

'The economic crisis isn't all doom and gloom for charities'

If you gave someone half a glass of beer they could say one of two things. The optimists might claim their glass is half full, while the more pessimistic among them might complain it is half empty.

When you look at the impact of the economic crisis on the charity sector, you'll find a lot of people taking the 'cup half full' approach. Many are choosing to talk up the levels of charitable giving. They highlight Children in Need and Comic Relief as examples that people are still willing to open their wallet. They point to the fact that the Ark dinner, the lavish event where hedge fund managers and celebrities come together to donate vast sums of cash, raised £15.6 million, £5m above its £10 million target.

While I like the positive spirit, I think people need to be a bit more wary.

Yes, the fundraising total of the Ark dinner was impressive but it was still 40% lower than last year, and just over half the amount raised in 2006. The Financial Times Christmas appeal total was frankly alarming, having dropped down £463,000 in one year. And I think charities would be unwise to ignore the recent survey by ACF, in which over half of foundations said they would have to consider cutting grants in the coming year.

Optimist or pessimist, I think we can all agree on one thing—when it comes to charitable donations the picture is, at best, messy.

Which is why it pays to be prepared.

As good trustees it is your responsibility to have a solid contingency plan in place, in case the worst does happen. In today's climate no charity trustee can afford to be complacent about their charity's income. Even those charities reliant on public spending, which may have felt relatively cushioned this far, have bad times and serious funding cuts waiting around the corner. On top of these drops in public spending, taxes are expected to rise suggesting that the public too will give less.

The bottom line is you'll be competing with your fellow charities for a limited pool of funds.

Now some of you may be wincing when I talk about competition. It is seen as a bit of a dirty word in the charity sector and one which nice charity sector workers shouldn't be thinking about. But remember that competition does not have to equal ruthlessness and back stabbing.

Rather competition is how markets grow. It is what marks out effective organisations destined to flourish and thrive from those that frankly can't cut the mustard, with the result that money goes to those organisations which will use it most effectively to change people's lives.

Competition I believe brings as many opportunities for charities as it does challenges. Why do I think this?

It is because competition requires charities to differentiate themselves from other—it requires them to show they provide a valuable service which cannot be cut. In a sector, which at times can be a little staid and resistant to change, I think this bit more competition can only be a good thing, a sort of torch to the touchpaper, lighting a fire under charities which may have been sitting on their laurels.



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The good news is there is a way to differentiate your organisation. There is a way to show you are the best you can be. And this is by measuring, proving and communicating your impact.

When I talk about impact, I'm talking about what you as an organisation achieve.

It's not about counting how many people have attended an employment course or how many people have received debt advice. It's what happens to those people afterwards.

Whether they go on to find work as a result of the course.

Whether they put a plan in place to get out of debt.

These are the results which matter. And it is you, trustees, that need to lead the drive to direct more focus, time and resources on measuring results

And I promise you, you will see benefits from doing this.

Knowing your charity's results helps you to allocate resources more strategically, enabling services to be adapted and improved.

Like Elmore Community Services, a small charity in Oxford working with people with multiple problems—homelessness, mental health issues, drug addictions and so on. It uses the 'Outcomes Star' to measure its clients progress across a range of areas—including 'risky behaviour' and 'personal responsibility', as well as 'harder' goals such as 'accommodation'. By collecting and analysing these results, Elmore has learnt that its most successful work is with those people who have a very low starting score on each scale, the ones with the most entrenched problems. This had led the charity to focus more attention on this group of people.

Knowing your charity's results allows you to engage with funders and win their support, even if the cause you address is unappealing.

The Lucy Faithfull Foundation for example, is an organisation that helps paedophiles control their behaviour. Its emphasis on a coherent narrative and evidence of impact, led four donors to fund the charity last year through NPC.

And finally knowing your charity's results enables you to differentiate your charity from others.

The Place2Be, a charity working in primary schools, is a shining example of effectiveness in NPC's eyes, and is loved by donors because of its focus on results, its ability to demonstrate these and its culture of caring about performance and being accountable to funders.

Trustees have an important role to play in creating a results-oriented culture in their charities. Creating this culture will mean that you will get better, more useful information from staff about what your charity is achieving.

This in turn will help you to direct the charity's strategy, and hold the management to account for its work.



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And ultimately, it will mean that the charity can make a bigger difference to the lives of the people it was set up to help, which is surely a key reason why so many trustees give up their time for free in the first place.

I'm chief executive of a charity called New Philanthropy Capital, and part of our work is about analysing charities and helping them become more effective. When we analyse an organisation we try and look at the bigger picture. We don't just look at whether a particular intervention works, we look at how it works in the context of the charity as a whole.

Is the organisation running it in a sustainable way so it can continue to deliver the service in the future?

Does the intervention reflect the organisation's mission and tie in with its strategy for achieving change?

Is it complementing, rather than duplicating the efforts of other agencies in order to tackle an issue?

We assess charities from top to bottom, from the ground staff at the roots of the organisation to the trustees at the head. In this spirit, we recently produced a report reviewing charity trusteeship in the UK called *Board matters*. For those interested in having a read, it is free to download on our website at www.philanthropycapital.org

When producing *Board matters*, our analysts, both of whom will be running a lunchtime surgery here today, spoke to a number of experts, from government to foundations, charities and voluntary sector bodies. All of these experts agreed on one thing: that most boards still had lots of room for improvement. As one funder put it, 'If we insisted on good standards of governance, then we wouldn't give many grants.'

Poor governance is something that organisations can get by with for long periods without apparent cost if they have great staff. But it is rather like building a house on sand rather than rock. When the rains come the structure can't survive. Often it is only when times are tough that poor governance becomes obvious. We need only to look to the banking sector for evidence of this.

Now there is one thing which I think everyone here would agree on, and that is a trustee's job is certainly not an easy one. It requires a good deal of commitment and dedication to be a good trustee, much more than simply turning up for a few board meetings throughout the year.

You're all here today because you're interested in learning about how to become better trustees and how to lead your charities successfully. I hope that what I say today will encourage you and give you some guidance on how to improve and become better boards

In our report we highlight a few key challenges in building strong, effective boards.

The first, you probably won't be surprised to hear is around recruitment. According to a review by Governance Hub, currently half of charities say they have vacancies on their boards. This is perhaps unsurprising when you realise that only, according to the same source, 5% of the general public are even aware that being a trustee is one way they could support a charity.

Despite some trustee vacancy search tools existing, such as NCVOs or Charity Trustee Network, along with specialist recruitment agencies, finding a trustee position if you are Joe Public is not easy. Fourth fifths of trustee recruitment still happens by word of mouth, which often reduces the diversity within a board.



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Currently nearly half of trustees are aged 60 of over, and often trusteeship is still seen as an activity for retired middle class people. This lack of diversity doesn't only mean that boards miss out of the benefits that can come from having people with different backgrounds, experiences and outlooks working together. In some cases it can actually undermine a charity's mission if that charity looks to promote social mobility or diversity. On top of this, homogenous boards run the risk of getting stuck in their ways, with no members challenging the status quo or calling for change.

To tackle this, charities, along with funders and government need to undertake more aggressive advertising of trusteeship. There are plenty of talented people out there as a result of the recession looking for meaningful roles. We just need to find a way to engage them.

Alongside this more investment needs to be put into developing the infrastructure around trustee recruitment. One reason the government-funded Get on Board campaign flopped was because there wasn't the infrastructure in place to match potential trustees with charities. Volunteer centres simply couldn't cope. As a result only 9% of the 2,585 people who registered interest secured trustee positions.

The second key challenge in our report concerns the support for boards once they are established. Being a good trustee is about fulfilling statutory responsibilities but it is also about challenging and helping the management to achieve more. Each of the experts our analysts consulted during their research were concerned that many trustees do not understand their full role and responsibilities.

Just the other day one of my analysts attended a trustee training day recently and watched jaws drop around her as the trainer started talking about employment law and other legal duties. Many were simply in the dark about what their responsibilities were.

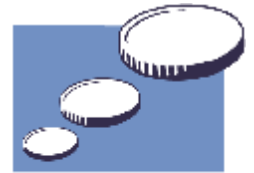
I'd urge all you trustees here today to make a real effort when inducting new trustees. Good inductions can make a huge difference to new recruits' understanding of their role and their performance. One young trustee in her late twenties summed up the importance for me of induction recently when she said 'What people seem to forget is that being a trustee is a bit like having another job. But in a job you go in day after day to learn the ropes. When you're a trustee you only meet up a few times a year and yet you're responsible for running that charity.'

For trustees looking for guidance there is no shortage of literature out there. But still a lot of this information is not being accessed or used as much as it could be by trustees.

One reason could be because this information isn't gathered neatly in one easy to find place. I imagine a wish of all of us is that one day someone will take responsibility for running a central website where all this information can be easily accessed.

But until that day comes, existing trustees have to offer a helping hand in pointing new trustees towards interesting guidance and advice. One charity mentioned in the report Edinburgh Cyrenians a homelessness charity, does this by including a summary of the Good Governance Code, and links to other sources of information in its welcome pack for new trustees.

Another reason this information is not being used enough could be because trustees feel the information and guidance out there isn't relevant to their type of organisation. But promisingly, on this note there do seem to be some efforts to overcome this. For example, the bodies behind The Good Governance Code are considering creating codes for different types of charities, such as arts organisations.



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Obviously a key reason why information is not being used as much as it could is because trustees are not looking for it. While it can be difficult to juggle trusteeship with other work and commitment, you may find that taking some time to read guidelines and advice or go on training courses, not only gives a much better idea of your roles and responsibility but also builds your confidence.

The third key challenge highlighted in our report to building a successful board concerns evaluation.

Many boards at present do not even think about evaluating their performance. Trustees, who give up their time for free can find the idea of being appraised unappealing.

However a review of the board, looking at what's working, and where improvements can be made can be a really valuable way for trustees, helping them learn how they can become better trustees and how they can help the charity achieve more. For example, following a review, the board of one charity NPC works with was able to identify a number of areas where they could take action to improve, including reviewing the charity's levels of involvement with service users and doing skills audits within the board.

As well as identifying skill gaps within a board, and seeing areas to improve, a review can also be helpful for highlighting relationship issues and for helping trustees understand if the decisions they are taking are the right ones.

A review doesn't even have to be particularly complicated. In our report, we include a short self assessment tool which boards can use to give themselves a bit of a health check. The Charity Commission has also recently published similar guidance, called big board talk, including questions boards can ask themselves during the recession.

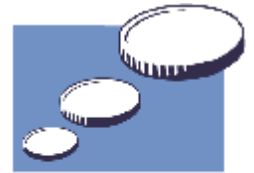
In the months to come the recession is certainly going to throw up some tough challenges for the charity sector. But in amidst increased competition for funds and higher demands for services trustees must remember one important thing. Remember, it is your job to do whatever will create the best result for the people, animals or cause your charity was set up to help. Although people might not like me using the word this could include being open to the possibility of merging. The reason I mention this is because, in a recent report we did on the topic, we found that the majority of mergers happen in response to some sort of crisis, usually financial. Now I, and I'm sure all of use here, don't want to see down the line a number of emergency mergers between charities.

Yet a recent Charity Commission survey on how charities would respond to the recession showed that just 3% of charities said they had considered merging. Only 3% had even considered it!

I certainly don't think mergers are to be taken lightly. But I do think that all trustees should at least consider mergers as part of their toolkit in building an effective charity. You need to at least discuss it. I would much rather mergers happened as a matter of choice, rather than as an emergency last measure.

I do hope I've offered you some food for thought today, and have given you some ideas and challenges you can take away and work on. If you go away with one lesson today, I hope it is an understanding of why it is so vital to the success of your charity that you as trustees put the measurement and communication of your results at the centre of all you do.

You have taken on an important job, and your attendance here at this conference today shows you are committed to becoming better trustees.



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I think the economic crisis provides many opportunities for charities, as well as challenges. Opportunities to improve, to develop better services, and to focus on what really works to change people's lives. If trustees grasp the nettle, accept there are problems with governance as it stands, and work to do something about it then I hope that, out of these miserable times will come better boards and a more successful charity sector.

***Martin Brookes was speaking at the Trustee Conference 2009, run by Russell-Cooke, Sayer Vincent and The Project Company
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