair/chief officer and their relationship with other organisations, or the networks or allegiances that they build with each other.

Smaller organisations were the most likely to seek support from larger TSOs which offer infrastructure support (such as legal advice, back-office services, funding assistance, and so on). Reliance on infrastructure organisations was, in general, quite limited.

### **5.3.4 Plans and manages finances effectively**

More confident TSOs integrate many different aspects of their work with the aim of securing their financial future by building close relationships with key stakeholders in funding organisations, communicating their successes well, and prioritising time for pre-bidding activity when opportunities were *expected* to come along.

Some organisations did not need to have a strong business orientation because of their small scale. Some had complex operational requirements and needed to be well run financially – but were not achieving this. Several TSOs did not have a business plan and some appeared to be burying their heads in the sand.

### **5.3.4 Understands and implements relevant procedures and practices**

A common perception is that statutory bureaucratic processes can be a costly and damaging impediment for TSOs – especially in terms of the attraction and recruitment of volunteers. We found no evidence to support this view and organisations did not resent time or resource invested to process such checks.

Larger organisations had full sets of established procedures, and statutory or professional requirements surrounding practice were understood and integrated into organisational practice. Small organisations did not generally need to establish many regularised and formal practices, apart from meeting statutory requirements.

## **5.4 Impact**

### **5.4.1 Communicates role and impact successfully to relevant audiences**

Although most TSOs believed that they were well respected in the field within which they work and in the areas where they operate, approaches to communications were patchy and inconsistent. Organisation profiles were raised in many ways, ranging from: parking liveried vehicles in public places, mail shots, newsletters and pamphlets, press work, celebratory events, and websites.

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For national TSOs, profile raising was easier, to some extent, because they had a national recognisable brand to identify them. But this did not always serve their local interests, because local funding bodies assumed that they were wealthier organisations than they actually are.

## **5.4.2 Beneficiaries are appropriately involved in activities and development**

In a minority of TSOs beneficiaries are very closely involved in shaping the mission and practices of organisations – in the majority, they are not. There appears to be a degree of tokenistic involvement of beneficiaries and ‘grass roots’ members of Boards are not always valued.

In some organisations, user engagement is structured and integrated and ingrained in the culture of the organisation. But in most cases, TSOs decide, on the basis of professional experience and practice, how to serve the interests of beneficiaries.

## **5.4.3 Benefit to users is considered and assessed**

TSOs, for the most part, had a tendency to measure their impact only if they were obliged to do so by funders. And where that is not a requirement, benefit was ‘assumed’ rather than tested. Often this notion rested on an assumption that ‘we *know* what we are doing’.

Only a very small number of TSOs had attempted social audit. The motivation to audit was also driven by a genuine interest in finding out how well they were doing so that practice could be improved. Organisations which had undertaken audits tended to be amongst the longest established, most secure and confident among the TS050.

## **5.4.4 Makes a positive contribution to the Third Sector**

The Third Sector is regarded as something special to the people that are in it. Most members would want to make a contribution to the well-being of the Third Sector in general terms through cooperative behaviour. Often this benefited the organisations within which individuals worked, but this was not the *only* motivation.

Respondents rarely made reference to the campaigning role of the Third Sector as a whole, either to support sector interests, or to support wider societal issues. Indeed, individual organisations rarely commented upon their interest in campaigning.

#### **5.4.5 Seek to maximise impact on social well-being**

Members of the Third Sector articulated the ‘special’ contribution of the Third Sector by claiming that they ‘added value’ to their work. The production of social capital was regarded as a bi-product of their day to day work. Many TSOs are deeply embedded in the areas within which they work and make a very significant contribution to community sustainability.

Not all organisations were as inspired by an urge to strengthen society (broadly or narrowly defined). Some smaller organisations operate like private societies where the beneficiaries *are* their members and little is done to broaden the scope or impact of their work.

### **5.5 Discussion of emerging themes**

It is useful at this point to return to the findings listed in the introduction of this report, from the first phase of our research undertaken with chief officers of infrastructure organisations. The purpose is to assess whether there is evidence to support commonly held assumptions about the key issues currently facing the Third Sector in Cumbria and North East England.

#### **5.5.1 What does the Third Sector do well?**

We have collected evidence to confirm our previous findings that the Third Sector can be *‘effective at reaching into communities’*. However, we think further analysis and debate needs to take place on how individual TSOs can evidence claims that they are more successful than the public sector or private sector in achieving this. It appears that *‘the sector connects with “hard to reach” groups and is particularly good at “grass roots” and “front line” work and works well in deprived communities where it provides effective community support and development’*. What we do not find, however, is a strong sense that the Third Sector is particularly effective at beneficiary engagement. Instead, it is more apparent that often the Third

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Sector does the work it feels its beneficiaries need, rather than being particularly aware of what beneficiaries feel they need. It is not argued here that this is necessarily a weakness for the Third Sector, but it is certainly an issue which is worthy of debate.

Leaders of infrastructure organisations made observations that the Third Sector is *'relatively unencumbered by bureaucracy, gets on with the job at hand, can be innovative, is good at working with little funding'*. In response to these claims, we have uncovered a mixed picture. The evidence shows that TSOs do generally have appropriate levels of procedural practice built into their organisations – but we are not convinced that they are 'unencumbered' in this respect, or that it would be a good thing if they were. We have found, however, that TSOs are very much motivated by their desire to get on with the job they have set themselves and seem, for the most part, to be efficient in their delivery of services relative to the level of resource they have available. The issue of innovation is not something which seemed to preoccupy TSOs, however, and the balance of evidence suggests that the Third Sector is much more interested in producing continuous good practice that engaging in innovation *per se*.

Leaders of infrastructure organisations argued that *the Third Sector brings people together to tackle issues and harnesses people's passion and energy*. We certainly find that there is much passion and energy to tackle issues. Furthermore, we find that there is a good deal of cooperation in the Third Sector between organisations, especially so in rural areas. Although we have yet fully to explore the reasons why this should be, initial analysis indicates that the low level of density of TSOs in rural areas and the actions of bigger TSOs in fostering cooperation are contributory factors.

Much emphasis was also placed, by leaders of infrastructure organisations, on the *compassion, integrity, and commitment of employees, trustees and volunteers*. Certainly, we identified a good deal of compassion, integrity and commitment amongst the leaders of organisations we spoke to and made positive observations on the way that employees and volunteers work in organisations. In relation to the role of trustees, however, we find a very much more mixed picture about their contribution and feel that this is an area of work which requires further analysis.

### 5.5.2 What does the Third Sector do less well?

Leaders from infrastructure organisations identified a number of areas of activity which they felt the Third Sector, in general terms, needed to improve upon. On the basis of the evidence collected from the TSO50, we can now make the following observations.

Our evidence strongly supports the view that *organisations generally had underdeveloped systems to monitor and communicate their performance*. This criticism is easily made, but it is now apparent that much more work remains to be done on how TSOs of different types and with different missions can measure and communicate what they do. Similarly, we are not yet sure how worthwhile, in resource terms, it is for TSOs to invest heavily in the communication of their successes to broad audiences. The evidence suggests that TSOs are well networked and work hard to maintain good relationships with external stakeholders – this may be the most effective way for most organisations to maintain their position.

We do not find much evidence to support the view that *the Third Sector needed to develop its ability to undertake effective risk assessments*. On the contrary, we find that TSOs are good at making decisions about which options they should choose and they know how to make difficult decisions about change. Nearly all TSOs are very clear about their mission, plan within their level of capacity and capability, and do not ‘follow the money’ just because it is there (though they may think that others do).

Leaders from infrastructure organisations argued that the Third Sector currently had *a limited capability on legal issues and financial matters which needed to be addressed*. We did not find particularly strong evidence to support this view. As far as we can ascertain, most TSOs manage their finances well and know where to obtain support if they have to address legal issues. However, we did find that organisations have difficulty in appointing trustees with accounting and finance backgrounds, and those that had, recognised how beneficial these skills were, suggesting further that research needs to be done on the roles of trustees within organisations.

When leaders from infrastructure organisations stated that *sector champions were currently not able to represent Third Sector interests as well as they might*; the balance of the argument seemed to focus on sector-wide issues.

# 5

Judging from the evidence collected in the current study, it is apparent that TSOs, at an individual level, are very effective at working with other organisations in the Third Sector, with foundations and the public sector. This work sometimes involved participation at sector-wide events, but generally the main motivation appears to be to sustain or enhance individual organisational interests. In this sense, the involvement of individual TSOs in representative fora seems to take place in a similar vein to the way that businesses which participate in private sector representative organisations. The key objective of such representative organisations is to sustain effective relationships and arrangements so that organisations can prosper individually.

It is, probably, a truism (in absolute terms) to argue, as leaders of infrastructure organisations did, that *TSOs often allow competition over resources to limit the scope for effective partnership working, representation, campaigning and lobbying*. Campaigning and lobbying were not, generally, regarded as important issues for most TSOs unless this directly affected their own practices or community of interests. Evidence from the TS050 shows that competition did not produce particularly adversarial or destructive relationships. In our first report, we recognised that stories about inter-sector and inter-organisational conflict did circulate, but also argued that there was no available evidence to assess whether or not these stories were the norm or exceptional. We can now state, with some confidence, that they are exceptional. Indeed, we find a sector which is generally cooperative, works along consensual principles, and where conflicts of interest emerge, they are generally well managed.

### **5.5.3 Developing the mosaic, jigsaw and abstract**

In our first working paper from this study, we presented three ‘big picture’ models of the Third Sector: the mosaic, jigsaw and abstract. We return to these models of the Third Sector now, and make further suggestions about how they can help understanding of the structure and dynamics of the Third Sector.

The **mosaic** analogy suggests two things. Firstly, that the Third Sector is worth more than the sum of its parts. The analysis in this report suggests that the Third Sector as a whole makes a special contribution to civil society above and beyond its work with the beneficiaries of individual TSOs. Indeed, the report indicates that people who work and volunteer in the Third Sector are also its beneficiaries in the sense that they appear to gain much satisfaction from their work which, in turn, contributes to their sense of self worth.

Secondly, we find support for the idea that each of the parts in the mosaic, (that is, particular types of TSOs) cannot be separated out and analysed as if they were equivalent entities. The deeper we dig in this research, the *more* variety we find between organisational types or organisations with particular beneficiary objectives. What we have found, though, is that – according to our innovative method of scoring organisations – the larger organisations *seem to be* the most robust. This may be because they have more scope to specialise and concentrate on the activities we identified. What we do not know, of course, is whether this makes them any more resilient and successful than other organisations in the longer term.

The **jigsaw** analogy, we suggested in our first working paper, is useful because it shows that the component parts of the Third Sector do seem to fit together to produce a big picture. That said, we were not convinced that this picture could be constrained within two dimensions – rather, the Third Sector is multi-layered and therefore multi-dimensional. At this stage of the research, we are becoming more aware of the importance of inter-connectedness within the Third Sector. We find a great deal of mutual encouragement and support and cooperation. Initial analysis of the TSO50 suggests that in some places, and rural areas in particular, the Third Sector works as a cooperative microcosm: a web of patterned interactions. Where we have found more competition between TSOs we find that there is a general ‘live and let live’ ethos. This is often achieved by respecting boundaries on types of beneficiary provision or the area boundaries within which TSOs work. We have much data which has not yet been fully analysed at the time of writing this report, but anticipate that future analysis on networks and cooperation will be particularly fruitful.

As for the jigsaw analogy, even if in three dimensions, we are now not sure whether this presents a sufficiently flexible model. What we find is a picture of complex structures within structures. This is a model where pieces can be taken out of the structure but it continues to stand up: a bit like a game of Jenga. But it is not wise to push this new analogy too far, because we are very unsure about the fundamental importance of *foundation stones* in the structure – the loss of which could, theoretically, bring the whole lot tumbling down. Similarly, it would be too easy to confuse the *continuity* of some organisations with *indispensability*. Indeed, it may be a mistake to assume that any organisation is indispensable to the wellbeing of the Third Sector as a whole or its parts – instead, the structure may simply mend itself, one way or another.

# 5

The **abstract** analogy remains, for us, the most convincing: that the Third Sector is what people see it to be. We find that the people who work in TSOs see the Third Sector as a significant and beneficial entity – but that its beauty remains in the eye of the beholder. More interesting than this, it is apparent that leaders of TSOs generally have a pragmatic view about what the Third Sector *means* to them and what it can *do* for them. Organisations are not necessarily interested in the bigger picture – and why should they be? If they have limited resources and funding then their priority is to provide good service in their niche area of expertise. People in TSOs appear to be driven by their own mission, not by a vision of what the wider sector is or should be doing.

Our earlier research with infrastructure organisations presented a different perspective on the Third Sector. In that part of the Third Sector, it was shown that much energy was expended on defining and defending what the Third Sector *is*. At the operational level, the picture is different. Third Sector horizons are largely shaped by the objectives, volume and reach of individual TSO activity. This threatens any attempt to create an holistic model of the Third Sector, beyond a general statement of what it is *not*.

## 5.6 Emerging themes and next steps

This second report from our research for the Northern Rock Foundation Third Sector Trends Study has alerted us to a series of themes upon which we wish to focus in the next stages of our work. Many of these themes can be explored by doing further analysis on the data we currently hold. And as the research progresses over the next few years, we can adapt our methodologies to ensure that we capture data which will most useful in capturing changes and developments in the Third Sector.

We have identified five key themes for further analysis from the data we currently hold:

- To explore the individual biographies, motivations and ambitions of leaders in the Third Sector.
- To examine different approaches to governance and leadership in TSOs.
- To study the extent and strengths of networks in the Third Sector and find out how they impact on communities at a local level.
- To explore differences in the way that TSOs work together in rural and urban areas.
- To identify those factors which contribute to the development and sustenance of a Third Sector 'ethos'.

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# Appendix one: The qualitative research instrument

## **Northern Rock Foundation Third Sector Trends Study**

### **Schedule for TSO/50 Interviews**

#### **Biographical information**

*What role do you play in your organisation?*

*What is your professional/occupational background (what expertise do you bring)?*

- How long have you worked in the organisation?
- What attracted you to this post?
- Have you had any training specific to the post?
- How long have you been involved in the Third Sector?
- Have you worked in the public sector/private sector?

#### **The role and structure of your organisation**

*What does your organisation do?*

*Who are your beneficiaries?*

*Where does your organisation operate?*

*Can you tell us about the history of your organisation?*

*What is the legal structure of your organisation?*

#### **People in your organisation**

##### **Employees**

*How many members of staff do you have?*

- What are their roles?
- Where have they come from?

*Do your staff have/require any qualifications/training?*

- What are the training needs of your staff and how are those needs met?

*Are there recruitment/retention issues facing your organisation?*

*Can you tell us about how you approach the management of your employees?*

## **Volunteers**

*Does your organisation have any volunteers?*

*If so, how does your organisation attract and retain volunteers?*

- Are there any significant barriers to volunteering?
- Are there any roles that you find it particularly difficult to attract volunteers to?

*What benefits do you think volunteers gain from working with you?*

*Can you tell us about how you approach the management of your volunteers?*

## **Trustees and Directors (where applicable)**

*How many do you have?*

*How do you recruit and retain trustees/directors?*

*Do you have the right skills mix on the board/management committee?*

*Can you tell us about the contribution trustees/directors make to the working of your organisation in strategic and operational terms?*

*How well does your board support your organisation's strategic direction?*

## **Leadership**

*Can you tell us about your approach to leadership in your organisation?*

*Do you get any support in your leadership role?*

## **Relationships with other organisations**

*What relationships does your organisation have with other sectors in this area?*

- The public sector
- The private sector

*How well does your organisation work with other organisations (not just TSOs) in the area?*

*Can you tell us about any formal/informal relationships/partnerships?*

- Are there any organisations (public, private or Third Sector) with which you have particularly strong relationships?

*Do you have any competitors?*

- Who are they?
- How well do you relate to them?

*How do you think your organisation is viewed by:*

- Other TSOs
- The public sector
- The private sector
- Your beneficiaries
- The general public

*Does your organisation get capacity building support, or advice, information and support from other organisations or agencies? (eg CVSs, the Local Authority, Business Link, professional bodies, etc )*

*Do you yourself have positions on any other boards/ organisations?*

- other TSOs
- public sector boards
- committees
- partnerships
- steering groups
- others, eg magistrate

## **Working with organisations in your field of activity**

*Do you share practice/information with organisations working in the same field as you?*

*Where are the best examples of organisations working together in your field around here?*

*Are there examples of organisations failing to work together in your field around here?*

*Do organisations in you field represent themselves effectively, in this area, on partnerships?*

*How well do organisations in your field deal with competition over resources?*

*How effective are organisations in your field at influencing policy and strategy in the public sector?*

## **The operating environment/context**

*What are the main characteristics, strengths and weaknesses of the Third Sector:*

- in this locality?
- in the subsector/service area within which you operate?

*Are there any local circumstances which are currently affecting the way your organisation operates?*

## **Funding**

*Can you tell us, in broad terms, about the funding arrangements for your organisation (including grants, contracts, fundraising, trading, property, etc)?*

*What do you expect your funding situation to be in one and three years' time?*

*How is the operation of your organisation affected by the way it is funded?*

*Where do you get support for fundraising/contracting?*

*Would you say that the funding is environment changing locally, regionally and nationally? If so, how?*

## **Innovative practice**

*How important is innovation in your organisational culture?*

*Can you give us some examples of innovative practice?*

*What does your organisation do really well? What does your organisation do less well?*

*How do you measure the success of what you do?*

## **The Future**

*Do you have a clear idea of what the organisation will be doing in a year's time?*

*Can you tell us about the longer term prospects for your organisation?*

- Where do you see your organisation in five years' time?

*How does your organisation plan for the future?*

*Is there anything that holds your organisation back from achieving its objectives?*





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