

CHARITIES TAKING CHARGE: TRANSFORMING TO FACE A CHANGING WORLD

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NPC's State of the Sector programme



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ODGERS BERNDTSON
Executive Search

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INTRODUCTION

Why we did this research

Over the last 15 years NPC has worked with charities, funders, philanthropists, and others to support them to deliver the greatest possible impact for the causes and beneficiaries they exist to serve. A lot has changed in a decade and a half. And charities' ability to adapt to this change is imperative if organisations are to make the impact everyone in the sector desires.

We started our [State of the Sector programme](#)¹ to explore new ideas and approaches that offer the sector a way forwards. As we argued in our first State of the Sector paper—[Boldness in times of change](#)²—wider social, demographic, funding, policy and technological trends are shifting the sands on which the sector is built. In this environment charities are needed more than ever to step up and take the lead in achieving social change. But we wanted to know whether the sector is adapting as it should in order to deliver greater impact in a changing world. So, through an ambitious programme of quantitative and qualitative research over a period of 6 months, we sought to find out.

This report brings together insights from the whole process, sharing perspectives and ideas on how charities can deliver impact in a changing world, and to what extent the sector is currently working in ways that enable this. We have endeavoured to be true to the research, whilst sharing the more imaginative and thought provoking approaches uncovered, rather than going over well-trodden ground or covering every topic. We seek to hold a mirror up to the sector, reflecting back what we have found as charity leaders themselves describe and identify it.

About our research methodology

We started out by seeking a deeper understanding of the challenges and opportunities facing charities through in-depth interviews with over 30 charity chief executives, spanning organisations of different sizes, types and sectors³. We then held 7 roundtable discussions on key themes to explore what solutions and principles for moving forwards the sector was exploring, in which we spoke to another 100+ chief executives, senior directors, chairs and trustees, and sector partners. Finally we carried out a quantitative telephone survey of 300 charity leaders to gain a wider picture of where the sector is in relation to the solutions and principles identified through the qualitative phase.⁴

We are immensely grateful to our partners—PwC, Barrow Cadbury Trust, Ecclesiastical, Odgers Berndtson and Cripplegate Foundation—for their input, expertise and ideas over the course of the programme.

¹ See NPC website: www.thinknpc.org/our-work/projects/state-of-the-sector

² (2016) www.thinknpc.org/publications/boldness-in-times-of-change/

³ Throughout the research we have stuck to NCVO categories identifying small and medium charities with a turnover below £1m, large charities between £1-10m, and major charities with a turnover of over £10m.

⁴ Detailed description of the methodology is presented in appendix A.

What we found

Throughout the research we found that innovative leaders of organisations of all sizes are drawing on four key assets to achieve a greater impact in a changing world:

Establishing an impact-focused strategy that has a clear focus on an organisation's key mission and offers a way to prioritise activities or decisions. Putting mission first enables them to take a more networked approach, working with others to deliver greater collective impact.

Building strong governance and leadership that embraces risk, supports collaboration and new partnerships, and draws on a diversity of backgrounds and skills to unlock innovative thinking and good decision-making.

Taking new approaches to existing relationships, rethinking and redefining the dynamic with both the state and with the public.

Harnessing new networks and resources, including technology, new partnerships and models of doing business, and new ways of relating to communities and beneficiaries.

We focus on these four assets for impact in turn throughout this report.

In the course of our research, we found that many sector leaders are faced with crucial decisions—decisions that will have a deep and long-lasting impact on their organisations and their beneficiaries. We think that our State of the Sector project will provide new ideas and challenge leaders to think differently about how they can maximise their impact for the causes and beneficiaries they exist to serve.

What comes next

In the final stage of the research we will share a collection of essays outlining some of the most interesting approaches and ideas in depth from the sector leaders we've seen throughout this process, sharing practical lessons from their journey to better support others deliver greater impact in a changing world. The essays will pick up many of the principles and solutions identified here and demonstrate how different organisations are building on them.

The findings from this research will feed into our thinking and activities in the coming months and years. We will be using it to inform conversations with organisations and the sector as a whole about how it can transform its work for a greater impact.

Is there such a thing as ‘the charity sector’?

In our research we found little consensus over whether such a thing as ‘the charity sector’ exists at all, and, if it does, what it might look like. We found particular disagreement over whether large and small charities share common interests. Small and medium charities were far more likely to say volunteers were an important resource (85%) than large charities (63%) or major charities (56%). Meanwhile large and major charities were more likely to point to staff as a key resource (97% large and 96% major) against 66% for small/medium charities.

Even before considering the types of charitable organisations, the activities they undertake and resources they draw on, we uncovered some interesting questions around identity and how charities view themselves. In particular we found an ambivalence among social sector leaders about whether seeing their organisation as a charity in the ‘traditional’ sense was useful. Charity in this ‘traditional’ sense was understood as relating to a model of public donation and support that had connotations of Victorian philanthropy. The traditional meaning was seen as important only to the extent that it was associated with staff or volunteer commitment and public donations.

We heard a number of charity leaders reject the language of charity to describe their organisations as a ‘cause’, as ‘*catalysing support of a whole range of charities and communities that share the cause*’, or as ‘*a community of people who come together to effect change as part of a broader movement*’. Another viewpoint was that the language of charity may be useful in certain circumstances but that the efficiency and effectiveness historically associated with the private sector were also key; as one interviewee put it, ‘*we have the heart of a charity but the mind-set of a business*’.

This points to the vast differences within what is often called the charity sector. Obviously the findings from any research into such a diverse group of organisations will not be appropriate for every single organisation in every circumstance. Where we discovered interesting splits in the survey responses we have highlighted this throughout the report. And in some places we have separated findings that are relevant particularly for smaller organisations. It is of course important that organisations make a realistic assessment of what is feasible and proportionate for them, and what they can take from the findings.

ESTABLISHING AN IMPACT-FOCUSED STRATEGY

Summary of findings

Many charities are responding to the challenging external environment by increasing current activities and planning to expand the breadth of their activities.

Many also report that they are partnering with other organisations, and that this is something they aim to do more of in three years' time.

Charities say they view their own research and evidence as important resources, though fewer draw on the experience of other organisations.

Smaller charities in particular are struggling to recognise the benefits of collaboration and learning.

The current climate requires charities to be more strategic

The charity sector has seen tough times before, but throughout the research numerous leaders summed up the current context as one of diminishing resources against a backdrop of ever increasing need. This means for many organisations business as usual is no longer sufficient. A focus on achieving the greatest impact is essential. This means organisations not only have to make the most of the resources available to them, but also think more creatively about innovating and transforming the way they deliver impact. One interviewee outlined how they were responding by a greater focus on how they can achieve the greatest impact, and that this was leading to a major transformation:

*'In this environment where funding is tight, agility is really important. [This means] actually carving out parts of our organisation, really focusing on what is core business and what is not core business, what's discretionary and nice to do in slightly better times. So [...] we are going to focus [...] and **we're going to do fewer things: hopefully better, and hopefully in a more sustainable way**, which [will] allow us to have greater reach and impact and achieve our charitable purpose.'*

But many organisations are struggling to prioritise their activities

Being strategic involves making difficult decisions about where and how to best use finite resources. A key theme that emerged from our research was that many organisations find it a challenge to deprioritise areas and activities where impact is not as great, or where others are better placed to make an impact.

There are a wide range of activities that charitable organisations undertake in order to achieve their mission.

Figure 1: Could you tell me to what extent, if at all, your organisation does each of the following to achieve its mission? (prompted, 300 respondents)

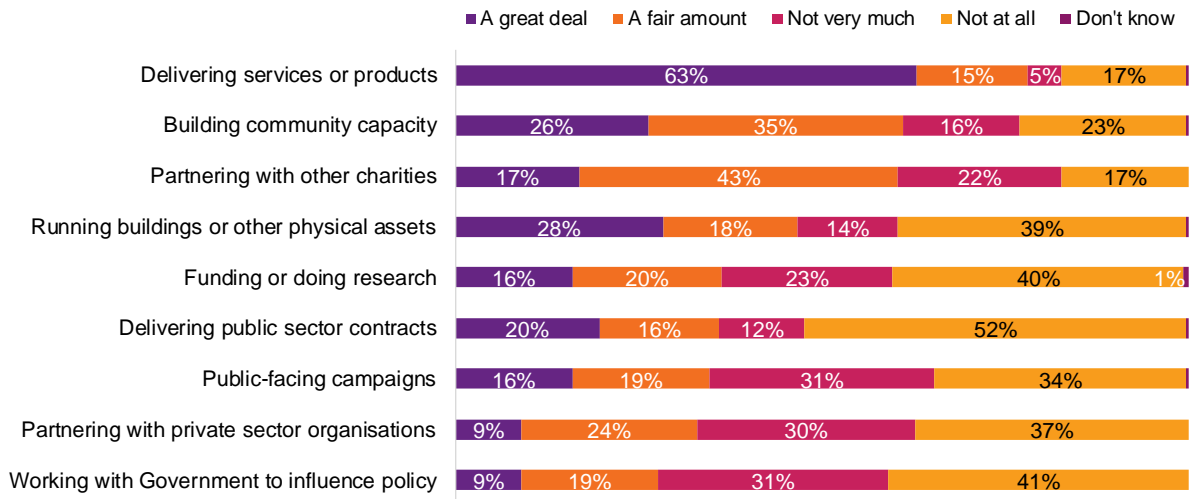
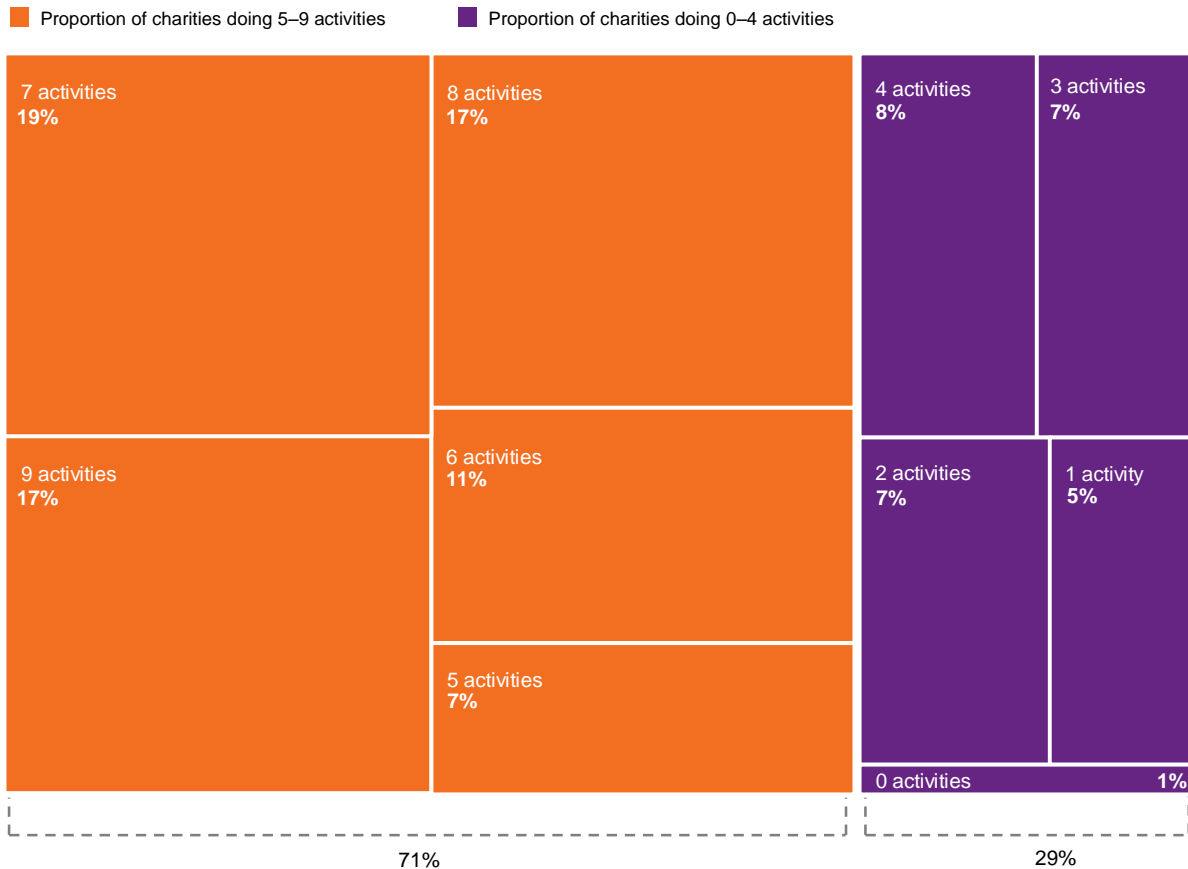


Figure 2: Chart showing the number of activities listed in Figure 1 that charities are doing at least sometimes (a great deal, a fair amount, not very much).

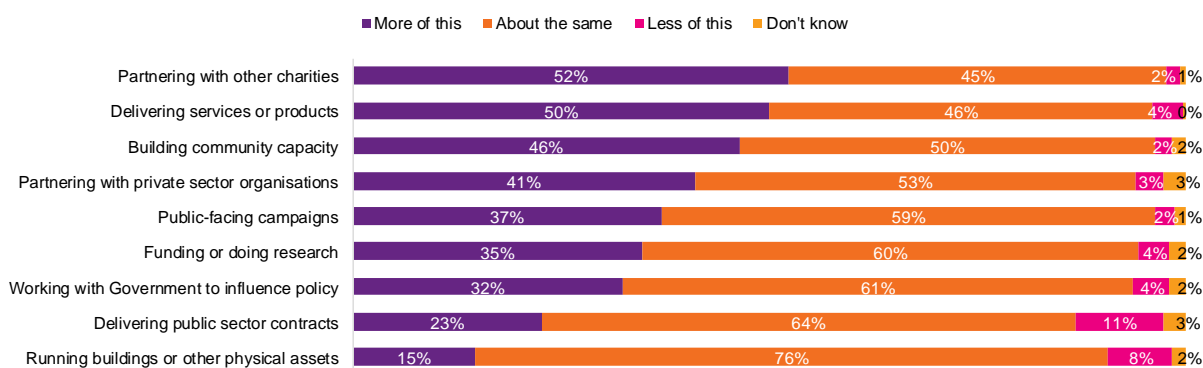


On the one hand this demonstrates the broad range of important activities that add up to achieving the mission of organisations. On the other it raises serious questions about how focused organisations are on delivering the greatest impact possible. As one interviewee put it:

'I can't think of many charities that do one thing brilliantly well. We all do 370 core things to a mediocre standard. And so the challenge I think is [...] how do you focus? How do you prioritise your offer and therefore, what you spend the time doing? For us, yes, [prioritisation] is driven by money. But it's also driven by the fact that if we don't change and adapt to keep reinventing ourselves, I'm not sure we'll survive the pressure that exists.'

Charities expect to be doing either the same or more activities in three years' time

Figure 3: Could you tell me whether in three years time you expect to be doing more, less, or about the same of each of the following as you are now? (prompted, 300 respondents)



We then asked charity leaders whether they expected to be doing more, about the same, or less of the same range of activities in three years' time. For all the activities we asked about, the majority of charities expect to be doing either the same or more of each in three years' time. In particular, half of charities expect to be delivering more services or products (50%) and building community capacity (46%), while around a third expect to be increasing their public facing campaigns (37%), funding or doing more research (35%), or working more with government to influence policy (32%). Overall there were only two activities that more than 5% of charities expected to be doing *less* of: 11% of delivering public sector contracts in three years' time and 8% expected to be running fewer buildings or other physical assets.

As well as increasing the *volume* of activity in particular areas, the majority of charity leaders (74%) expected to be doing a broader range of activities overall in 3 years time. Only 4% expect to be doing fewer things overall. This suggests a sector that is expecting to increase its activities on all fronts—and is not prepared to prioritise among activities.

Charities need to understand their impact in order to prioritise their work

In order to prioritise areas where an organisation can have the greatest impact it is first necessary to understand what activities have an impact. There was a clear understanding in the interviews of the importance of being a learning organisation to achieving greater focus:

'We are trying to become much more focused as an organisation, much more rigorous, much more evidence-based'.

However, many identify questions surrounding using evidence and evaluation to improve, and feel it is a current challenge for the sector:

*'I have to say it is an area where I think organisations [struggle]. We are probably slow on this and could always get better at it. **We need to be able to learn quickly and accurately and openly about what's working well and what's not working well.** It is a critical skill in organisations.'*

Our interviews suggested that there are two distinct ways that charities typically see themselves as learning organisations. Many reported that they use research and impact measurement to learn from their activities and improve them. But some larger organisations feel that they are learning organisations when they take risks and innovate, and then learn lessons.

*'Because of the way we are funded, we have got the opportunity to innovate and test and learn from the evidence. So **we want to show what is possible in our services and then, via engagement, enable mainstream services to take advantage of our learning.***

Learning is seen as important to delivering mission:

- **More than three quarters of large (81%) and major (77%) charities reported that results from evaluation or learning are an important resource** for achieving their mission, compared to three in five (60%) small and medium charities.
- **This was clearly underpinned by a focus from boards on learning**—78%, the top answer regarding board discussions, said that their boards had discussed changing strategy on the basis of learning or evidence in the last year.
- **Only 1% of large and major charities rate results from evaluation or learning as *not* important**, compared with a quarter (24%) of small and medium charities. This suggests an acceptance of the importance of being a learning organisation, especially among larger organisations in the sector.
- **Four in five charities (83%) say they have made a change following results from learning or evaluation**, with half of that group (39% of all charities) reporting making a *major* change.
- **Larger charities are more likely to have made significant change as a result of learning**: half of major charities (49%) report making a major change as a result of learning or evaluation results compared with a quarter (26%) of small or medium charities.

It is noticeable though that the least reported two methods of learning leading to changes were the 'experience of other organisations'—with only 19% reporting making a major change as a result of this and a further 51% reporting making a minor change—and 'other evidence or research' with 28% reporting making a major change and a 41% minor change. As one interviewee put it, as a sector **'generally we don't spend enough time, I think, learning lessons or indeed learning from others'**.

Beneficiary feedback or 'user voice'

Alongside using more traditional methods of learning such as measurement and evaluation, it was encouraging to see charities reporting that they have made changes as a result of beneficiary/service user involvement and feedback. We explore the potential of user voice (definition on page 48), and models that build on assets and strengths of individuals and communities later on.

Greater collaboration could help charities be strategic about doing more with less

As several interviewees suggested, the need for prioritisation may well lead to organisations doing less, better. But it is clear that charity leaders are set on continuing with a broad range of activities because they are needed. And prioritisation is not easy, because there is an inherent risk: in focusing your activities on where you can create the greatest impact, you may leave some people behind, or miss out activities that are important to achieving mission. So how can charities create the capacity for this increasing scale?

We found some organisations exploring working in a much more networked way with other partners. A roundtable attendee explained that their organisation identified where their non-core activities could be delivered by another organisation—one that already focused on that particular activity. Doing so meant they were better placed to deliver the desired impact:

*‘Mission over organisation. The implication of that is that it’s got to be the right organisation to deliver [...] **It’s not about putting a brand [first] and saying “it has to be our model”. It doesn’t.** We’re actually quite agnostic about whether we deliver or whether we enable. And I think that means we can then be a little more flexible in terms of model and [it means we can] focus on mission [and...] on the impact that we want...’*

Starting from the basis of their wider sector’s vision has helped some to work in partnership with new organisations to deliver greater impact:

*‘**[We ask] what’s the vision of the sector as a whole, and what’s our mission within that?** And then it becomes easier to see who you might naturally partner with. I think people are always a bit shy of sharing. But I am keen on collaboration with others [...] where you discover common ground.’*

And we found some organisations thinking about their beneficiaries’ journeys, leading them to work with others who are better placed to solve that particular issue.

‘... think[ing] about how refugees touch the voluntary sector. If they’ve got a mental health problem they might end up in a mental health charity. When they’re homeless, they go to a homeless charity, they don’t come to [us]. So [...] we have two partnerships with homeless charities. But that’s just touching the edges of the fact that refugees don’t just come to refugee organisations.’

Yet real practical and attitudinal obstacles emerged. One sector leader reported that their attempts to collaborate had been seen as ‘*collusion*’ by others in their sector. Another interviewee reported a perception that collaboration is seen as ‘*not voluntary sector*’. A third interviewee described collaboration as ‘*tough*’ because many charities lack the professional skills—such as negotiating or building legal frameworks—in order to collaborate successfully and further a shared mission. One roundtable attendee with a private sector background said ‘**the [third] sector is way more competitive, way less collaborative than private sector**’. Meanwhile, some of the practical examples of collaboration highlighted by interviewees—such as sharing back office services with another local small charity—were seen as a response to funding challenges rather than as a way to achieve mission.

Despite some of the barriers explored in our qualitative work, collaborating with other charities is something that most of the sector reports it already does. 60% of charities reported that they partner with other charities at least a fair amount, with a higher proportion (70%) of large and major charities reporting that they partnered with other charities a fair amount or great deal. The proportion of small and medium charities reporting they partnered with others at least sometimes was lower at 45%.

Charities reported that they expect collaboration to increase in the near future. Half of charities (52%), the top answer in the survey, say they expect to be partnering with other charities more in three years' time, while only one in fifty (2%) expect to be doing *less* collaboration in three years' time. As one of our roundtable participants put it *'we can't really see a way in the future where we will do anything innovative that's not in partnership'*.

Our analysis

The lack of strategic focus among the charities we surveyed is a major concern. Given current challenges to funding models, we might have expected more charities to be circumspect—or realistic—about the possibility of focusing their operations on what delivers the greatest impact in the near future. Moreover, from a strategic perspective, it is necessary for charities to be prepared to focus on what helps them deliver their mission, and in doing so decrease some activities to allow increasing others.

It is important that charities work strategically with others in their sub-sector. This is instrumental to ensuring that the causes and beneficiaries organisations serve are not let down, and to achieving greater impact overall. For every organisation, finding the right balance between service provision and other methods of pursuing social change—such as advocacy or preventative work—is critical. Clearly there are real opportunities to achieve this through working in a more networked way, delivering greater collective impact.

The fact that organisations see evidence and research as an important resource—and are making changes as a result—is encouraging. But there is still more to do to learn from the experiences of other organisations and research, sharing and spreading learning from innovation across the sector. This can form the basis of some of the collaboration necessary to achieve a greater collective impact.

It is also positive to see a wide range of organisations report that they are taking feedback from beneficiaries and service users seriously, and are making changes to strategy or operations as a result. This is a positive step towards realising the potential of the not just the sector, but the potential of the people, communities and causes that charities help.

Our recommendations

We think charities need to:

- **Use a range of sources to gain a deeper understanding of which of their activities deliver most impact**—such as insight gathered from beneficiaries and service users—and prioritise their activities accordingly.
- **Map their sector or cause area to identify possible partners,** and work with them to achieve greater impact in other activities.⁵
- **Share insights and evidence openly,** and learn from other organisations about what works and what does not.

⁵ Shared or collective theories of change may be a useful tool in doing this.

BUILDING STRONG GOVERNANCE AND LEADERSHIP

Summary of findings

Governance is a hot topic, and trustees are seen as a very important resource.

Boards are discussing important issues that link to delivering greater impact such as using evidence to inform strategy, the potential opportunities from data and digital, and appetite for risk. And much of this links to having the right trustees on board.

Larger charities in particular are taking greater risks, but not necessarily risks that support the kinds of transformation identified throughout the research.

Diversity is something that is clearly seen to be important alongside many other competing priorities, but it was less clear why, or how, charities think they can create more diverse boards.

Smaller organisations understandably struggle most with different methods of recruiting trustees, but a significant minority do not think diversity matters.

There is a real sense of movement on the issue of governance in parts of the sector

Good governance is crucial to delivering impact. The board shares responsibility for developing strategy with the senior team, and has a strong influence on the culture of the organisation. So it is not surprising that when we asked charity sector leaders to pick from a list on the most important resources are for delivering their mission, trustees were the top answer at 88%. Boards must work in ways that drive their organisations to focus on how they can best achieve the greatest impact. To do this, they need a clear strategy, a culture of learning, and a willingness to work in a more collaborative ways with other organisations.

Throughout the research we discovered that many organisations are undertaking governance reviews, or refreshing their boards altogether (Figure 4). Seven in ten (69%) charity chief executives have discussed changing their governance structures in the last 12 months, almost twice the number of trustees who report this (36%). It is clear that boards are thinking about key agendas on evidence and learning, digital and data, and rethinking delivery models, particularly in larger organisations. The real pressure on smaller organisations was evident too—24% of small/ medium organisations had discussed deregistration at their board meetings in the last year compared to 6% of major organisations.

Figure 4: For each of the following could you tell me which, if any, of the following you have discussed at board level in the last 12 months? (prompted, 300 respondents)



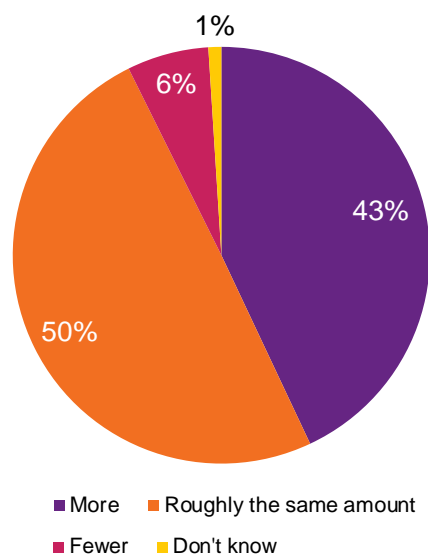
Yet there were fewer reported board-level conversations about attitudes to sharing power with other organisations, despite the fact that these are important to overcoming the cultural barriers to collaboration highlighted in the previous section. While merger is at the extreme end of the collaboration spectrum, it is notable that it was among the lesser discussed topics at board level.

Charity leaders report that their boards are taking more risks

We found two thirds (69%) of all charities' boards have discussed their organisation's appetite for risk in the last 12 months (Figure 4)—with a gap between major organisations who are most likely to have done so (89%) and small and medium organisations least likely (45%). So we set out to explore to what extent, at board level, issues around appetite for risk are being considered in order to support innovation and transformation. As one roundtable attendee put it: *'a very risk averse board of trustees, sitting on resources rather than making use of them, might say "[we have] got to save this for a rainy day". But perhaps that rainy day is today.'*

The sector seems to be moving towards a position of increasing risk-taking, as shown in Figure 5. There was a notable difference between smaller and larger charities on this question. More than half of major (57%) and large (53%) charities reported they are taking more risks than three years ago (or since they joined the organisation) against a quarter (24%) of small and medium charities reporting the same.

Figure 5: Compared to three years ago/since you joined the organisation, would you say your organisation is taking more, fewer, or roughly the same amount of risks? (prompted, 300 respondents)



Charities' risk-taking is often reactive, rather than proactive

Throughout the research leaders identified that they face risk and pressure in everything from finances contracts and service delivery. At least some of charities' increased risk-taking seems to be because of the current challenges the sector faces, rather than a positive appetite or proactive choice to take more risks. For example, as discussed later on, of those who deliver public sector contracts, 57% had turned down bidding for some contracts specifically on the basis that the operational risks had become too high.

The main risk charities are taking is to *increase their activities*

So we asked what types of *positive* risk people had taken in the last three years through an open survey question. The results underlined the finding previously discussed: that charities are expanding activities to meet increasing demand, rather than focusing on what they can do best.

46% of respondents talked of examples of some sort of expansion in activities, with only 5% scaling back. And of the 5% scaling back, there was clear evidence of this being forced upon charities, rather than a deliberate response to strategic analysis:

'We had all of our funding removed so we had to take a step into the dark. We thought the charity would have to finish but we took the business into a lower priced building and made staff redundant instead.'

'We closed our detox rehab unit as it wasn't performing for what the commissioners were looking for, which was an income generated for the charity. This was a huge risk. It has not re-opened.'

But there was some evidence of more focus in activities among those who talked of risks related to 'strategy and planning'. The broad majority (61%) of these comments related to strategic reviews. One respondent said *'we have re-branded and we have closed some services so we can invest the income in our core strategy.'*

12% of responses about positive risk-taking talked of working in partnership, and there was evidence of some organisations working to support others in their community to deliver greater impact:

'We've developed four community partnerships at risk, and provided some support for another local charity at our own financial risk.'

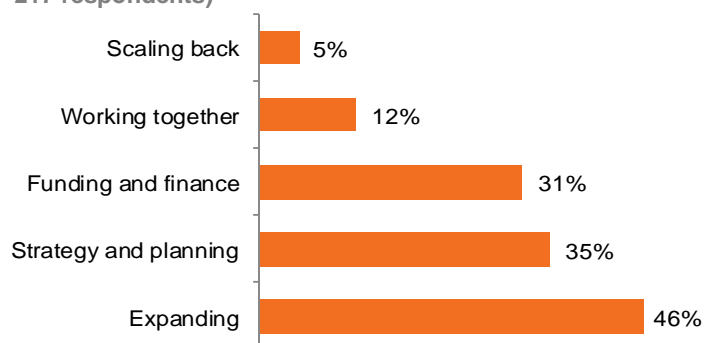
Of those who talked of working in partnership as an example of a positive risk they had taken, the second most common activity reported here (28%) was broadly grouped into user involvement, (a subject we return to in other parts of this paper). One organisation outlined some of the positive risks they had taken in this area to further their mission:

'[Encouraging] individuals with autism to work as volunteers in other organisations, [and...] young people and adults to access the community when they have challenging behaviour problems.'

Some view good risk-management as more of a priority than having an appetite for risk

A few people we spoke to stressed that an appetite for risk is only one part of supporting innovation, and managing risk effectively is seen as just as important, if not more so:

Figure 6: Over the past three years, what risks has your organisation taken? When we say risks we mean in the positive sense of doing things differently? (open-ended, 217 respondents)



'A different and better question is: "what is your competence in assessing and managing risk?" Because ... you can have an appetite towards risk in a business without necessarily understanding all the factors that you need to take into account.'

One interviewee identified that distinguishing between different types of risk and understanding the way they are interconnected is a key part of being able to manage risk in a way that enables innovation:

*'So there's financial risk and operational risk and strategic risk ... by elevating one, you suppress the other ... **To run a very financially low-risk organisation is very safe on the one hand but it might reduce its opportunity of achieving its objectives, which increases the strategic risk.** Therefore ... the important thing is trying to understand there isn't just one spectrum here, there are ... different scales, and different controls on the mixer board. And when you push one up the other one goes down. Therefore the more intelligent conversation I think the trustees have is: "how do these balance off against each other?"'*

One roundtable attendee identified that agreeing an organisation's appetite for risk was a constructive tool they had used to help them manage risk effectively.

*'We did a structured questionnaire of the senior management and the non-execs of ... [their] attitude to risk. That could be quite constructive in its own right ... **looking explicitly at "what is our appetite for risk and does that change over time or at different points?"** Before looking at what practical decisions are required.'*

One roundtable participant described their attitude to risk as a 'portfolio' approach, where they balanced a range of projects against each other. This enables them to innovate in some areas while minimising the negative impacts if a new project does not work:

*'I work very closely with my director of finances, with my board of execs, to **actually take a very risky approach when we are thinking of bidding for work, thinking about doing something completely different or developing new sources of income. But you cannot have all your eggs in the same basket** ... you don't go for a very risky new venture if the return is relatively small; [if] by putting your resources there you are jeopardising your existing contracts, which may be gain a penny, lose a pound. It's getting that balance right.'*

Several respondents drew a specific link between board diversity and the ability to manage risk

A few people we spoke to identified the importance of having people with different backgrounds, ideas and perspectives on the board to help understand the wider world, the mission the organisation is there to achieve, and to challenge group-think.

*'I think it's important that the board remains both outward looking and forward looking, because the chances are that the risk that is really going to give you trouble is one that isn't obvious ... I think part of that is trying to get diversity on the board in all its [forms]. There are the obvious dimensions, but there's also ... how different people think and approach different problems, which is hard to recruit for and it also makes the task of chairing the board harder. **But it makes it a much richer discussion and makes it easier to find out issues that others alone might not have thought of, if you have got these different perspectives, bringing experience to bear.** It might be about expertise, thinking style or life experiences.'*

As well as in the discussions on risk, the link between diversity and innovation was also raised in the roundtable discussion on diversity, which looked at the composition of boards including gender, ethnicity, age, background, perspectives and skills:

*'I think one of the reasons why diversity is important is innovation. **If you don't have diversity it reduces the degrees of the unintended comment or discussion out of which innovation comes.**'*

And there is general consensus that board diversity matters

What do we mean by 'diversity'?

Diversity is about ensuring a board is made up of people with a variety of backgrounds and demographic traits, which may include: age, gender, ethnicity, race, (dis)ability, sexual orientation, socio-economic background and status, culture, educational attainment, religious belief, political belief, lifestyle and experience. This is as much about representation as it is about opportunity, ensuring that a variety of outlooks, perspectives and experiences are included, valued and considered, and feed in to how a charity operates.

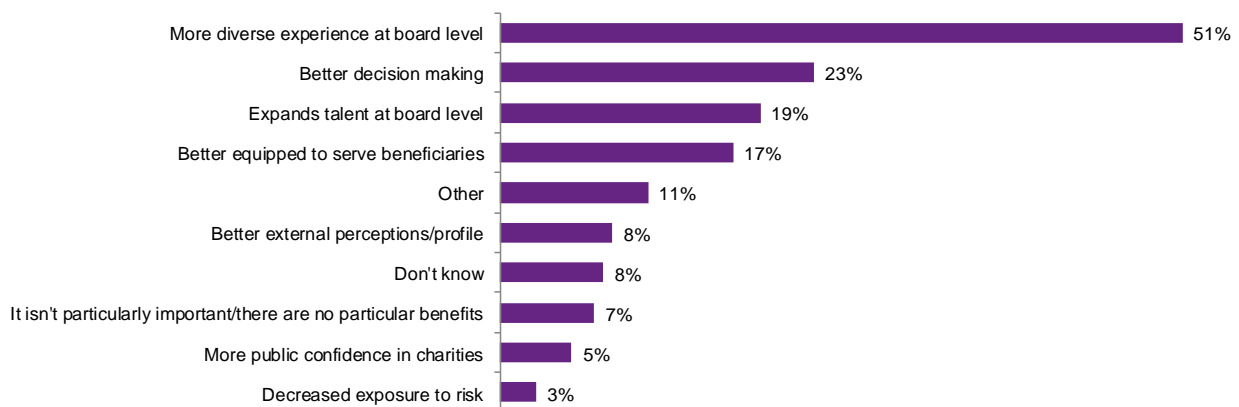
Beyond bringing greater ability to innovate, there was a strong view that diversity was specifically linked to being effective overall, as already illustrated in the private sector:

*'If you look at all the current indicators of what a good board looks like, **a diverse board is more likely to perform well in the business context, [and] there's no reason to say why this wouldn't translate into the voluntary sector.** The narrative around the business case has been accepted in the corporate world ... but I'm not aware of people thinking in quite the same way in the third sector.'*

Throughout the interviews diversity was accepted as generally a 'good thing' within the sector. When we asked an open question about the benefits of diversity (See Figure 7), only 7% of charity leaders said that they thought diversity at the board level was not particularly important or that there were no particular benefits—although trustees (18%) and chairs (16%) were more likely to say this than chief executives and directors (2%). Small and medium organisations (16%) were also more likely than large (1%) or major (3%) to report diversity as not being important.

But charities were less clear over the specific benefits that diversity can bring

Figure 7: In your view, how, if at all, does diversity at board level benefit charitable organisations? (300 respondents)



While half of charity leaders (51%) identified one benefit being a more diverse experience at board level, only a quarter of charities (23%) agreed that diversity brings better decision-making. And less than a fifth (17%) felt it would leave their organisation better equipped to serve beneficiaries. Still fewer respondents saw better external perceptions or more public confidence (8% and 5%) or decreased exposure to risk (3%) as a benefit of diversity at board level.

These findings fitted with the interviews where the vast majority said it was important, but not quite as important as other immediate priorities in governance:

'... diversity is less of an issue than increased expectations of quality governance coming out of a changing environment of public trust.'

There was little acknowledgement that greater diversity might be part of the solution to these other problems.

Some charities are involving their beneficiaries at a board level, even with the challenges this brings

One important factor in board diversity is the engagement of beneficiaries or service users in governance structures, which we asked about in the survey. We explore this question again further on, but in terms of governance the survey showed that a sizeable proportion of organisations have some formal involvement of service users or beneficiaries on the board. 54% had a panel of service users for consultation, and 45% had a service user or beneficiary on their board of trustees. For some organisations this may mean board seats:

'We've also got four board members who have been [our] service users.'

In other cases it may mean advisory groups or shadow boards. For a long time, a user-driven approach has been embraced particularly in the disability charities sector, but there are benefits and opportunities here for virtually all charities that have an advocacy or service delivery role:

*'We have tried getting our youngsters on the board. But where they don't actually speak much English it's not very helpful for them ... [so instead **we**] **actually have a small group of them ... [who] will tell the chief executive what they want, and she will bring it to us.'***

'Some organisations have shadow boards where they have their young people running alongside the main board ... a lot of organisations may not even think that way or may not be thinking to do it with beneficiaries and service users.'

Of course, other organisations pointed out, involving service users at board level is not without its own challenges, such as training needs, as well as a desire for some former service users to want to distance themselves from a past problem:

*'[We've tried to] train up beneficiaries or a service user to come ... and sit on the board ... That has worked from time to time, but **it has been quite resource intensive [and] we've always found it quite difficult to maintain** ... Often [the former service users] are in a sense moving on from where they have been. Part of that is often not to associate themselves with an organisation like ours.'*

Some may also be put off by the formality of trusteeship:

***'I think the board room is really intimidating.** Even authority is intimidating [for some people]. People who didn't do so well at school don't like coming back into what seems like an authority situation. So the whole structure of the minutes and things you have to read, the formality and the chairing, are just really alien.'*

Retention of individuals who are not the ‘usual suspects’ at board level can be difficult

We also heard that the retention of a sufficiently diverse board of trustees can be a challenge, since the rest of the board might currently come from quite fixed and often exclusionary social circles:

‘In my experience, retention is more of a problem than recruitment ... I’ve walked into board meetings where trustees discuss parties they were at the weekend before that I wasn’t privy to, the networks that I’m not a part of—there’s a whole language ... a way of being.’

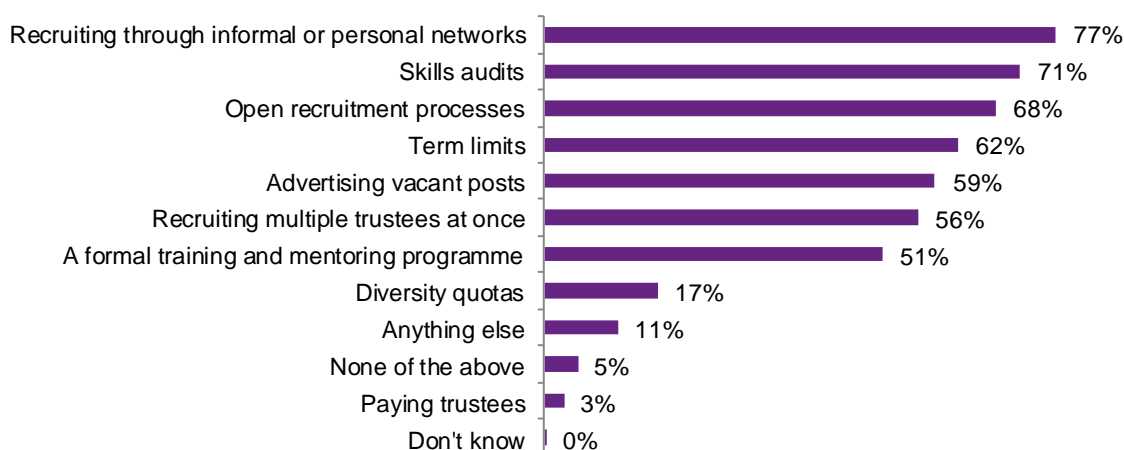
A range of ways to increase board diversity was discussed in our roundtable. Alongside well rehearsed best practice around open recruitment, advertising, and term limits⁶ there was a view that a stronger public case needs to be made on the benefits to individuals of being trustees:

‘[Being a trustee] is such a massively brilliant development opportunity for people that are at that level to be around the board table with very different people, learning different things’.

Many boards are trying different ways to recruit and retain more diverse members

When we tested out some of the ideas and solutions for creating more diverse boards through a prompted question in the survey, we found that there was some good evidence of a range of best practice solutions being implemented, such as open recruitment processes (68%), advertising vacant posts (59%) and recruiting multiple trustees at once (56%). However the top answer was still that recruitment was done through informal or personal networks (77%), showing there is clearly room for improvement in shifting cultures and diversifying how trustees are brought on board. More radical measures such as diversity quotas (17%) or even paying trustees (3%), which we explore later, were much less reported in the sector.

Figure 8: When recruiting or retaining trustees, do you employ any of the following practices? (prompted, 300 respondents)



Charities are particularly focused on diversifying the range of *skills* they have on their boards

While a commercial background would not usually be the first thing many would think of in a discussion about diversity, the roundtable discussion highlighted the importance of a variety skills as well as perspectives and backgrounds:

⁶ We discuss this further in our 2016 paper [It starts from the top](#)

'I think that skills diversity is very important. I agree with bringing someone [in] with commercial nous, that's great because it's partly about skills but it's partly about thinking—the way in which you think might be different if you've had a different career path.'

We found organisations placing a strong weight on finding the right skills in order to be better equipped to take advantage of the opportunities or manage the risks inherent in a changing environment. As one interviewee said:

*'We brought in a highly commercial person a couple of years ago ... **what we are trying to do is reach out to people who aren't necessarily rooted in our sector for competence and capability that we desperately need.** I am a time-served public servant who has worked in the public sector and then moved in charities and done good stuff. But my commercial strengths were probably characterised by their weakness ... I have learnt how to run a business but I need other people around me who can help me.'*

The second top answer reported in the survey question on recruiting or retaining trustees was the prevalence of skills audits, with 71% undertaking these. One of biggest areas where interviewees were looking for new skills was unsurprisingly in digital technology. Only 2% of charity leaders identifying their board's failure to prioritise digital technology as a barrier to engaging more fully in what digital has to offer. But digital literacy was frequently identified as a gap in board knowledge by interviewees. So in many cases boards may understand the importance of digital, but may not have the necessary skills to move further.

The roundtable discussion on digital spent some time discussing the importance of boards understanding the opportunities presented by digital advancements. One participant said *'at least one digitally savvy trustee is absolutely enormous in terms of the difference in the working of the organisation.'* Another warned of the consequences of a board without that knowledge:

*'A lot of organisations don't have proper technology, and there's always someone on the board that says "oh, my nephew can build it..." and, **even if you have people with a digital vision in your organisation, if your board are thinking like that, it is such a blocker.***

Diversity of skills can be hard to balance with diversity of background

There was some concern expressed about the tension between finding the right skills and recruiting people from different backgrounds. However, roundtable attendees identified that there are some networks that could be tapped into, such as existing business networks for young people or BME (black and minority ethnic) groups. Alongside this recruiting more than one trustee at the same time was strongly advocated as a way to get beyond the "filling a slot" mentality of trustee recruitment, and enabling boards to recruit for multiple different factors. This would also aid with retention challenges, as bringing in several people at the same time can help break ingrained cultures:

'Never recruit one person at a time! It's not only about [avoiding] risk. If you've got three places, you're going to look at diversity ... sometimes you can take someone who's a bit left-field. [We took on] someone who is dyslexic, he can't read the board papers, he's working in his third language, but I had enough people who were safe bets I could take a risk with him. But actually he's been a star. It's a nightmare having him on the board because he thinks so differently to everyone else but that's the essence of his brilliance ... I think it also takes us away from the mentality of "filling a slot", which is not helpful.'

There was clear evidence throughout the interviews, roundtables, and survey that governance is on charities' minds. Undoubtedly there were stories of real transformation. But it was also clear that, though charities are trying to improve their governance, many are starting from a difficult place, and that a more informal culture was a barrier to delivering greater impact. We had a number of interviewees talk quite frankly about the challenges they had with their long-standing, traditional structures and cultures, and difficulties with trustees who were not as

engaged or do not understand their role as the current environment demands. One interviewee explained that a year ago their governance had been a ‘disaster’ as the experience of trustees had not kept pace with the changing activities of the organisation. Another explained that the informality of their organisation’s decision-making processes had been a constraint, but that concerted effort had helped the board professionalise: *‘I think there’s been a real upping of their understanding of governance’*.

The aforementioned prevalence of skills audits, along with term limits (used by 62% of survey respondents), and formal training and mentoring programmes (51%) are all important steps in creating a different culture within governance. And both this question of professionalising boards and that of increasing diversity, led to a discussion on paying trustees at the roundtable:

‘Most [trustees] are going to be pro bono, right? ... So they feel that they can’t be pushed or held against because [they’re] donating [their] time. But if they were receiving some sort of compensation then they’d have to then be able to [be] challenged. ... If I’m paying you for your time I can push you.’

But paying trustees is not without its challenges and drawbacks. And others identified that some organisations had instituted a more professional culture without paying. One attendee talked of an organisation that drew up a short contract:

‘It’s a whole list of the Charity Commission stuff about what we expect of you, you know, turn up, read the papers, but then there’s a whole load of what we will give you—access to mentoring, access to the staff, access to support. And it’s a really, really sophisticated thing. You’re required sign ... and you get appraisals, reviews, personal development as well. It should be a trade off, a two way street. It isn’t about making life worse for the trustees, it isn’t relentless, it’s about actually raising the game so [they] feel better about it, [they] care about doing a good job.’

One interviewee outlined that paying had enabled them to reach out more effectively to disabled people, arguing that *‘if you don’t have the mechanisms to level the playing field, then, actually, disabled people won’t become trustees’*.

Ultimately there was no consensus over paying trustees—some thought it may be a way to encourage a wider pool of applicants to trustee positions while others argued that *‘payment isn’t a way necessarily to counteract the dominant values and biases and inequalities associated with boards that made you pay in the first place’*.

Our analysis

Boards have a critical role to play in driving an impact focus throughout their organisation. It is a positive sign that among the top answers that boards reported discussing were ‘changing strategy based on learning or evidence’, and ‘the use of data to inform activities’. But there is still work to do to ensure trustees themselves align with the organisation’s ‘theory of change’ and the board composition and processes reflects what the charity is seeking to achieve.

It is important that boards rebalance their approach to risk to consider strategic opportunities instead of keeping a more narrow focus on organisational survival and financial risk. A more pro-active, positive approach to managing and taking risks will support transformation and new ways of working.

Increased diversity and including, involving, and listening to users could help bring about the culture change needed in boardrooms. This includes bringing on board the different skills and experiences necessary for the modern world. Beneficiary involvement in particular can help tackle the issue of lack of a direct feedback loop between those who receive support and those who deliver it.

The business case for diversity needs to be better understood by charity leaders.

Our recommendations

We think charities need to:

- **Think through what they are trying to do and what sort of governance is needed to support that mission.** This means thinking through the skills and experience and processes and culture, and being clear on the link between the charity’s theory of change and the board’s role.
- **Make conscious decisions about their risk appetite and management,** understanding the trade-offs between different types of risk, and being prepared to be bolder strategically where it will achieve their mission
- **Give higher priority to recruiting and retaining a more diverse board.** This means adopting best practice measures as the norm, such as: recruiting openly rather than through networks; recruiting in groups; looking at different networks to bring in people from different backgrounds; and taking steps to ensure the culture of the board remains inclusive. This should be an ongoing process and should include succession planning.

TAKING NEW APPROACHES TO EXISTING RELATIONSHIPS

While charities' relationships with both the public and the state are hugely important to their ability to achieve mission and impact, both have also come under strain and faced significant challenges in recent years. We set out to find out in our research what charity leaders are thinking and doing about these challenges.

Relationships with the public

Summary of findings

Most charity leaders only think about public trust through a fundraising lens. There is a significant proportion of the sector that thinks a loss of trust in the charity sector will not affect their organisation.

Whilst transparency is seen as important, most of the sector's suggestions for building trust are focused on educating the public about charities and the sector, rather than changing their own practices in response to public concerns.

Despite the potential political, economic and social ramifications from the vote to leave the European Union, many charity leaders said they do not think it will affect their organisation.

Relationships between charities and the public are under renewed scrutiny

The relationship between charities and the public has come under renewed scrutiny in recent years following a series of widely publicised scandals, including on fundraising and governance. In [Boldness in times of change](#), we took a broader look at how the wider context of fluctuating levels of public trust in institutions and hardening of attitudes to welfare may affect charities. We concluded that charities are unlikely to be immune from these broader trends in society. This was echoed by some charities throughout the research. One interviewee stated that for those organisations that rely on research and evidence a broader perception of decline of public trust in 'expertise' raises alarm bells, posing a significant challenge for their engagement with the public:

'In terms of the broader picture, I think [the] "we've had enough of experts" vibe is quite worrying and unhelpful to charities that are primarily science-based in approach.'

Public trust is fundamental to charities' ability to do their jobs

87% of the leaders we surveyed identified history/reputation as an important resource that charities draw on to achieve their mission—the second highest ranking resource overall. We found that public trust is important not only for what it brings in to charities—such as fundraising—but also for what change they are able to create by operating in our communities. One of our roundtable participants, Leesa Harwood from RNLI⁷, articulated this view very strongly when talking about her organisation's views of public trust:

*'For me there is a bit of a triangle with trust. The public have to trust the RNLI because if they don't trust us they don't trust the advice that we give. If a life guard gives some advice and the person doesn't trust that advice, they will be at greater risk of drowning than if they trusted the organisation. So **on a very basic level of fulfilling our mission, we have to be trusted and we have to be credible in our area of expertise.***

In terms of donors, they equally have to trust that when they give money, every pound or euro or bitcoin is going to be spent wisely and that we are going to squeeze as much life saving value as possible out of that. That requires trust.

*But there's a third thing—there's government trust. I am commissioned by the Maritime and Coastguard agency, and if they don't trust my organisation then I will not be commissioned to deliver that service. Equally local authorities won't commission us either. **There is a triangle of trust and we sit right at the centre. If we cannot be genuinely trust worthy—and I'm not talking about PR—then we would not exist.***

Many charities have a narrow view of public trust—of why it is important and how it affects them

In contrast to the importance of public trust, however, many organisations do not approach it in this holistic way. We found, for example, that many sector leaders' thinking about relationships with the public is focused—in some cases exclusively—on fundraising from the public, to the exclusion of other aspects of relationships with the public. So for some of those organisations, the fact that they do not raise funds directly from the public meant that they did not see fluctuations in public trust as any particular cause for concern. One interviewee said:

*'**We never engaged in any of those activities that caused concern—we don't do cold calling, we don't do agency funding, we don't do any of those things and never have done ... we are a very trusted organisation.***

At the same time, we found other sector leaders taking the view that while trust is an issue for the sector, it does not matter particularly to their organisation so long as fundraising levels remain steady:

'We haven't seen a drop-off in the level of donations; we haven't seen a drop-off in the level of people taking an interest in our work and wanting to work with us.'

For many organisations, the umbrella language of 'charities' continues to serve a useful purpose; it acts as a sort of shorthand with the public that for now, continues to bring with it an assumption of trust—a 'halo effect':

*'**It's always useful to be able to say "you don't have to worry about us because we are a charity"**. People sort of understand that it means you're in a different category ... I still think that's pretty important.'*

⁷ Throughout the research we have anonymised quotes to ensure open and frank discussions, however the anonymisation process would have significantly weakened this point and we are grateful to Leesa Harwood for permitting us to use this quote unchanged.

'It's very important in fundraising. And it's very important in our relationships with corporates and the general public.'

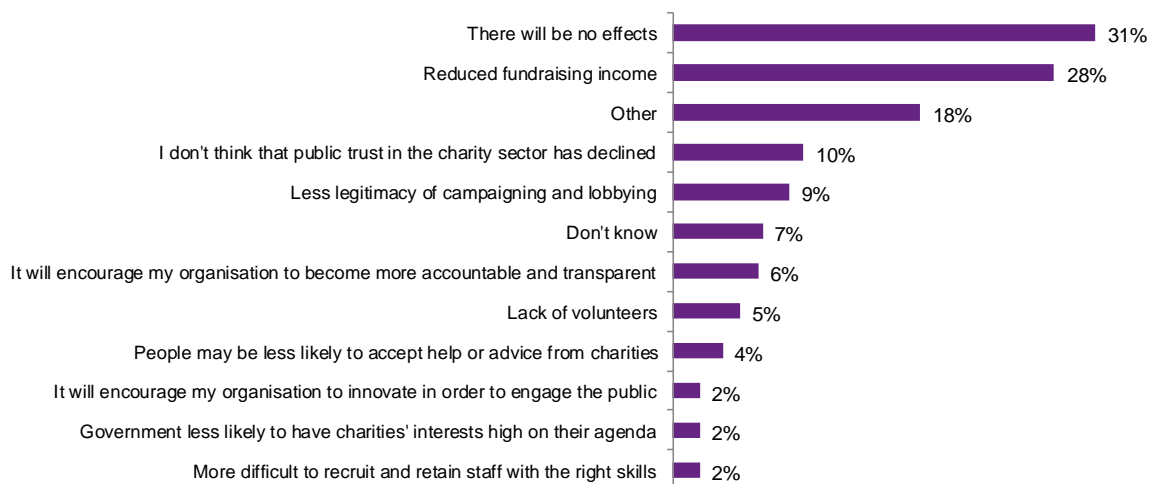
This points to the bigger question of what happens if the charity 'brand' takes a dive. As one roundtable attendee put it:

*'I don't want people to be saying "oh, you're doing such great work". There is a danger to that because the bubble will burst spectacularly. **Let's have a more grown up conversation with the public.** The good [charities] would benefit, the lousy ones wouldn't, and that we, as a sector, should be what we want.'*

Charity leaders underestimate the effects that declining public trust in the sector may have on their organisations

We found echoes of these qualitative findings in an open ended question in the survey (Figure 9). The largest proportion of charities surveyed—around 1 in 3 (31%)—felt that a drop in public trust in charities would have no effect on their organisation (rising to 45% among small and medium charities).

Figure 9: Some evidence has suggested that public trust in the charity sector has declined in recent years. How, if at all, do you think your organisation could be affected by this? (unprompted, 300 respondents)

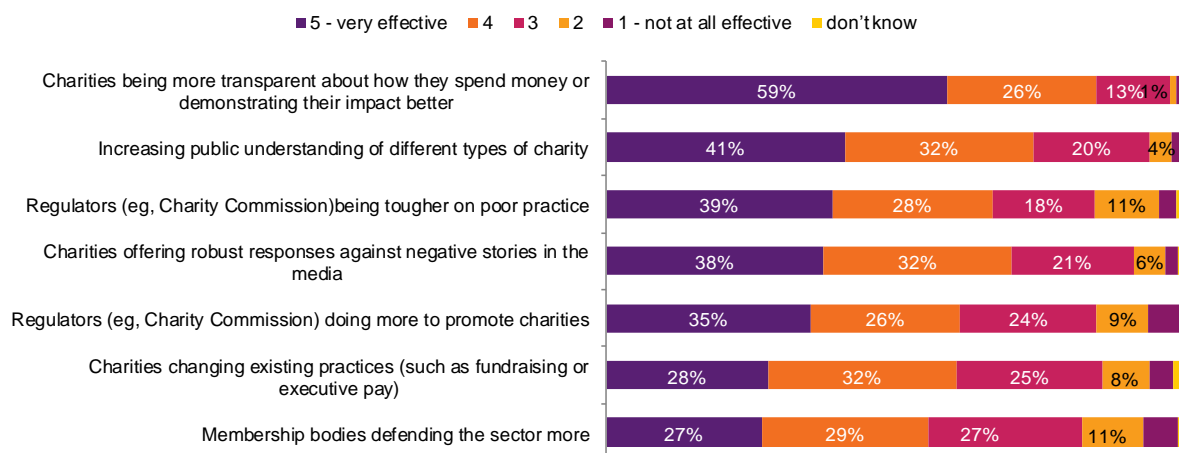


Just over a quarter (28%) felt that it would mean less fundraising income—rising to 50% among major charities. However, only 1 in 10 (9%) felt it would give them less legitimacy in campaigning and lobbying, while only 4% felt it would mean people will be less likely to accept help or advice from charities. And only 2% felt that it would mean that government would be less likely to have charities' interests high on their agenda. 1 in 10 charities (10%) do not think that public trust in the charity sector has declined—perhaps reflecting mixed reports about what is actually happening with fluctuations in public trust.

Many feel that the public need to better understand charities, rather than charities need to change their ways

85% of respondents feel that 'charities being more transparent about how they spend money or demonstrating their impact better' would be effective in rebuilding public trust in the sector (Figure 10). And 3 in 4 (74%) think that 'increasing public understanding of different types of charity' would help.

Figure 10: On a rating scale of 1–5, where 1 is not at all effective and 5 is very effective, how effective do you think the following are to rebuild trust in the sector? (prompted, 271 respondents)



Smaller charities were more likely to think that greater transparency will help rebuild trust (72%), and more likely to want tough action from regulators. Conversely larger charities are more likely to favour increasing public understanding of charities in some of the ways discussed below.

Yet only 60% feel that charities ‘changing existing practices’ would be effective towards this goal. Indeed one survey respondent said in relation to a question on risks they had taken:

‘The main one for us is that the organisation was founded on direct mail campaigns so that’s our main source of income, and when the whole Daily Mail campaign hit, it reduced the focus on direct mail but we had to carry on with it so it was quite a big risk for us.’

For some organisations, better transparency and informing the public about charities means a greater emphasis on impact reporting:

‘We have committed to producing an impact report from 2017... The board has signed off a new transparency and accountability policy setting out our commitments around the information that we will share ... [and we have] fully signed up to the NCVO guidance that was produced around chief executive and senior salaries. So there is again full transparency about those in our annual report.’

‘I think this is a wake-up call for charities to engage better with their supporters and donors and to be able to demonstrate their impact better.’

Some interview respondents felt that growing public confidence in charities would be best achieved not at an individual organisational level but through collective action to show the impact of charities on public life:

‘[We need to] shout about our accomplishments and the difference that we make.’

‘We need to ... get our act together—to present a sense of our collective impacts using some common language. But as we know, you have got 180,000 or whatever registered charities and even amongst the top 50 there is such a diversity of views. So getting a common narrative with a shared purpose is like herding cats, and not helped by the fact that NCVO and ACEVO are two separate organisations.’

For other organisations, increased public scrutiny has brought less concern about impact reporting and supporter relationships, and has instead encouraged them to shine a spotlight on ensuring that their procedures to safeguard vulnerable individuals are up to standard:

'I think [questions about public trust] have had a profound effect on all charities. I think there is much greater scrutiny of charities than in the past, and that's actually not a bad thing. But it means our practices have to be gold standard and we are very conscious of that ... particularly because we are working with vulnerable children in the same way [that] Kids Company was.'

'Where [concerns about public trust] would have an impact is if in any of the services we deliver we made some serious error.'

The vast difference in size and nature of charities within the sector was an issue for some sector leaders. For them, a greater understanding of the breadth of work that charities deliver is key to the public understanding their work, and grasping what is at stake if charities are not able to function effectively:

'I have a big thing about the charity sector as a whole. It is so diverse [but the organisations are all called 'charity']. If you had an international development charity, a local charity that works for £1 million turnover with lots of volunteers, and a service delivery charity like mine ... they are all very different but they are all, as I say looked at the same way. Campaigning charities, fundraising charities... we all call them charities. I think there's a distinction in that is required in terms of maybe a grouping of five different sorts.'

'There are 170 odd thousand charities—dealing with some of the most complex disadvantage around the country and nobody knows—the public don't know and they don't really get it that there is huge swathes of the public that is supported by the voluntary sector.'

Some charities are exploring new ways of forming closer relationships with the public

There are some interesting examples of organisations thinking creatively about how their work is communicated. Some charities are taking a more radical approach to this—for example, by fully integrating their fundraising and service delivery teams:

*'Let's get back closer to [charities'] roots ... I think that's what some local charities do better. Disintermediation is something worth looking at for the sector. **We have created too many layers between the people who tell the story and the people who live it.** We have no fundraising department, we have embedded the fundraising team into the service delivery of the work.'*

This sparked a wider debate about how charities tell the story of what they do in a compelling way:

*'I'm talking about the people who do the frontline work. We have grant assessors who literally come out [of front line services] in tears. We have heroes in the sector that we don't talk about enough. It's interesting when you look at roadwork signs now it says "please look out for my dad and don't drive fast"—they are repositioning the man digging the road. **There is something about how we tell the story of our workers. All the organisations that we support have their own [heroes] but we would never project them in that light.'***

But for other sector leaders, increased public understanding of charities and their work is by no means a guaranteed way to ensure continued public support and better relationships with the public:

'My provocative question is, if [the public] did understand how charities worked, would they be less generous or more generous? Does the money we get depend on the certain false image of niceness?'

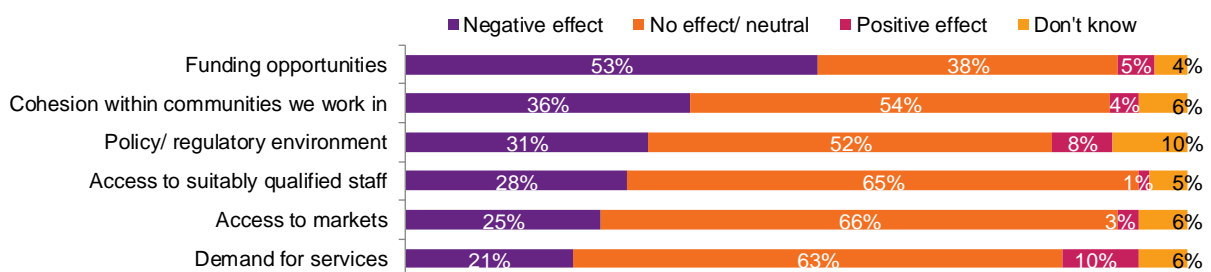
Brexit might tell us something about trust and charities' relationships with the public

This research took place in the aftermath of one of the biggest political decisions in a generation—Britain's vote to leave the European Union. The full impact of the decision is yet to be seen, but it is likely to have long lasting economic, social and political effects in communities up and down the country.

But when we explored this in the survey, we found that many organisations think Brexit will have 'no effect' or a 'neutral' impact on their organisation across a range of prompted options. The exception was international charities—unsurprisingly—and funding opportunities, perhaps reflecting the nature of the debate in the sector so far.

Many charities do not think Brexit will affect them

Figure 11: Thinking about your organisation, how, if at all, do you think Brexit will affect each of the following, will it have a positive effect, negative effect or no effect at all? (prompted, 300 respondents)



Despite the divisions exposed by the referendum campaign, only 36% of charities said they think it will have a negative impact on the cohesion within communities they work in. And this was as true for those who worked locally as it was for national or international organisations. 63% of respondents say that Brexit, a huge economic and social change, would have no effect—positive or negative—on demand for services.

The issue of Brexit sparked a lively debate in the roundtables on what some of the underlying factors for the vote were, and what the sector's role should be moving forwards. Some saw the issue of voice as a key factor in the referendum vote:

'I think it was much more about having a voice and saying "nobody's listening to us" not about an elite necessarily but about a number of people who felt disenfranchised and felt that their circumstances were such that they wanted to see change.'

This points to one role for the sector in a post-Brexit world, which is to help marginalised groups to speak up for their interests (we explore this further in the next section). There is also a real opportunity to tackle some of the underlying inequalities and divisions highlighted by the campaign. Searching for what this role might look like, however, prompt some soul-searching at one roundtable:

'I don't know what the correlation is between communities who aren't connected economically as to leave voters, but I'm assuming there's some relationship there. But ... maybe we haven't succeeded. Maybe as a sector we've failed those communities ... we need a strategy that's different to the one we've currently got and we need to rethink how we do that as a sector.'

Questions around trust and legitimacy arose around a sense that charity staff may have voted one way, whilst the communities they operate in voted another; a sense that the divisions highlighted through Brexit also exist within

the sector itself—between charity professionals and those who access their services. As one roundtable attendee put it:

*‘ ... How representatives are those organisations? How in touch are those organisations—are we—with the communities we want to serve? We are not representative ... **We now know that [the] workforce demographic is not representative of many of the communities we’re here to serve, so there’s a huge challenge there.**’*

There was some evidence that where sector leaders took a view on whether Brexit would have an effect on any particular facet of their work, the results were more negative than positive. Though our sample size was small, there did not appear to be a correlation between views on negative or positive effects of the referendum result across geographical regions. London was a slight exception, but this may be explained by the presence of larger numbers of international and national organisations.

The concern about trust in charities is further underlined in the context of wider shifts in public attitudes to institutions and the much derided ‘experts’⁸—underlining the importance of trust in a world where evidence and messages are increasingly contested.

The challenge of the relationship with the public in the context of Brexit was summed up by a comment from one survey respondent:

*‘I think the main thing for me is how [the sector] aligns with the values that the country upholds. **We are in the UK which is known for its liberal values, tolerance and dignity, so it’s important for charities to align with the national values and to demonstrate them.**’*

The idea that the sector should align with the values of the people we exist to serve is hugely important. However, these so called ‘liberal’ values have always been contested, and the referendum demonstrated the extent to which that is true across many communities in modern Britain.

⁸ See, for example, YouGov polling: [‘Leave voters are less likely to trust any experts—even weather forecasters.’](#) YouGov news, 17 February 2017.

Our analysis

It is critical that charities maintain good, trusting relationships with the public. This is not just for reasons of fundraising and recruiting volunteers, but also so that they can create a strong influence in society through campaigning and advocacy, and can represent the voices and needs of their users with authority and legitimacy. Given the 'halo effect' identified in the research a loss of trust in the 'charity brand' could be very problematic.

Charities' focus on increasing transparency is particularly welcome, since it is important that charities communicate effectively and accurately about what it is they do, and why and how they do it. Being able to do this effectively is a natural follow-on from charities having strategic clarity, prioritisation, and focus. However it is important that impact data is not just used to inform the public, but also to inform charities about how and where they can improve their work.

Being clearer about what charities do and how they do it allows for a more fruitful conversation about the difference between types of non-profit organisations. This would aid public understanding of charities. Small, local civil society groups are not the same as large social businesses delivering public sector contracts, or major fundraising brands, and the research suggested many do not feel it is helpful to lump everyone together. But it is important that greater clarity around these roles is achieved in a way that ensures divisions within the wider charity sector are not exacerbated.

There is something missing in the charity sector's conversations about understanding the public better. We are concerned that charities think too much about the need for the public to change their view, and not enough about changing practices that damage the relationship themselves.

There is a real danger that charities become trapped in an echo-chamber of existing supporters and networks, blind to wider trends and perspectives. This matters because charities do need to proactively move out of our existing bubbles to build connections with new audiences, not least in trying to heal, rather than perpetuate, some of the divisions exposed by the referendum. How charities reach out to those with a range of opposing views is going to be incredibly important.

Our recommendations

We think charities need to:

- **Investigate broader models of public engagement,** ones that view the public not only as supporters, but in all of their multiple and complex potential roles as donors, service users, campaigners and activists.
- **Communicate clearly about the impact they have,** why they do the work they do, and how they do it.
- **Make active attempts to break out of their bubbles of supporters and networks,** ensuring they are exposed to and considering the implications of different viewpoints.

Relationships with the state

Summary of research

The changing shape and role of the state is seriously affecting charities, with significant numbers having to subsidise contracts, turn down contracts due to risk, or being unable to find relevant contracts. Overall commissioning remains problematic, and in some geographical areas respondents felt that the system is on its last legs.

Many respondents identified that the charities' relationship with the state remains paternalistic, unequal, and in many cases dysfunctional. Some leaders feel that the state is withdrawing money yet expanding in other ways to dictate what the sector can and cannot do.

Some charity leaders are seeing these changing relationships as an opportunity to think through what their role is and what a new relationship might look like—not least through devolution and creative responses to austerity.

Relationships between charities and the state are under increasing strain

Over recent years the charity sector in the UK has developed an increasingly close relationship to the state. Parts of the sector have come to rely more and more on government funding (be it through grants, or latterly, through contracts) and are acting, in some cases, almost as a delivery arm for state services. Just over a third of charities (36%) we surveyed said they deliver public sector contracts (See Figure 1), a 'great deal' or 'a fair amount', with another 12% delivering some contracts but 'not very much'. This correlated strongly with size: about 1 in 10 small and medium charities said they deliver 'a fair amount' or 'a great deal' of public sector contracts (with another 10% doing so 'not very much'). This rises to over half of large (51%) and major (55%) charities.

While in the short-term, delivering contracts has brought injections of funding into the sector, and increased profile to some charities, criticisms have included concerns over mission drift, and a decrease in charities' ability to focus on tackling structural inequality.

But perhaps more pressingly, the shape and role of the state continues to change—both through austerity, and devolution. We found through this research that, for charities that have come to rely on these close relationships with the state, there are crises brewing or already in progress. On the one hand, the state's withdrawal in a range of areas fundamentally threatens the financial models that some charities have come to rely on, such as those based on delivering public sector contracts. On the other hand, there is the issue of an *extension* of the state's reach—for example through increased scrutiny, regulation, and curtailment of charities' voice—threatening charities' ability to act freely in some contexts:

'[The term] "state retrenchment" is a bit reductive in the sense that it's just about money. Perhaps the state is expanding in other ways and influence. ... In theory retrenchment might create opportunities, but not if the state is determining the ways in which charities are able to respond ... On the one hand you've got a pull back on services and on the other hand you've got increased scrutiny, increased regulation.'

It is clear that these relationships need to be revisited and taken forward on a different basis if charities are to deliver greater impact in a changing world. And the well-worn sentiment that within every crisis is an opportunity came through strongly from the people we spoke to. One roundtable attendee talked of the potential for creating

new relationships arising from the state's retrenchment, though they spoke about the backdrop of a chaotic environment:

*'I think [the term] retrenchment gives a greater sense of organisation [to the process] than actually exists. **Things are falling apart and that's not an opportunity, but it's a starting point for rethinking our relationships** and what we're about and what we should be doing with others. But not because it's an opportunity, because it's a crisis.'*

One sector leader identified a prevailing cultural issue within the charity sector—one that stands in the way of charities' ability to fundamentally re-imagine their relationships with the public sector:

*'I think our public sector is used to being very controlling, very [paternalistic], very "we'll sort it all out, don't worry your little heads about it". And **people have had that false sense that there's the state looking after them ... Therefore there's a sort of passivity in the population and to some degree in the third sector** ... thinking somebody else is somehow in charge when the truth is nobody is, and it's all a giant experiment [where] we've no idea what the results will be.'*

And it is worth remembering that the relationship with the state and charities has changed before, and the current fixation on commissioning and contracts is ahistorical. As one roundtable attendee put it:

*'It's relatively recently that the relationship with the state became one of no investment, funding, commissioning, and a lot of our current sector grew up on the back of that huge bank roll of money ... **we've had enormous amounts of public money and inward investment from the business sector into the city region, and it's made no difference whatsoever to structural inequalities**. So, I don't think the loss of public money is necessarily a long term issue, I really don't.'*

Nevertheless, it was increasingly clear that fundamental shifts such as austerity, devolution, and movements to curtail charities' ability to speak out freely all pose risks for charities' ability to deliver social missions.

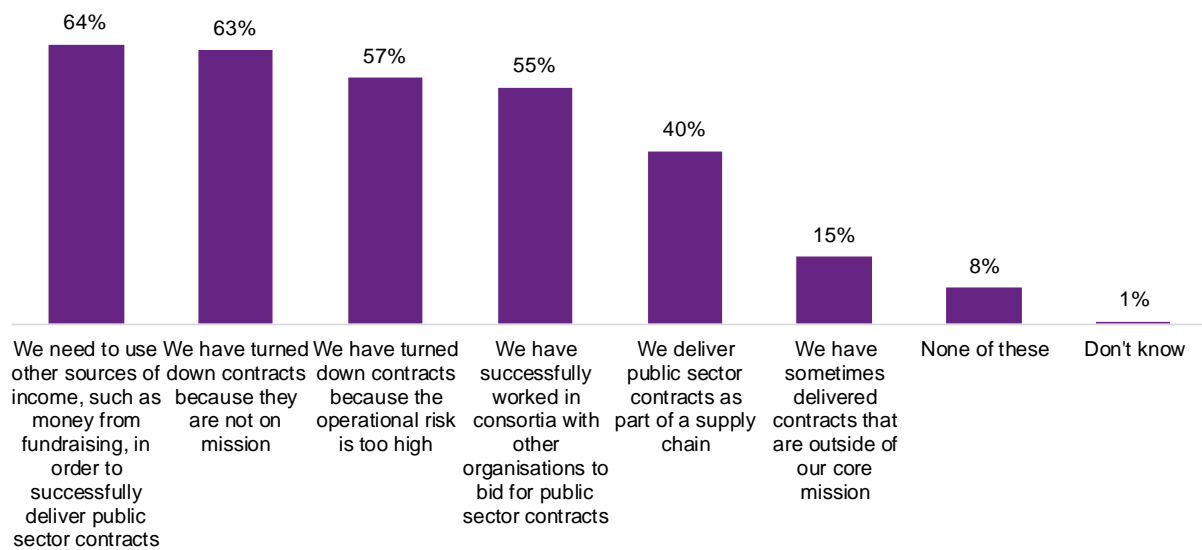
Charities are responding to the changing commissioning environment in various ways

The strain between charities and the state remained clear in the survey: of those respondents who do deliver public sector contracts (143 in total), about 2 in 3 (64%) say they actually need to use other sources of income such as money from fundraising, in order to deliver these contracts. And a further 57% report having to turn down contracts because the operational risk was too high.

There was some further evidence that charities are thinking quite carefully about how contracts fit with their mission. Of those charities *not* delivering contracts, more than half said (in an open question) that this was because doing so was not relevant for their core mission (53%). Through the quantitative survey we asked leaders who said they do deliver public sector contracts (143 in total) to say how relevant a range of particular statements were for their organisation (Figure 12). 63% reported turning down contracts that were not on mission, versus 15% reporting delivering contracts outside of their mission. their core mission.

But the well-rehearsed debates around the growth in size of contracts squeezing out smaller charities were evident for some larger charities too—a quarter of small charities not delivering contracts at all said this was because there were no relevant contracts available, rising to 29% and 30% of large and major charities not delivering contracts. However only 1% reported taking a strategic decision to move away from delivering public sector contracts.

Figure 12: Which, if any, of the following statements reflect your organisation when it comes to delivering public sector contracts (prompted, 143 respondents)



But even among those charities who do deliver contracts, we found they are responding in various ways to the changing commissioning environment. There was evidence too of organisations working with others to bid for public sector contracts with 55% saying they had successfully worked with others in a consortium approach. Some organisations have considered more strategic approaches to undertaking commissioned work, and are focusing on both their key priorities and the way they approach influencing and relationship building:

'We actually decided to not run lots of leading public sector contracts. In fact we handed a whole lot back ... Because we thought it was actually detracting from our organisational mission of having the highest impact on young people's lives. We could do that in a better way through not running those contracts... For us as an organisation it is about being clear about what we are trying to achieve and how to best go about doing that.'

Through the activities question (discussed in Chapter 1, Figures 1, 2 and 3) we found 1 in 3 of those currently delivering contracts expect to be delivering more in 3 years (only 15% think it will decline). This was true across all size bands. For those not delivering contracts no such optimism existed—only 1 in 8 charities (12%) not delivering contracts expect to do so in 3 years' time.

As already discussed, the sector is planning to do more campaigning over the next 3 years (Figure 3). This was consistent across all subgroups, and suggests that charities see their voice as important and are willing to use it. Encouragingly, only 3% of charities delivering public sector contracts expect to do less public-facing campaigns—'gagging orders' notwithstanding.

Changing relationships with the state offer a chance for charities to reclaim the narrative

Some feel that we are approaching a tipping point in the third sector's relationship with the state, as reduced resources mean commissioners make more fundamental assessments about what they want to achieve and how they want to achieve it. One roundtable attendee identified this as a new opportunity to facilitate different models and collaborations:

*'[I keep having these conversations nationally and locally]—[Commissioners are] getting to a point where they're thinking "this might be the last thing we commission" so they're beginning to think: What's their legacy? How will they operate? ... **There's a genuine sea change and we need to be articulate about what we could be about rather than what we have been about.**'*

So what might this new relationship look like? Rather than asking how charities can return to power dynamics where the state defines the problem and the solution and the charities are merely contracted to deliver a service. One of our roundtable participants suggested starting from a bolder, more forward-thinking question:

'How will we change what's going on in our communities, with or without the state?'

This process of taking charge and setting the agenda requires a deep understanding of what needs to be changed. For some organisations, austerity has led them to rethink what they do and how they work. One interviewee outlined how they were embracing a more user-centred approach, shifting the priority from the 'business as usual' mode of responding to government and funders, and putting the voice and needs of beneficiaries first:

'We were trying to use austerity as an opportunity to rethink how we organise a lot of our public service delivery... A lot of people-facing public services ... targeted at people who are struggling ... tend to be designed in ways which meet the needs of the services but not necessarily the needs of the people who use those services. And they cost, they are hugely transactional ... they tend to be bureaucratic and risk averse and really looking to satisfy the regulators as opposed to the users.'

A number of leaders we spoke to identified greater devolution—in which certain powers are being transferred from central government to local administration—as an important shift. There is a sense it could open up more opportunities to have more conversations based on what people and communities really need and want. One roundtable attendee elaborated on the links between devolution and beneficiary voice:

*'One of the roles of the third sector is about giving beneficiaries a voice in things. Bearing in mind that to some degree that's what devolution is about then those two things do fit together quite well. [...] **part of the role of the sector is providing a voice for people who won't otherwise even get their voice heard within the devolution agenda** ... I know it's a third sector cliché that we reach communities in a way that government doesn't, but actually there's some real truth in it.'*

There was also scepticism about devolution. A concern for some sector leaders was that devolution's greatest effect will not be to help them engage with their audiences, but to shift responsibility—even blame—to people for problems in their own local area, in the absence of real funding or levers of power to drive change:

*'I think [with a] more sceptical head on **what [decentralisation] has often meant is that the hard decisions are pushed down to local decision makers when the squeeze is on, so it looks like it is not central government doing that.** It is local devolved administration making those difficult decisions and making those cuts, and is not so popular in terms of local people.'*

But others talked about how they are using greater devolution to start new conversations that are rooted in the views and needs of those who use services, to create a more integrated system. As one interviewee said:

*'It enables people locally to start to take a ... far more holistic, joined up view ... So of course health and social care, and education, if those resources could be better aligned and focused around the needs of people rather than the needs of services then I think it would be a really good thing. We are supporting local authorities in a number of places to do that. **When the state is siloed, it tends to offer a series of services rather than actually seeing people as individual, unique people. It needs to happen I think, which localism might help with and devolution might help with out. Being able to see individuals and then work out what is required rather than just offer a service and see who comes along.**'*

There is a real opportunity to bring this beneficiary-focused approach to commissioners and co-produce shared solutions to shared challenges:

*'There should be a shared understanding of the problem and a co-design of the solution to the problem. In my experience what has been really helpful is to shine a light on precisely what group you're trying to work with. [This] then allows the charity to bring the need into perspective. And [it allows] the commissioner to share its data ... and draw in some other costs and drivers and problems they're facing. [So] you get collaborative solutions. Then the opportunity is much more exciting. I think it does happen because **actually most commissioners are decent citizens who are trying to solve [exactly the same problems as charities].**'*

Our analysis

The sector is not currently on the front foot in deciding how to work with the state in an environment of continuing austerity. At least some charities currently delivering contracts may be over-optimistic about what the future of public sector commissioning holds in an era of continuing funding cuts. And in this climate it is fanciful to imagine any quick return to large scale grants for smaller organisations, however welcome this would be to many in the sector.

There are the seeds of opportunities for improved relationships for charities fundamentally to re-imagine their relationship with the state in order to achieve greater impact. These opportunities come primarily from both the pressure local commissioners are under, and because of increased devolution.

Our recommendations

We think charities need to:

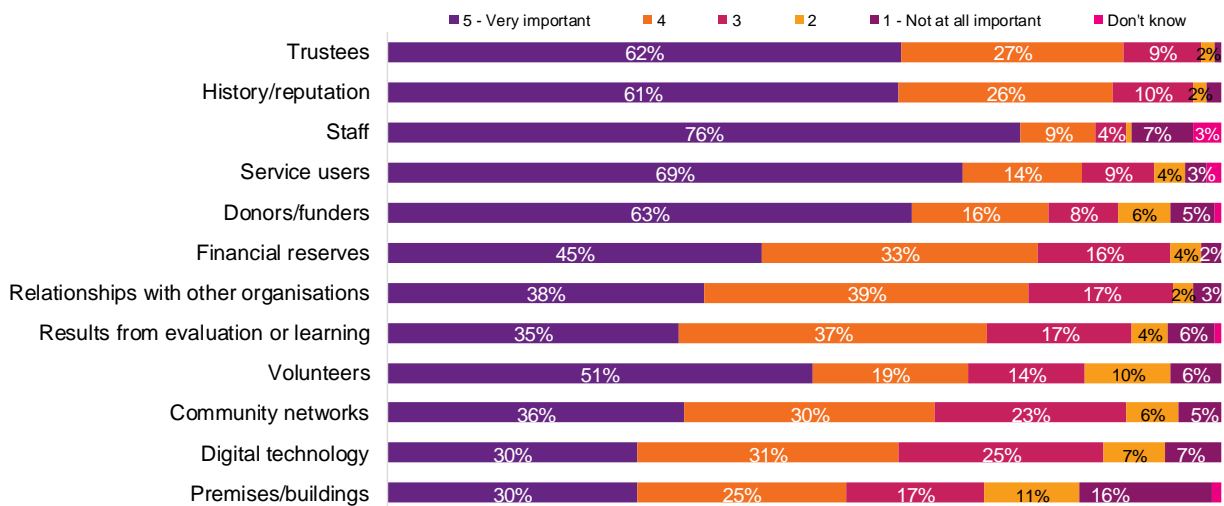
- **Continue to argue for a better system**, while remaining realistic about what they can expect in terms of public sector contracts they may receive in future.
- **Take charge of their future by focusing on what needs to change in communities.** The starting point for charities must be understand—using good quality information and data—what people and communities really want and need.
- **Work with others across sectors, as well as service users and communities themselves**, to design the change needed. Then present collaborative offers to the state, central and local, about how they will achieve better solutions to shared problems.

HARNESSING NEW NETWORKS AND RESOURCES

As we have outlined, charity leaders are seeing opportunities to reframe important existing relationships, both with the public and the state. This will certainly not be an easy task. But there is space too to open up more dynamic approaches; approaches that cross sector boundaries and exploit a broader range of resources to deliver greater impact. We think this will help charities become less reactive and beholden to traditional funding models and power relationships.

Our survey showed that some charities already recognise the value of the range of different resources we asked about, including relationships with service users, as well as the contributions of their trustees and volunteers. But how can charities maximise the resources that were ranked lower in the survey, such as new models and partnerships, digital and data, and the assets and strengths that communities and beneficiaries possess?

Figure 13: When thinking about how you achieve your mission, how important do you consider the following resources to be? (prompted, 300 respondents)



New models and partnerships

Summary of findings

As boundaries between sectors become more blurred, there are possibilities for charities to work with a broader range of partners—including in the private sector.

There is also potential to develop new business models that generate a return in order to help charities become more financially sustainable and create more resource to deliver further impact.

There are a few examples of charities trying new things, but the research did not show this happening to a large degree

As boundaries between sectors blur, there is room for charities to explore broader collaborations

Some organisations are responding to changes in more traditional relationships with the public sector by exploring new approaches that are based on a strong sense of mission:

*'I think what we're seeing ... is the traditional boundaries between public, private, academic, business, cultures breaking down. There are so many hybrid things going on. We're registered as a charity but we don't behave as a charity might be considered to behave. **We have as many relationships with people from other sectors as we do from voluntary organisations. And I think that's very positive because people come from different backgrounds with different capacities, resources, knowledge bases, etc. Collectively we may solve some of the huge social and economic issues that face our city and others. [We can't by] where by operating in those siloes that we call sectors and worrying about the relationships between them ... To coin a phrase 'we're all in it together.'***

This idea of the possibility of greater impact being delivered by new actors across different sectors and in partnership was echoed elsewhere:

*'New players are coming into the space who will hopefully [be] creating really high impact. **High scale positive social change could come either from the private sector, the public sector or the charity sector, or partnerships across the three.***

So we set out in our survey to explore the extent and ways in which the charities we spoke to are currently working with private sector organisations—if at all. There is some evidence of charities partnering with private sector organisations—33% of charities said they did this a fair amount or great deal, with 41% saying they expected do this more in the future. Half of large (51%) and major (50%) charities expect to partner with private sector organisations more in the future, but the same is true of only one in four (25%) small charities.

However, our qualitative research suggested that in the main, these relationships where they existed are fairly transactional funder-grantee relationships, rather than more transformative partnerships based on shared approach to mission. At the same time, we did find some exciting examples of charities exploring networked approaches with private sector organisations in order to better leverage their impact:

*'We are working with the private sector, to deliver a ... health intervention in [our region]. This is not a public-private partnership, it is a consortium approach **using the best resources and skills available across three different sectors in order to get better outcomes** for [service users in our region].*

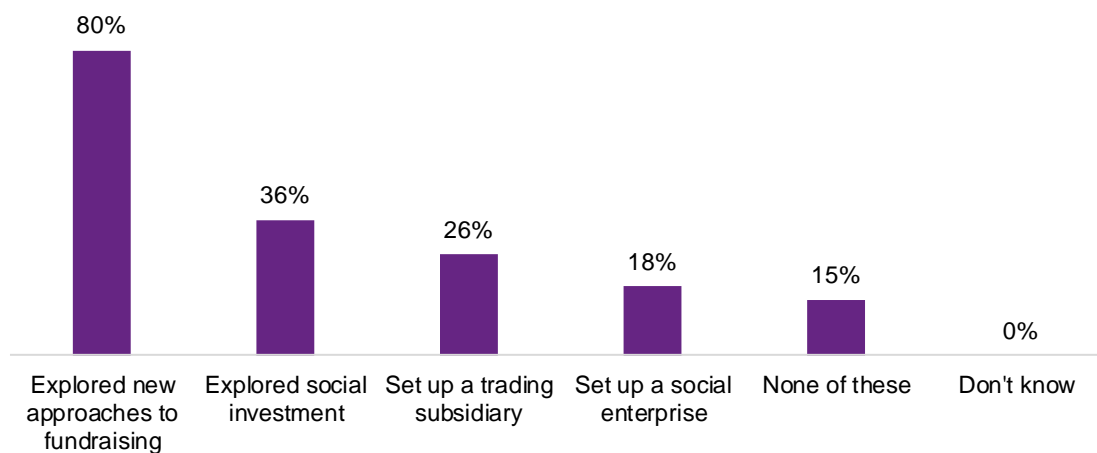
We are using the lessons we are learning from that to try and influence other local authorities throughout our public policy work....

... You sort out the impact you want to have, work out which other partners one can work with on it in the private and public sector ... then see what lessons can be taken ... and then leveraged. ... We would never get that much work done through just raising money ourselves.'

New models of finance are also available, but few charities are embracing them

Alongside the building of new relationships with other sectors, this blurring of boundaries opens the door to new ideas around market based models for delivering social impact. Yet relatively few of the sector leaders we spoke to were making any substantial moves towards exploring a small range of new business and funding models we asked about (Figure 14). While 4 out of 5 charities (80% we surveyed) told us they had explored new approaches to fundraising in the past three years, this compared to about 1 in 3 (36%) have explored social investment, about 1 in 4 (26%) have set up a trading subsidiary, and about 1 in 5 (18%) have set up a social enterprise.

Figure 14: Which, if any, of the following financial innovations have you tried in the past three years? (prompted, 300 respondents)



In interviews, we explored in greater depth the extent to which charities are—or are not—exploring more commercial business models and/or forms of investment such as social investment. We found some charities are investigating a range of new funding options in response to the challenges of existing funding and business models, including expanded retail activity:

*'We've got projections to grow our commercial income over the next 3 years and we are really confident on that because we've met all our targets so far. And that's because we recruited a really shit hot commercial director...Our core funding really is our membership income, but obviously we want to be less reliant on that and the **key to being less reliant on it from our point of view is our commercial stream, not statutory funding ...**'*

Social investment, and social impact bonds in particular, sparked quite a debate. There were enthusiasts:

*'The whole social investment area is very interesting in terms of bringing in money. We very much embrace payment by results where we like the results that are being aimed for. **It's made us more entrepreneurial and it's helped us to focus on outcomes**, which has been, I think, not only useful for us but very important in terms of better services for the people we aim to support ... It's been*

disruptive internally in the way we deliver services and it's disruptive externally, I think, in terms of the impact it's had on the working environment that we are part of.'

But there was, of course, scepticism too about social investment. In particular in relation to social impact bonds, one roundtable attendee pointed out that there is a danger in hoping that social investment will solve existing problems with poor commissioning:

'If you try and retrofit a bad contract with social investment you'll end up in a worse place.'

The importance of making sure the outcomes are the right ones in the sorts of payment by results contracts supported by social investment was also highlighted by one roundtable attendee:

*'So it's all very well monetising outcomes, which is what local authorities are doing increasingly, but that costs money to deliver. ... We need to be clear about what it is that we want to achieve and then incentivise the right things. Because **at the end of the day what you decide to measure is what you give attention to and often we just don't measure the right things.**'*

It is, of course, important to temper expectations on what market-based models and funding mechanisms can do to address problems caused by market failure—not least for causes or beneficiaries where it is difficult to generate a return. It is important to be cautious in embracing opportunities, but there may be just as much risk in *not* changing approach:

*'Absolutely, [charity beneficiaries] are the casualties if we're not really careful. But that's already happening. ... We already know that people are experiencing rising levels of poverty, their health is getting worse, their mental health is getting worse, their housing conditions are getting worse ... so **you either carry on fighting as the hole gets bigger and bigger, using the same mechanism you always have done, or you take three steps backwards and you go "I know it's an emergency but is there a better way to do this."***

Ultimately, the aim of some of these new models is to break a cycle of dependency and deprivation through new models, rather than replicate existing service delivery:

*'I think it's about enterprise, it's about community, local based delivery. And yes **there are going to be people who will be in need of services, but what you're trying to do is bring them out of that cycle.**'*

Our analysis

There is potential for charities to increase their impact by investigating new business models, and charities may well benefit from thinking more seriously about this. But these new business models may not be suitable for everyone—charities must be upfront about what generating a return means for their mission and beneficiaries. Organisations addressing market failures may well find that a market or market-like solution is not appropriate.

It is important for charities to be clear about why they are embracing new models and approaches—whether that's entering into a partnership with a profit-making organisation, or developing a different business model that generates a return. They must know what it means for their mission, and communicate that effectively.

Our recommendations

We think charities need to:

- **Think imaginatively about the assets and resources that other organisations** have and assess what partners may be out there in different sectors who can help them achieve social impact.
- **Seek to build relationships that are based on a sense of shared mission** rather than just transactional dynamics.
- **Investigate different models of resourcing and financing more seriously**, by considering what services or products they can deliver that people may wish to pay for. Be careful to consider any ethical questions raised related to their mission and clearly communicate to stakeholders about what they are doing and why.
- **Recognise that the changing funding environment is not temporary** and is unlikely to return to how it was previously. This means accepting and adapting to change.

Digital and data

Summary of findings

There is a limited understanding among charities of what digital and data can achieve. This is matched with an overconfidence about how advanced charities are in their use of digital. In a number of cases the more confident a leader was that their organisation was making the most of digital, the less well they seemed to understand the nature of digital and its benefits.

Significant numbers of charities are viewing digital through an IT or communications lens and not as a strategic resource that can be leveraged across all levels of an organisation's work.

Some charities are grasping the opportunities that new technology offers in order to support collaboration, but it is clear that the potential of the digital revolution is yet to be tapped by the charity sector.

Digital is an opportunity yet to be fully grasped by the charity sector

What do we mean by 'digital'?

Day to day, most charities use computers, websites and social media. But the potential for charities to utilise digital technology goes way beyond that. The final goal of a digital approach tends to be breaking down barriers: physical barriers (improving connectivity or achieving things that were not previously possible), social barriers (breaking down hierarchies and reaching across communities) or barriers of time (increasing efficiency and speed). Relevant examples of the sort of transformation possible in the charity sector include: platforms to drive collaboration; networked and user-centred approaches to service delivery; more responsive and personalised services; machine learning about complex problems driven by greater data sharing; and crowdsourcing and scaling of new ideas and approaches.

As our society moves into a more digitally-enabled—even digitally-led—way of living, charities need the right skills, the right understanding of the technology, and the right digitally-positive culture. To harness the potential that digital brings requires charities to think about digital as horizontal strand of their work—rather than a vertical strand that sits in isolation to much of the rest of their work—and therefore consider how it may cut across all of their activities, both internal and external. This will enable them to understand their place in 'the digital age', and how they might use digital technology to advance their mission.

New technology has been hugely disruptive in other sectors. It has levelled, to some degree, the playing field degree between consumers and companies, by and granting a greater voice to consumers and enabling companies to respond to increasing demands for more personalised services and products. Technology allows people to connect in new ways and organise around communities of interest no matter where they may live.

But we have yet to really see its full impact in the charity sector, which has been slow to embrace these trends. Yet there are real opportunities to deliver greater impact if we harness these resources to their full potential, as we outlined in our report [Tech for common good](#)⁹.

⁹ (2015) <http://www.thinknpc.org/publications/tech-for-common-good/>

Some charities are already using digital technology to bring together communities of interest—rather than communities of place—and there are even more exciting possibilities building on what has happened in other sectors. [The New Reality](#)¹⁰ work was identified by some people we spoke to as a very helpful guide to the possibilities.

Some charities are thinking strategically about how they bring digital into their organisations

Throughout the research we found many organisations grappling at the highest levels with how best to make the most of digital and data. 77% of boards had discussed how they can use data to inform their activities, and 73% had discussed a greater use of digital technology, in the last year. Digital technology was rated by 61% of respondents in the survey as an important resource. However, this was ranked overall at 11 out of 12 of the list of resources we asked about, showing it was not seen as high a priority as many others.

There are definitely some organisations who are thinking strategically about digital, investing at a higher level to integrate digital across all of their operations:

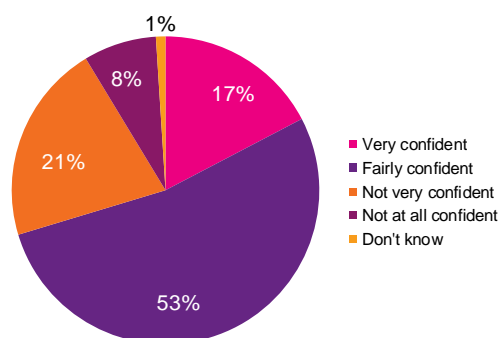
*'We have just hired a chief digital officer, which is pretty rare in the not-for-profit sector ... We want to be the very, very best we can be when it comes to engaging with our customers, donors and partners and others, and we think investing in digital is really important... **[We are] looking at how we digitise all of our channels and all of our engagement with our key stakeholders** ... We're starting from a very rudimentary position with a big ambition to become one of the leading not-for-profit organisations.'*

'Digital is a fundamental part of what we want to achieve in terms of impact and to what we want to achieve in terms of organisational sustainability ... we've brought in somebody who has 15 years' experience. [They] will lead digital strategy whereas before we had output but we didn't really have strategy.'

Many of the charity leaders we asked generally feel positive about their use of digital technology

We found that 7 in 10 (70%) charities surveyed feel they are confident that they are making the best use of the latest digital technology in their organisation. Surprisingly smaller organisations were most likely to say they were 'very confident' at 22% compared to 19% for large charities and only 7% for major organisations. The reverse was also true—those saying they were not confident ranked 36% for major, 28% for large, and 25% for small and medium charities. The broad picture though was that most charities across all sizes felt they were 'fairly confident', with just over half reporting this.

Figure 15: How confident are you that your organisation is currently making the best use of digital technology? (prompted, 300 respondents)



But are charities right to be this confident?

It is not immediately clear either from the interviews or subsequent questions in the survey that the sector is right to be this confident. Clear examples of strategic thinking around digital were not commonplace in our discussions.

¹⁰ See: thenewreality.info

Many organisations reported challenges with a lack of understanding for the potential—and potential limitations—of digital service delivery.

‘I am smiling because of my ignorance really ... but what I would say is “look, we’ve got to be [engaged with digital]”.’

*‘While it is important for senior managers’ digital skills to improve, it is also key for them to be aware of the limitations of [their] digital skills. **You can have a real problem of people who think they understand digital running before they can walk and making poor decisions without appropriate consultation.**’*

This was reflected when we asked charities where their charity’s digital strategy sits within the organisational structure (Figure 16). Over half (57%) of those surveyed said main oversight of their digital strategy sits at board or senior management level. More than a quarter (27%) had no digital strategy at all, while sizeable proportions of other organisations it sat in the IT or communications/ fundraising teams.

Figure 16: Where, if anywhere, would you say main oversight for your organisation's digital strategy sits? (prompted, 300 respondents)



Larger organisations, who were less likely to say they were ‘very confident’ that they were making the most of the digital and data agenda, were much more likely to have their digital strategy sitting at board or senior management level. Meanwhile 70% of major charities told us that oversight of their organisation’s digital strategy sits at board or senior management level, compared to less than half (43%) of small and medium charities. For smaller organisations there appeared to be a real gap—48% of small and medium charities say they do not have a digital strategy at all, compared to just 20% of large and 6% of major charities.

Some charities are notably conflating digital with IT and communications

The qualitative research revealed a range of perspectives, on what the concept of digital transformation in the charity sector might mean in theory, and what it might look like in practice. Frequently, discussions about digital led to discussions about IT. At a basic level this is understandable, as some organisations are struggling with challenges like the lack of prior investment, outdated systems, as well as infrastructural factors like remote locations.

‘Our challenge is that we haven't invested very much at all in the last five years ... I think we are starting from a position of having a very low base but recognising the world is changing around us.’

‘The cost of upgrading everything [is a major challenge]. As we currently are creaking little mice that are running around the little wheels.’

But this conflation of ‘digital’ with IT also brings challenges in terms of finding the individuals with the right skills and vision for the kind of transformation needed. For example, a greater reliance on cloud-based storage and the need for organisations to integrate digital technology into all parts of their work means there is increasingly less justification for a conventional IT team.

There was evidence though of some organisations moving on a journey from thinking about IT to making digital a strategic priority at board level:

'We have a legacy project that was a CRM system that I inherited—to say it's been a challenge would be an understatement. So we have been stabilising that and then transitioning to a new world ... we are going to be splitting out our IT [from] digital and plugging the digital much more directly into our service offer through our operations director. ... We know that it is absolutely essential for us to not just embrace digital transformation but [also that there is] more to be done in terms of the culture of embedding it across the organisation. So every time we look at a problem, we can start by asking "what's the digital solution to this?"'

While our interviews found that some organisations have a tendency to equate digital and IT, the bigger issue was that more have a greater tendency to assume digital transformation is primarily a matter for fundraising and communications teams rather than looking at the potential for service delivery, shared resourcing and transformative approaches to serving beneficiaries and achieving greater impact.

For example, some chief executives immediately equated questions about digital with their organisations' social media and web presence:

'In terms of digital, social media is still unclear for us in terms of communicating to our supporters and we are broadening the number of channels that we're working on. You know, we're just launching Instagram today, actually, so that's exciting. And that's really important for us in terms of how we communicate and the speed at which we communicate and the messages that we're putting out there. ... Those are probably the main things.'

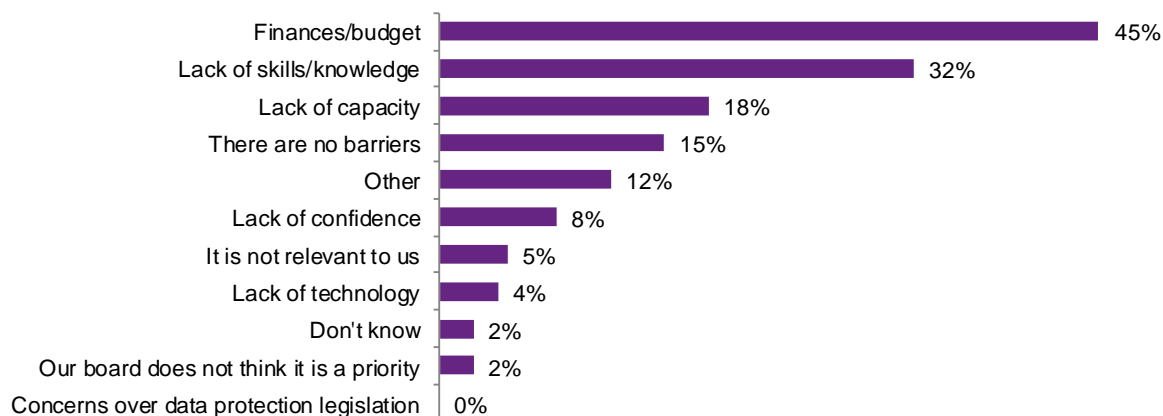
'It depends what you mean by digital organisation; I mean you know we have a very well used website, which we're constantly developing.'

Undoubtedly, improving communications is an important part of the digital agenda, and for many organisations these sorts of improvements are an important step forwards. But the research identified more that can be done to engage with the full scope of digital.

There are clear barriers to charities' ability to engage fully with the digital and data agenda

When we asked an unprompted question about barriers to digital and data, we found that 32% of organisations seeing 'lack of skills and knowledge' as one of the main barriers to engaging more fully.

Figure 17: What, if anything, do you think are the main barriers in your organisation to engaging with the digital and data agenda more fully? (prompted, 300 respondents)



Another main issue identified was finance and budget for digital, which we explored further in one of the research roundtables. One particular problem touched on was that current grant funding models often do not facilitate the

kind of iterative process of prototyping, rapid testing and development that leads to the most exciting innovations—relying as they often do on defined outputs and outcomes rather than a high tolerance for failure:

*‘Everyone is bad at making products; 90% of products fail. But **in the charity sector we are “not allowed” to have the failure rate that is necessary to test innovation.** If we were funding innovation, we should be expecting most of our innovations to fail. But you can’t go to a charity funder and say, “give me a grant, it will probably fail”. It is a very rare funder that will fund something with a 1/10 chance of success, they will normally expect a 9/10 chance of success.’*

The issue of collaborative funding was also explored, though some of the barriers identified were more around attitudes in the sector to working together:

‘One example was ... an app that would take a photo of an item and then direct you to the best/nearest charity shop to take it to. The charities all thought this was a good idea, but none of them are willing to fund it—it was ultimately funded by private investors—because it wasn’t directly and exclusively serving their [own] beneficiaries.’

‘Charities are also somewhat to blame—grants do exist for effective tech collaboration [but] very few organisations think beyond their own wants and needs.’

One interviewee identified the operational challenges, such as sign-off processes, they face when using social media. Twitter, for example, is used by many individuals in a rapid, responsive and expressive manner. But it can be difficult for charities to do the same:

‘Organisations are at a massive disadvantage in digital space in comparison to individuals. Giving an analogy. I’m a trustee of [a charity that has] about 122,000 followers on Twitter while “George”—who is just a bloke who lives in a cottage in Wales—has 125,000, because “George” doesn’t have to check his line with four different departments.’

Meanwhile for some organisations, there is a deliberate choice not to engage in digital, and a recognition that digital is only one part of a networked, effective approach to delivering what beneficiaries need:

‘A lot of what we do is the complete antithesis of using digital tools—it’s about creating physical safe environment away from the daily chaos of 24/7 digital life.’

There are opportunities for data and digital to support collaboration

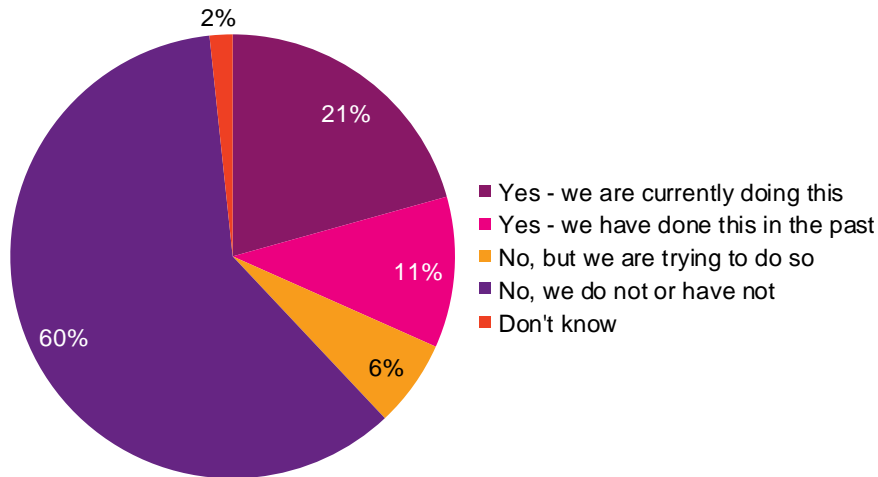
In our [Tech for common good](#) report and other recent work, we have explored collaborative, cross-sector approaches to digital and how transformative they can be in tackling social problems at a systemic level. One of our roundtable participants reflected on the opportunities here:

‘The incredible opportunity of the digital sector is that everything is a public good. For almost all digital products, you can have a lot of people using the solution for almost no cost ... but what the charity sector needs to realise [is] that they are not in competition with each other. Most charities do not want to open source what they’re building, often as they think it is key to their business model. But it’s not, they’re never going to sell it/leverage it fully, they just sit and wait until it’s slightly out of date and then make a new one. The sector should be more open source, building on each other... [We] need to think at a larger scale.’

We set out to identify to what extent charities were grasping the opportunity to support the collaboration that digital can support. When it comes to sharing data and digital resources with other charitable organisations we found that only 32% of charities have done, or are doing so (See Figure 18)—although a further 6% are trying to. Only 3 in 4 (76%) of small and medium charities have *not* done so. This perhaps reflects the earlier finding that smaller charities are less likely to have a digital strategy. All of this further underlines the point that while the

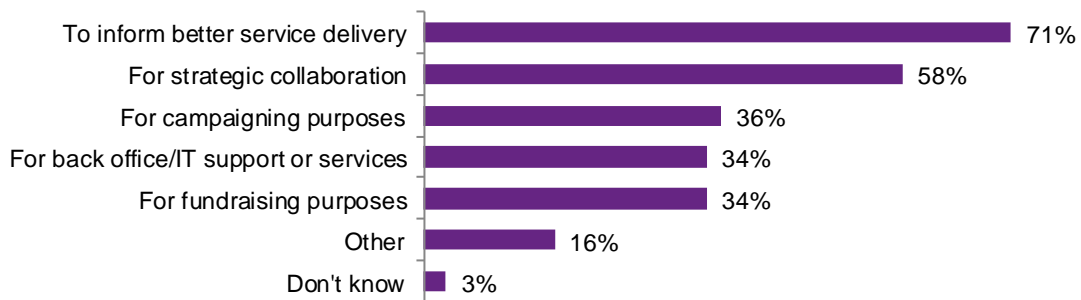
majority of sector leaders feel they are confident they are making the best use of technology, there are in fact significant further opportunities for collaboration that have yet to be grasped.

Figure 18: Has your organisation ever shared data or digital resources with other charitable organisations? (prompted, 300 respondents)



We asked those charity leaders who *are* sharing digital and data resources about their reasons for doing so, and found a more positive result. Of the range of answers we asked them to pick from, the top chosen were 'to inform better service delivery' (71%) and 'strategic collaboration' (58%).

Figure 19: For which, if any, of the following purposes has your organisation shared, or tried to share data or digital resources with other organisations? (prompted, 114 respondents)



We also spoke to sector leaders about the extent to which they are, or are not, sharing data with other organisations, and the reasons why they are doing so. One roundtable participant told us about an innovative experiment to capture and share service user experience data—without adding to the reporting burden for small organisations—with the aim of improving services:

*'We established something that helps us to capture the conversations that staff and volunteers have with service users and turn that into a gauge of their well-being. That then can be used as a trigger for service interventions. **That whole approach for capturing the perspectives, experience and situations of residents is of immense interest to the statutory commissioners in our areas.** They have actually funded us to do this...*

... Not only does it bring in a whole lot of new data (because it is all done in the first person) but it also makes it a lot easier for small organisations to contribute their data because they are not going through 6 page forms, they are just doing what they do naturally, which is having conversations with people. The

*application automatically changes that into content. **Statutory commissioners are so interested in this because of the pressure they are under to adopt ‘whole population’ approaches that focus on prevention. But they just have not got the data at the moment, or the mechanisms for capturing data that enable them to do real preventative work.’***

Other participants pointed to examples where capturing data more effectively facilitates the use of machine learning/AI approaches to data:

‘We have data that is the transcripts of [child sexual] grooming conversations. It’s not conversations you want to listen to and there are also safeguarding issues so we have applied machine learning to get insight. [It] takes conversations and can give a probability whether that conversation is a grooming conversation. Machine learning can be taught to deal with bad quality data too... I think there is a connection between the bad quality and sensitive data that charities have and machine learning.’

34% of the organisations who said they are sharing data or digital resources with other organisations were doing so for fundraising purposes. Yet at the same time 0% identified data protection as a barrier to engaging with the agenda more fully. Given the evolving picture around data privacy, and the need for consent, this is concerning. This underlines the importance of having access to the right skills and knowledge, and an understanding of the risks inherent in misplaced confidence on data and digital.

Our analysis

There is a big opportunity for the charity sector to use digital to deliver greater impact. Technology can support organisations to work in a much more collaborative, networked way. This is true for all sizes of organisations, but particularly relevant for smaller organisations wondering how to get to grips with digital. This is not a case of organisations having to do yet another thing themselves, but much more about how resources can be shared to the benefit of all.

The third sector can benefit by collaborating with private sector and tech partners that have experience in user journey mapping and user experience-driven design. This user-centred culture can bring new insight and a new relationships with those that charities work for, and can create accountability mechanisms and feedback loops that are more responsive to need. We explore the growing potential of ‘user voice’ approaches more in the next section.

There is a great need for strategic investment in digital solutions—rather than short term fixes. Interested funders need to consider how they can transform their funding models and encourage collaboration and experimentation. NPC is currently spearheading a movement for pooled funds for cross-sector, user-driven tech development in the areas of female empowerment and young people with multiple disadvantages.

Our recommendations

We think charities need to:

- **Think more strategically—ideally at board level—about the opportunities that digital brings.** This may mean that different skills are required both at an operational and a board level (see Chapter 2 for more on the benefits of diversity on charity boards).
- **Recognise that digital is about a culture of experimentation and collaboration.** Becoming a ‘digital organisation’ does not have to mean a big internal programme. Rather charities should start with small steps, and look to what others are doing, identifying who they may be able to work with and learn from.
- **Be sure that they have access to the skills to make the most of digital** and, importantly, knowledge of the emerging regulatory framework around data protection.

The power of communities and beneficiaries

Summary of findings

Some charity leaders are thinking about how to unlock the strengths and assets of communities as they look to shift from needs-based approaches to more empowering, strength-based approaches.

There is evidence that harnessing user voice and community networks are seen as important to charities delivering their mission. Many are involving their beneficiaries in their work in a number of ways.

Yet still many charities are thinking about service delivery partner. Many do not understand the transformative shift in power dynamics between the charity and the individual or community they are working with to make the most of asset-based working.

Digital technology is enabling people to connect as communities of interest in ways never experienced before. It is also bringing greater exposure to growing trends, such as increasing public demand for personalised products and services. These trends raise a fundamental question—one we explored at length in *Boldness in times of change*—about what role charities play in a rapidly changing world. They also challenge more traditional, top-down interactions between charities and the communities and individuals they exist to serve.

Through this research we explored the growing opportunity to shift the power dynamic to communities and individuals themselves, and work in a more empowering way that helps people unlock resources they already possess. This seems more urgent than ever, given the tension charities are facing between diminishing financial resources and increasing demand due to a range of social and demographic factors. In a sense, it takes us right back to the roots of the voluntary sector as community-based organisations.

Charities are involving users in their work in a number of ways

What do we mean by ‘user voice’?

All charities exist for their users. Yet paradoxically, users often have little or no influence over the charities’ decisions, and no way to let the organisations know how they would like things to be different. People rarely pay for charitable services, and often do not have a choice between services. User voice refers to the practice of actively seeking honest feedback from, and involving their users in, decision-making. It is thought this can improve the effectiveness of services, brings moral legitimacy and reputational benefits to charities, and directly benefit users (or ‘beneficiaries’) through their involvement.

How are charities looking to make use of beneficiary viewpoints and user voice to shape their strategy and deliver their mission? We spoke to plenty of interviewees who already saw their organisation as a ‘cause’ or movement, rather than an organisation in itself and this leaves them well placed to bring in new ideas from their beneficiaries:

*‘We increasingly co-produce solutions to problems ... [what] works for us is about being part of a movement, helping connect people, **building a strong sense of community, finding solutions with and not for people.**’*

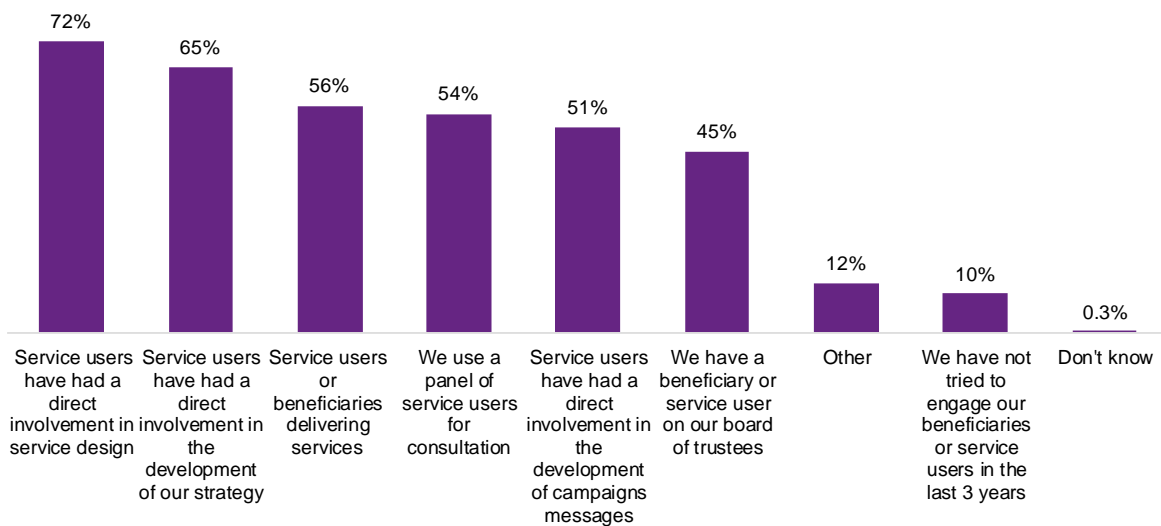
One health research charity talked about what they see as a ‘partnership’ approach between their service users and the researchers who ultimately are developing therapies for their condition:

‘Patient voice and patient engagement is ... very, very important to charities like ours. ... We exist as a partnership, really, between patients and the research community.’

Charities reported that they are engaging with their service users in a very broad range of ways. As discussed in the chapter on governance, significant numbers said they are involving beneficiaries in their governance structures and processes. Over 4 in 5 large (83%) and major (81%) charities surveyed said that beneficiaries have direct involvement in service design, as well as over half (55%) of small and medium charities. Likewise, many charities are using service user panels for consultation: 2 in 3 (67%) major charities, 57% of large charities, and nearly half (43%) of small and medium charities. Perhaps most importantly, 76% of charities reported making some change to strategy or operations as a result of beneficiary or service user involvement, including 34% saying they had made a major change. This is an important part of becoming a ‘learning organisation’, and knowing where to focus your activities to achieve the maximum impact.

These findings should, of course, be caveated with the fact that as the research was focused on finding out what charity leaders are doing, we did not directly speak to service users or beneficiaries ourselves. Nevertheless it was encouraging to see user voice was very much part of charity leaders’ thinking.

Figure 19: How, if at all, have you tried to engage your beneficiaries or service users in the last three years? (prompted, 300 respondents)



More can be done to understand users’ needs, and to join up services accordingly

There is more to be done, and charities can learn and improve by borrowing techniques and approaches from the world of tech and user experience design—a sector that is a leader in putting the end user at the centre of its work. One organisation we spoke to illustrated how they are already embracing this type of model:

*‘The kind of creative methodology that we use that’s embedded in everything in our organisation is ... sense-testing things before they are finished with diverse future audiences or beneficiaries ... It is almost like prototyping, and user designed thinking. But we use it in pretty much everything. **It invites different people into the creative process ... and is a more democratic process.**’*

One of our roundtable participants talked about creating user personas based on user experience research—known as a ‘user journey’—to capture and understand a person’s journey through various issues and their related services. There are opportunities for collaboration here, by capturing and sharing user journeys and personas

among organisations working with the same types of service users. This can create better and more efficient service delivery that draws directly on an empathetic, user-driven base of evidence:

*'Whenever we work with a new charity, we create user personas of who they are trying to reach. We have started to share those, with the charities' consent, when there is overlap between the user personas. This stops organisations starting from a blank canvas when they want to look at their users. These highlight that **there is an asymmetry of understanding between a charity service user who doesn't feel "owned" by a charity but a charity believes that they "own" that service user.** That enables you to miss quite a lot where technology could really enable service users to be "passed between" charities, for example, to solve their complete needs. But that seldom happens because charities only look at the service they deliver and how tech can be used to deliver that service, instead of looking at the [multiple] services, their users' need, and thinking about how tech could bring these together.'*

Some sector-specific infrastructure organisations are well placed to take a step back and reflect on what really matters for their sub-sectors. By focusing to a greater extent on user journeys, communities and their needs, rather than what existing organisations and structures can offer, they can find new ways to join sectors and encourage collaboration. [The MEAM coalition](#)¹¹ (see case study in [Boldness in times of change](#), page 15) is an example of this kind of user-centred approach to networking and collaborations driven by infrastructure organisations. As Rick Henderson from Homeless Link¹² explained, this approach can be replicated elsewhere:

*'Think about it in terms of the journey for the individual, beneficiary or recipient of services or their lifecycle ... we've realised that, to nobody's surprise whatsoever, people sleeping rough are often there because they've been released from prison and they've nowhere to live, and they went into prison because they committed a crime to feed their drug or alcohol habit, which they develop as a result of some kind of childhood trauma that was untreated by mental health services. **So we discovered that there was a journey that individuals were taking that wasn't mirrored at the level of services ... You'd think that if you know that people are going to use multiple services, that those services would join themselves up to try and look for ways to divert people and help them better and so on.***

... You can think about this in the context of cancer: care, hospice care, bereavement care ... journeys for individual recipients, that might lead us at our level to think: "if that's the journey for individuals, what does that mean for us in terms of our collaborations?" So we've been doing this for the last two or three years and its taken us to all kinds of weird and wonderful coalitions and collaborations. It's been hugely successful.... I think it's one thing that we might all think about and challenge ourselves on.'

¹¹ See the MEAM website: <http://meam.org.uk/policy/>

¹² Throughout the research we have anonymised quotes to ensure open and frank discussions, however the anonymisation process would have significantly weakened this point and we are grateful to Rick Henderson for permitting us to use this quote unchanged.

There is a slow shift towards charities using ‘asset-based’ approaches

What do we mean by asset-based approaches?

In short, asset-based approaches focus on ‘what is strong’ in a community, and then seek to support that community to mobilise, connect and build on those strengths to achieve their desired outcomes. This is in contrast to the needs-based, or ‘deficit’ model, which starts from an analysis of a problem and then seeks to provide a solution to fix it.

Beyond user voice, there is a broader range of approaches that seek to unlock the assets that people and communities possess. We found that many of the leaders we spoke to do not explicitly use the terminology of ‘asset-based community development’—the ‘official’ name for this type of approach—and were not familiar with the terminology. This is despite a growing body of research about this approach—such as from the [ABCD Institute](#)¹³—and growing prevalence of it in [policy debates](#)¹⁴, particularly around [health and social care](#)¹⁵.

Yet while some sector leaders did not recognise or use this language our survey nonetheless found encouraging signs that charities across the sector are looking at community networks and beneficiaries as key to achieving their mission. Of those organisations responding to the survey, 69% see their service users as ‘very important’ to achieving their mission. The survey also found 56% of organisations reporting that service users or beneficiaries had been involved in delivering services directly, such as peer-to-peer mentoring schemes, or communities running their own assets (for example, local buildings) in the last three years.

66% reported they see community networks as either very or somewhat important—though this was low down on the list of resources, demonstrating that there is potential to work in new ways to deliver greater impact through tools already at charities’ disposal. And there was some real evidence of organisations looking to build on community capacity, with this seen as the third most popular activity to do more of in the next three years.

There did not seem to be the size dynamic at play on these questions—despite the fact that we might expect smaller organisations to be more embedded in communities and closer to beneficiaries. Smaller organisations were slightly more likely to report community networks as being a very important resource for achieving their mission with 43%, giving this top rating, compared to 32% and 30% of large and major organisations. However larger (60%) and major organisations (73%) were more likely to report ‘building community capacity’ as an activity they currently did at least a fair amount compared to 54% for smaller organisations. Large charities were also more likely to report that they had made changes as a result of beneficiary/ service user involvement—83% of large and major organisations reported making a major or minor change compared to 65% for small and medium organisations.

In the interviews we found people actively thinking about these questions in a range of different ways:

*‘It’s a very interesting and important set of debates about how we feature actual communities ... There’s also a wider question about whether **we can build up the skills of those in the wider community to take forward some of the work that we do** and we do that to a limited degree at the moment ... But I think that is a really important question to consider for the future.’*

¹³ See the DePaul University website for information on the committee: <https://resources.depaul.edu/abcd-institute/Pages/default.aspx>

¹⁴ See, for example, The Health Foundation (2015) [Head, hands and heart: Asset-based approaches in health care](#).

¹⁵ See Public Health England (2015) [Health and well-being: A guide to community-centred approaches](#).

Another organisation talked through how their focus was shifting to connecting people, and outlined a clear message about the role of asset-based approaches as something separate and distinct from the state, rather than a replacement for commissioned services:

*'I'm in the middle of a whole bunch of discussions at the moment where there's sort of clamouring on all this amazing stuff that charities can apparently do. Which I know we all can do to an adequate level, but actually played off against [for example] the deficit of the NHS and social care, all of our good work combined can't make much of a dent to that. So I really think that we are additional and different. **We're focusing very heavily now on how we return to our roots where we enabled and supported people to do stuff in their communities** ... These are older people whose lives are enriched by a social connection and a sense of purpose and doing stuff in their community. So we help them and then we connect them up with other people but we're not delivering a commissioned service on behalf of the local authority—I think that for me that's our big challenge, the key to [identifying] our role.'*

Other approaches to create more empowered communities included thinking about the transformative power of genuine community budgets:

'The most radical solution would be if communities have a budget, they choose how they want to spend it, they choose who they want to commission to come and work with them in order to share that power to be able to work in a community, to ... asset transfer, but we're not going to do that, are we?'

The obvious question to raise in response, is why aren't we doing it? Indeed one roundtable attendee highlighted some innovative work in the field of social prescribing where this is actually happening; where the money 'followed the patient' rather than a more traditional contract mechanism:

*'In Rotherham they're working with the CCG (community commissioning group), the mental health services of the council there, and also now the hospital to develop a proper social prescribing ... **they're doing something quite innovative, where the money is following the patient or the person, so they're in control.** The results have already showed that there are 20% fewer in-patient [admissions], well-being's off the scale, especially when people continue after the prescription is over and [have] been involved in voluntary action.'*

It will take a lot of work to really shift the power dynamics back to individuals

How much of a real shift in power is implicit in these approaches—from delivering services to building capacity for people to achieve change themselves—is open to question though. The single largest activity charities reported doing was delivering products or services (83% say they do this at least sometimes), and 50% expected to be doing more of this in 3 years time. The two activities—delivering services and empowering communities—are not mutually exclusive. But there is a very different power dynamic at play in each:

*'If it is about the people, people as the assets and change makers, then **the question for voluntary sector organisations is "what do we do that supports those people to do the thing that makes a difference?"**'*

Yet the underlying mechanisms that may drive a shift to the sorts of models that flip the power dynamic of a more traditional model are not always visible. As one interviewee identified, the existing power dynamics and lack of opportunity for users to give feedback and influence service design acts as a barrier to furthering asset-based, people powered approaches:

'I think the trouble is most of what we do is good. It might be a bit good or a lot good, but it's broadly good so in most cases recipients of whatever we do are broadly grateful so that power dynamics exists.'

*Because **we're not doing something that's entirely discretionary and therefore they've not got a market choice.** And because of that they've not got an ability to go: "do you know what, that's alright but I can do better myself and in fact I've got some cash to do it."*

And there are issues around how asset-based approaches can work in communities that have very few assets

A frequently aired criticism of asset-based models is similar to one that came up with the 'Big Society' concept—that it could exacerbate inequalities in social capital between communities and geographies. As one interviewee put it:

*'The other challenge is what the whole shift from needs-based to asset-based, [means] for areas, communities of place or groupings where, actually, maybe they fundamentally don't have a lot of assets. There's a real issue with that model. To be honest, **if it works really well what you do is you accelerate the growth and development of those places with assets, and those without get left further behind.**'*

The idea of charities as community leaders was called into question by another interviewee, who also pointed to a response to the traditional criticism of asset-based models—that there are hidden assets in every community that can be realised:

*'Broadly I think that, often, charities talk about themselves being community organisations with community leaders, and we're actually very detached from the communities where we're based. And some of that—I think we should be sanguine about because **the whole notion of the communities can sometimes be talked about in a very naïve way—as if there is this one thing that's a community.***

*When I walk through the area, there are parts of the community I know well and other parts I don't know well. So, all the African hairdressers, mostly dominated by women, that line the streets [...] they seem to be able to work together and for people to go into those places and to have a cup of coffee and to be part of the community with their children running around all look very positive. I have no idea about that community ... **often ... when we talk about the community, it goes back to a very articulate, aware, middle class community that will always get engaged if a bus route is being changed or there's going to be a new railway line coming through the area or whatever. It's a very partial view about community, I think.**'*

Some charity leaders are thinking about how they can build social movements

Whilst charities undoubtedly have a role in supporting more citizen-led social action, there were a number of examples where leaders are grappling with an explosion of civic action around their cause. One interviewee talked about the challenges they found in working with an explosion of public interest and concern in the plight of refugees:

*'In the past 12 months ... literally hundreds of organisations have been created. There are 10,000 people in Calais now, they're basically being kept by people driving vans from London to Calais...So you've organisations doing service delivery at very substantial scale, running professional warehouses, running websites, to tell people what stuff they need. And you've also got at least 100 campaigning organisations locally. They're persuading councils to resettle refugees and the council tender for the submission and we get work. So you've got a huge service. I went to the council who appointed us 150 Syrians, they said to me "how many volunteers are you going to need?" and I said "20" and they said "well can you do [something] with another 430?" There are 450 people in the area [willing] to welcome refugees ... **So we***

are challenged to think about how we can expand, how we can adapt our model to tap in to that huge desire to [support] refugees. Frankly it also creates quite big challenges for us.”

So there is a need to work in new ways with social movements in greater depth, and to identify how charities align and what they can learn. As one roundtable attendee explained:

*‘There are [already] movements out there. It’s more about [how] we as charities align to [them], and how we keep up with [them], because actually, they’re doing things that we’re not. We’ve got to learn from [them] ... **It’s not about creating movements it’s about learning from ones that already exist and being more like them.**’*

Indeed greater civic action was seen as another driver towards a new approach of supporting, empowering and mobilising people to solve problems; re-imagining of charity as a cause and a vehicle for social movements, rather than delivering directly

‘I do think there’s something about shifting from the notion that charities are there to solve your problems, “to how do we mobilise?”... Some of the charities, as you say, that came from movements have become very professional and quite remote bodies from the public and need to go back to the issues. Most of the issues we’re talking about require people to do something—the charity isn’t going to solve it.’

Overall, charities must think through what will best serve individuals and their communities

Ultimately there are real questions about whether the models the sector currently employs to achieve their mission are the right ones, especially given the ever-changing environment in which they operate. This requires some bold thinking about what organisations are actually needed:

*‘If the types of institutions that we’ve got are not the best ones for fulfilling the new agenda, then it doesn’t really matter about the institutions. ... **I think every organisation should be looking at itself and saying “are we the right vehicle for doing the things that we want to do? ... is this the best way to do it?”** and if not, proactively work out a better way for doing it. I know that’s not an easy thing to [do] but ... we ought to. **I do think quite a lot of what is now in our sector will either just die off because it can’t keep itself going anymore, or it will be outflanked by newer types of initiatives that are more agile, flexible, mobile. We see it happening, we’re observing it.**’*

Our analysis

Some charities are transforming their work by re-imagining their role as supporting infrastructure for change rather than delivering products or services to people.

Many organisations already have some of the key building blocks needed for using asset-based models. Yet a further leap in the sector's mind-set is required to maximise the resources people and communities have themselves—particularly with regards to addressing the power dynamic at play in how organisations work with people.

Being clear on the distinction between what can be achieved through these models, and what the state is still needed for will be crucial if the sector is to deliver greater impact through these sorts of models. Otherwise charities will have to pick up the pieces once the state retreats.

There is a danger of existing charities being left behind if they do not think through how they relate to newer citizen-led action enabled in part by technology and changing attitudes.

Our recommendations

We think charities need to:

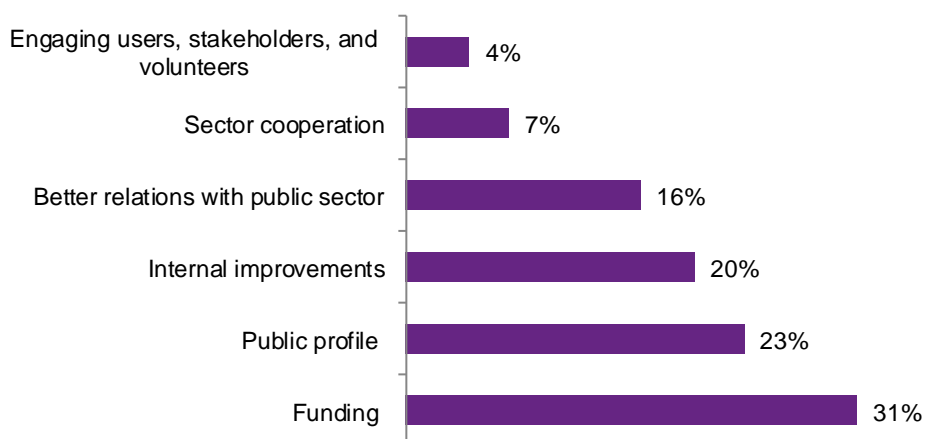
- **Ensure that user-centred approaches are a two-way process**, and that the people they work with benefit from the experience—whether through increased power and control over their own lives or opportunities to develop skills—and are recompensed for time where it is appropriate.
- **Consider what strengths and assets beneficiaries and communities have, and how to help people unlock them.** A particular focus on 'doing with' not 'doing to' is required.
- **Assess what these approaches mean for their organisation**, methods of working and whether they need to reconfigure what they do. User voice and asset-based models are not an add-on-to be successful they need to be built throughout the organisation's strategy and supported by governance.

CONCLUSION

The charity sector has always been filled with a passion, determination and creative spirit aimed at making a positive difference. And our research shows that this is no less dimmed by the maelstrom of external factors affecting the sector in numerous challenging ways. But alongside this heart, NPC has always called for organisations to work with their heads, too.

So we have focused on exploring the key question facing sector leaders: how can charities deliver greater impact in a changing world? While there is no one simple answer for every organisation—and it's wrong to look for one in such a diverse sector—all the pieces of the sector matter. And when we asked the open survey question 'what is the most important thing to help the charity sector increase its impact in society' the respondents identified six things:

Figure 21: What is the most important thing to help the charity sector increase its impact in society? (unprompted, 300 responses)



The emphasis in these answers on external factors, such as funding and public perceptions, echo long-standing conversations in the sector about fundraising, austerity, and lack of money. The findings from our research indicate that these narratives can be shifted by instead focusing on what is within charities' power now. And some leaders are already responding effectively to this changing world by:

- Keeping a strategic focus on achieving the greatest possible impact—no matter who delivers the actual work.
- Building strong governance that supports new ways of working, including a positive attitude to risk and bringing in new voices and skills for the modern world.
- Forging better relationships with the state and the public, and new forms of collaboration within the sector and outside with new partners, seeking shared solutions to shared problems in a more networked way.
- Making the most of the advances of data and digital technology.
- Taking new attitudes to working with beneficiaries and communities, guiding the work of charities and making the most of the assets and strengths they possess, allowing them to shape their own futures themselves.

These leaders are seeking to flip this conventional thinking on its head to replace dysfunctional conversations about fundraising, austerity and lack of money by a more productive, networked approach with beneficiaries at the

centre. If the sector is to progress, and deliver greater impact in a changing world, then it's time to think differently, and take charge of our future in this same way.

Ultimately, the transformation needed to deliver greater impact in a changing world is possible as evidenced by the numerous examples of organisations both thinking about and doing this, explored throughout our research. In a number of areas, the sector has the building blocks in place—the research identified a real willingness to collaborate in future, a sector learning from evidence and research, as well as real movement on governance.

But there is still more work to do. Charities need to be much more focused on how they can best deliver impact and work in a more networked way to do so, sharing power in new ways with others, including beneficiaries and communities. There is still a journey to go on to really understand the transformative power of digital technology and data, and make the most of it.

There are big questions too that it is not clear the sector is engaging on—the wider issue of trust, where Brexit might lead us, and what possibilities arise from a private sector potentially looking to deliver more social impact in coming years. Of course this poses wider questions for those who fund and support the sector—what role can we play in supporting new collaborations, spreading learning, and investing in collaborative technology for example?

We hope that this is the start of a new transformation in the sector—focused above all on the impact for the causes and beneficiaries charities and the wider social sector exist to serve.

What next?

The next stage of the research will be a collection of essays following on from this report, sharing ideas and innovative examples of how some sector leaders are transforming their organisations to deliver greater impact in a changing world.

More generally, we will be using this research to have conversations with the sector, to think critically about the problems we face, and share ideas about how charities can take charge of innovative ways of progressing their missions and improving their impact.

We encourage you to share your thoughts on this work with us, via Twitter [@NPCthinks](https://twitter.com/NPCthinks) and [#StateoftheSector](https://twitter.com/StateoftheSector), or get in touch with us directly at Patrick.Murray@thinkNPC.org. We would love to know what you think, and to hear your own stories.

ACKNOWLEDGEMENTS

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APPENDIX A: RESEARCH METHODOLOGIES

Quantitative research

Fieldwork for the quantitative research was conducted by ComRes¹⁶ by telephone between 16 January and 15 February 2017.

300 interviews were conducted. Quotas were set to ensure we interviewed charities of varying sizes. The sample is therefore not designed to be representative of the charity sector as a whole.

All respondents were Chairs/trustees or directors at charities registered in England & Wales. To be eligible respondents needed to have been involved with the organisation for at least three months.

The questionnaire took c.15 minutes to complete.

Data are unweighted.

Sampling

Our sample frame for the survey was drawn from the Charity Commission database¹⁷. This is derived from the requirement on all charities in England and Wales to register and supply specific financial and nonfinancial information to the Charity Commission each year.

We excluded some types of organisations from sample selection

- All organisations except 'general charities' (hence we excluded independent Schools, College or University, Academy, NHS administered charity or Independent Hospital, Religious body or place of worship, Mutual organisation, Masonic lodge, Trade association, professional body, Central or local government administered and regulated bodies, Housing associations, Benevolent institutions, Inactive organisation and COIF organisations).
- Within general charities we also excluded Business and Professional Organisations, Grant Making Foundations, Parent Teacher Associations, Scout groups, Village halls and playgroups / nurseries.
- We excluded all organisations with and unstated income, or income below £10,000. Our view was that community organisations are significantly different to larger organisations and would require a separate research approach.

The remaining organisations were divided into three strata according to their most recently reported income:

- Major charities with annual income over £10,000,000 (525 charities within the sample frame).
- Large charities with annual income between £1,000,000 and £9,999,999 (3,562 charities within the sample frame).
- Medium/small charities with annual income between £10,000 and £999,999 (47,587 charities within the same frame).

¹⁶ <http://www.comresglobal.com/>

¹⁷ <http://data.charitycommission.gov.uk/>

Organisations were then selected randomly¹⁸ from within each strata so that c.100 interviews could be conducted in each (ratio of roughly 10 to 1).

No other quotas apart from size of organisation were used.

Sample profile

The following table describes the achieved sample by key variables.

Variable	Achieved sample
Organisation size	
Small/medium	115
Large	115
Major	70
Role	
Chair of trustees	37
Trustee	55
Chief Executive/Managing Director	191
Type of activities	
Development	15
Education	16
Environment	19
Health	26
Research	12
Umbrella bodies	3
International	25
Employment and training	4
Law & advocacy	13

¹⁸ Within in the medium / small category the likelihood of selection was proportionate to income to ensure an even number of charities were selected from across this group (otherwise selection would have biased the smallest organisations).

Housing	11
Religion	17
Social services	82
Other	1
Culture and recreation	56
Where charity operates	
Locally	183
Nationally	111
Internationally	60
Region	
East Midlands	21
East of England	28
London	80
North East	9
North West	25
South East	57
South West	36
Wales	12
West Midlands	15
Yorkshire and Humber	17

We are happy to share the dataset with those who are interested. Please contact Patrick.Murray@thinkNPC.org

Qualitative research

Qualitative interviews

We conducted 32 in-depth qualitative interviews between September and November 2016.

We used the same initial sample frame as for the quantitative research, drawing on the Charity Commission data as explained earlier. For each of the three size bands (major, large, and small/medium) we contacted fifteen charities randomly selected from the Charity Commission data set using the same qualifiers as outlined above.

Using this random sampling method, we secured 21 interviews. We then filled out the sample using contacts known to NPC to ensure that the full range of sectors and sizes of organisations were represented in the final interviews. In particular, we recruited small charities using existing NPC contacts as we found it more difficult to secure interviews with this size of charity without prior knowledge of NPC and an understanding of our mission and background.

Our final sample was comprised of 15 major, 4 large, 5 medium, and 7 small registered charities, as well as 1 social enterprise. Of the 15 major charities, 5 were 'super major' (having a yearly income above £100,000,000) and within the 12 small/medium charities we interviewed, 5 were medium (yearly income of £100,000 to £999,999) and 7 were small (yearly income of £10,000 to £99,999).

Within the sample, there were two sector representative bodies who talked about the experiences of their members, rather than their direct experience. There was also one sector consultant who drew on their knowledge gained from working with a range of charities, particularly smaller organisations, and discussed their clients' experiences during the interview. Finally, one interviewee spoke about their experience as a trustee of a number of small charities (although they had also held executive positions), and we have classified this interviewee as representing a small charity.

We interviewed charities working in all of the sectors and regions listed above in the quantitative sampling section, although we did not attempt to robustly reflect the national picture of charities, either in terms of size or whether they were working in specific sectors or regions as this would not be possible in 32 interviews.

The interviews were semi-structured telephone interviews, which lasted between 35 minutes and an hour. We explained to all interviewees that their comments would be reported anonymously in any final reporting. Interviewees were Chief Executives of their charity, although for two of the largest charities we spoke to the Head of Policy.

All interviews were recorded, transcribed, and anonymised for analysis.

Qualitative roundtables

We conducted seven qualitative roundtables in November and December 2016, six in London and one in Manchester. In total, we had 71 attendees at the roundtables, although not all of them contributed to the discussion. Attendance at individual roundtables ranged from 6 to 17.

Roundtable attendees were contacted using NPC's existing contact database, with around 25 to 40 people contacted for each roundtable. Attendees included representatives of operational charities of a range of sizes and regions, as well as those from umbrella bodies, sector consultants, and social enterprises or private firms providing services to the charity sector. We chose invitees on the basis of attempting to convene 12 to 15 individuals with a wide range of opinion, including representatives from the sector's 'thought-leading' organisations as well as what we judged to be more dissenting voices.

The roundtables lasted two hours and were conducted under Chatham House rule (so that comments would be reported but not attributed). Each involved an introduction and short presentation by NPC, in which the 'emerging findings' of the qualitative interviews were discussed. The remainder of the time involved either whole group or smaller group discussion of a range of questions presented by NPC, as well as open discussion on topics raised by attendees.

We recorded, transcribed, and anonymised the roundtable discussions for analysis.

TRANSFORMING THE CHARITY SECTOR

NPC is a charity think tank and consultancy which occupies a unique position at the nexus between charities and funders, helping them achieve the greatest impact. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

Increasing the impact of charities: NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

Increasing the impact of funders: NPC's role is to make funders more successful too. We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

Strengthening the partnership between charities and funders: NPC's mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact. We can help funders and those they fund to connect and transform the way they work together to achieve their vision.

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