



SLEEPING GIANT – THE FUTURE POTENTIAL OF THE CHARITY SECTOR

The UK (alongside Ireland) is the most charitable country in Northern Europe and in the Top 5 Globally, giving nearly £80 Billion per annum. But how often do we consider how well the sector is performing with that investment? What should the public expect in terms of impact in these austerity weary times? In Sleeping Giant we explore these important questions and ask what the manifesto for the sector could look like going forward.

In the last 20 years the UK charity sector has grown immensely. It's so large now that it is comparable in monetary terms to a medium sized economy such as Bulgaria or Tunisia. With over 195,000 registered UK charities it is arguably one of the success stories of the recent recession and like many growth stories it is in danger of becoming a victim of its own success. Many charities, including some household names and international brands, are underachieving in either their governance, their performance, or their staff engagement.

Don't get me wrong, the vast majority are doing an amazing job and you need look nowhere else for a more dedicated group of people making a real difference. It's right that they are well funded, receiving both the public's affections and our attention when it's time to raise money or give time. But we have reached a tipping point in the sector. The governance of the sector and its ability to be objective about itself needs a major overhaul. Charities need to be both more ambitious and self-critical to understand their potential and what role they can play in society. Only then will they be able to recognise the change and improvement opportunities available to them.

Blurred Line: During our own research and work with the sector we found that the definition of a charity itself was actually in question. The text book answer is, "An organisation set up to provide help and raise money for those in need." But it's not that simple any more. Alongside the growth in the number of organisations, there is an added layer of complexity.

Many charities now fulfil key role(s) on behalf of or in partnership with a Public Body or a Private Business. For example, Action for Children, whom we've worked with, have for years been commissioned directly by local authorities to run and manage key children's services across the country. But why is this important?

As with any organisation, for it to be successful over a sustainable period, a charity needs to understand its core purpose and what it is supposed to do and for whom. Without this, things get very messy or at worse unstable. I've seen this first hand with charities trying to manage commercial ventures without having the skills and/or experience.



Artificial Intelligence: Before thinking about change and improvement to this critical sector, it's worth considering how we got here in the first place. In recent years there has in effect been a 'Triple Whammy' holding back charities and stopping them reaching their true potential. Many of the larger charities have become truly world class at fundraising and this has acted like an artificial blanket, protecting it from measuring its performance and efficiency as would be usual in the public or private sectors.

At the same time the Charity Commission and organisations like it, who could arguably play a bigger role, have been unable to keep up with the scrutiny of such a growing number of organisations. Thirdly, many charities have lacked the awareness of their relative performance and have been fearful of asking for support and inviting objective review.

This has been a perfect storm waiting to happen and many insiders have been predicting it for some time. It's hard for a charity to say 'no' to a donation; if you're a new or a small charity every penny counts. If you're established and successful you want to protect or grow the funding for an even more ambitious programme or activity. While many charities are better funded than their private counterparts, the charity mentality of, "We can't afford help" or "We don't have the time to focus on our own stuff" often prevails.

Let's face it, it's not the sector's fault if government policy or the regulatory framework is not fit for purpose. Right now, it's hard for the Charity Commission to keep pace with the registration workload let alone the important regulatory functions. This is an urgent priority for the Government to ensure the health and contribution of such a vital sector to our economy and society.

Same Difference: Today charities operate on much the same basis as their commercial counterparts and they actually suffer from the same ailments as them too! The only difference is that the transparency, scrutiny, checks and balances applied in many cases are less effective.

Here we've focused on the Big 5 Roadblocks getting in the way of Charities stepping up and improving their contribution. The good news is that most of the solutions to these problems are well known and easily accessible to those with the right ambition.



The Big 5 – Charity Roadblocks

- 1 Risk Averse Management lacking Change Management Confidence
- 2 Inability to Evaluate Impact and Assess their own Capability needs
- 3 Poor Culture, Engagement and Workplace Dynamics
- 4 Poor Financial Capability & Management
- 5 Weak Vision, Strategy & Governance

Risk Averse: When the vision is not clear or the culture is negative or fragmented, the readiness for change is often low. Change management at the best of times is tricky to get right and trying to do it in a conservative culture where the protection of the status quo is taken to Olympic standards, makes it almost impossible. There can be an air of complacency because of the funding position. *"If the money keeps coming in and we're delivering our programme, let's not be too radical or look at the bigger questions."*

Objectivity & Self Evaluation: Many of our clients don't know what the gaps are in their performance. That's the point; either they have never been through a supportive review process before, (nobody has ever discussed what good looks like) or gaps in their understanding mean they think it's all fine but the results aren't great. Being self-critical in the right way is an essential capability for any modern organisation. Without this, they take unnecessary risks and can easily be exposed where problems are not identified early enough.



Culture: Ironically some organisations designed to help those in need have relatively poor cultures. They are not immune to instances of bullying, silo-working, claims of favouritism, unfairness and conflict. Often charities are too externally focused, thinking almost exclusively about fundraising and the beneficiaries. They forget that their own people, performance and capabilities contribute directly to how well they help others. In the worst instances these real issues are ignored and managers rely on the loyalty factor that people won't leave or complain because they love working for charity more than the alternative of finding worth in another sector.

Financial Management: For smaller charities financial management really boils down to ensuring that they have the cash flow to operate. While favourable tax treatment helps, it is not enough to keep a poorly run charity going. For larger or more established organisations the issues are different. For the headline chasers the £80 Billion sector value is huge. The reality for an individual organisation is somewhat different. Much of a charity's income can be made up of what are termed 'Restricted Funds'.

This essentially means that it cannot simply spend it freely, instead it has to put that money directly towards specific projects or initiatives. At the point a grant or a large donation is made that is restricted, charities don't properly consider the liability to deliver a quality project, e.g. the people, skills and resources necessary. Professional Project Execution is a common weakness we come across, putting direct strain on finances in the long run.

Weak Vision, Strategy & Governance: In their external communications and fundraising, charities can do rather well. However, take a look at the inside and the opposite can be true. Many spend little or no time reviewing or refreshing their Vision unless there is a major crisis that forces them to evolve. Modern charities run like any other business and therefore the collaboration, internal culture and work systems need to be fit for purpose and efficient.

Often there is too much 'noise' for Boards to act effectively. They can feel buffeted between the views of their staff, major donors and funders and the recipients of their services. The 'Triple Whammy' works against them here; charities are not always dependent on making or selling anything to generate income and therefore can often pay less attention to the internal organisational health and structure. While Fundraising and External Relations are a priority, other areas often take a back seat, lacking investment, time or attention.

Waking the Giant.... The Charity Change Manifesto

As a country we can ill afford this sleeping giant to punch below its weight. On the contrary, it is exactly the right time for the sector to step up and contribute even more to their chosen cause and the wider society and economy. In fact, the Charity sector could provide the skills, capability and energy to breathe life into the 'Big Society' Vision, first espoused in 2010.

“Charities need to be bolder and more creative in their approach. There are new start ups on the block and donors like supporting them as they can see first-hand what their money is going towards. For the last 25 years we have been told there is donor fatigue. Perhaps if you have the right proposition delivered in a new way, donors will respond accordingly. Ikea once said, ‘Throw out the Chintz’ – I say, Let’s get some radical creativity going in the sector and take some risks!” Ian Govendir, CEO of Aids Orphan.

Here is a sample of our ‘Waking the Giant’ Manifesto priorities:

Inside – Out: Charities to spend as much time and money on internal communications and engagement as they do on external communications, PR and crisis management.

Mind the Pay Gap: Charities can lead the way by paying their staff a decent wage. For those who have not already adopted the John Lewis pay multiple ratio there are easy wins here. It is time to stop abusing the good will of charity professionals and instead reward and recognise in a mature way where this is not already happening.

Clear for Take Off: Charity bosses need to get clear themselves on their purpose and their strategy for how they execute it brilliantly. They then need to engage their own people in a meaningful way to ensure they are as powerful and effective as possible.

Big Society Value: Charities must be tied to their societal value contribution or face losing their privileges or our respect. To do this they need to be much more transparent and objective.

They need to ask for support in their development and move to a mind-set of innovation and continuous improvement. Charities have so much to offer but they must do more with their gifts and talents.

There is a big place for Charities in the UK – it is part of the fabric and culture of a nation of good Samaritans, philanthropists and charitable souls.



Charities have been in the press too often now for the wrong reasons, whether it’s harassing vulnerable people for donations, misspending their cash, or mistreating their own people. It’s time for that to change and for the giant to wake. It’s time for the sector to start leading the way and teaching us how to be a truly bigger society.

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