



What makes a Third Sector Organisation tick?

Interactions of foresight, enterprise, capability and impact – Briefing Paper

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Introduction

This Briefing Paper summarises the findings of the second working paper from the Northern Rock Foundation *Third Sector Trends Study* (TSTS). It reports on 'TS050', a study of 50 Third Sector Organisations (TSOs) in North East England and Cumbria. The aim of the study is to explore how TSOs of different types change over time in response to:

- external circumstances which are largely beyond their control (such as the political and economic environment);
- the dynamics of their own organisation (which is affected by, for example: organisational mission, practices, resources and impact); and,
- changing beneficiary needs, or perceptions of need, in a complex social market.

The emphasis on studying change is an important element of the originality of this study. This required innovative approaches to research and analysis.

The research has produced baseline findings against which change can be measured in future waves of study. The substantive conclusions are interesting and challenging. The report also demonstrates the potential of a radical new approach to understanding the causes and impact of change in the Third Sector.

Research methodology and approach to analysis

TSOs were sampled on three dimensions: size, location and beneficiary orientation. Researchers visited each TSO for an in-depth interview between June and November 2009. Organisations were also studied using observation techniques and through the analysis of available published material, including charity commission reports, financial data, website materials and press stories.

The research analysis proceeded by coding the collected data against categories consisting of various organisational characteristics developed to understand 'what makes TSOs tick'. This involved building a data frame against which informed assessments of where TSO performance sits in relation to a wide range of features. The data frame allows for comparison between organisations, and can be adapted over time in response to new or unexpected findings. A list of 20 TSO characteristics was identified which were grouped under four broad headings: *foresight*, *enterprise*, *capability* and *impact*. These categories were created to represent the cornerstones of organisational activity.

- **Foresight** is defined as the capability of an organisation as a whole to anticipate change and develop strategic plans to accommodate, or exploit, opportunities arising from change.
- **Enterprise** is defined as the organisation's capability to marshal its resources and prioritise its energies to achieve the objectives of its strategic mission.
- **Capability** is defined as an organisation's ability to employ, manage, and develop its resources in order to achieve its strategic objectives.
- **Impact** is defined as the organisation's capability to serve its beneficiaries effectively, and to make a wider contribution to the community of practice within which it works, to the Third Sector in general, and to civil society broadly defined.

The process of scoring against a wide range of organisational features does not imply that these scores predict any TSO's future prospects. On the contrary, it is not known if organisations with high scores in any of the areas studied will be protected from the vagaries of the future.

Table 1 shows how organisations were scored against the 20 key criteria and for each of the summary themes, or 'cornerstones'. These summary data indicate the areas of particular strength in TSOs, particularly in relation to organisational mission, realistic outlooks on capability, appraising opportunities, professionalism and appropriate levels of procedural capability.

Table 1 Average TSO scores against key characteristics	Mean scores
FORESIGHT	
Knows what they are there to do and who they serve	4.65
Plans on the basis of realistic appraisal of capability	4.06
Leader(s) are focused on long-term objectives	3.71
Governing body understands aims and supports plans	3.69
Would consider making hard decisions in response to challenges	3.96
<i>Average score for foresight</i>	4.01
ENTERPRISE	
Knows how to spot and assess opportunities	3.96
Knows when to compete or cooperate with others	3.65
Uses innovation to meet beneficiary needs	3.22
Has an organisational culture which is responsive to change	3.29
Maintains useful relationships with stakeholders to achieve aims	3.96
<i>Average score for enterprise</i>	3.62
CAPABILITY	
Staff, trustees and volunteers are properly prepared to perform their roles	3.75
Is appropriately professional in approach to practice	4.04
Can work effectively with other organisations	3.84
Plans and manages finances effectively	3.82
Understands and implements relevant procedures and practices	4.12
<i>Average score for capability</i>	3.92
IMPACT	
Communicates role and impact successfully to relevant audiences	3.67
Beneficiaries appropriately involved in activities and development	3.61
Benefit to users is considered and assessed	3.73
Makes a positive contribution to the Third Sector	3.06
Seeks to maximise impact on social well-being	3.63
<i>Average score for impact</i>	3.54
<i>Average overall TSO score</i>	3.71

* the maximum score in each category is 5

Summary of key findings

Foresight

Knows what they are there to do and who they serve

Nearly all organisations have a very clear understanding of who their beneficiaries are. Meeting the needs of beneficiaries is at the core of organisational mission and culture and is a significant driving force which shapes nearly all other aspects of organisational activity.

Plans on the basis of realistic appraisal of capability

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

Leaders are focused on long-term objectives

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

Governing body understands aims and supports plans

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

Would consider making hard decisions in response to challenges

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

Enterprise

Knows how to spot and assess opportunities

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

Knows when to compete or cooperate with others

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

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

Uses innovation to meet beneficiary needs

The evidence does not show that the desire for, or necessity of, innovation is of great importance in defining what drives TSOs. It is clear that whether the organisation considered that they were using innovation or not, the needs of the beneficiaries were at the forefront of their work and so, for many, innovation was seen as a means to an end.

Has an organisational culture which is responsive to change

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

Maintains useful relationships with stakeholders to achieve aims

Organisations generally had very good relationships with the public sector organisations or foundations which supported them through grants or contractual agreements. TSOs worked hard to maintain good relationships. Relationships with the private sector were seriously underdeveloped or non-existent.

Capability

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

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

In several organisations, there was a well-trodden pathway from beneficiary/client to voluntary work, and also some movement into employment.

Is appropriately professional in approach to practice

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

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

Can work effectively with other organisations

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

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

Plans and manages finances effectively

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

Understands and implements relevant procedures and practices

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

Impact

Communicates role and impact successfully to relevant audiences

Although most TSOs believed that they were well respected in the field within which they work and in the areas where they operate, approaches to communications were patchy and inconsistent.

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

Beneficiaries are appropriately involved in activities and development

In a minority of TSOs beneficiaries are very closely involved in shaping the mission and practices of organisations. In some organisations, user engagement is structured and integrated and ingrained in the culture of the organisation. In most cases TSOs decide, on the basis of professional experience and practice, how to serve the interests of beneficiaries.

Benefit to users is considered and assessed

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

Organisations which had undertaken audits tended to be amongst the longest established, most secure and confident among the TSO50.

Makes a positive contribution to the Third Sector

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

Seeks to maximise impact on social well-being

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

Next steps and emerging themes

- The establishment of Foresight Panels across the study area which will act as a barometer measuring the well-being of the Third Sector.
- A large-scale survey of TSOs. The sample for this survey will be developed following the comprehensive mapping of the local Third Sector in North East England and Cumbria being done by the University of Southampton team.

Emerging themes

Five key themes have been identified for further analysis from the data:

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

Background note

The Northern Rock Foundation's TSTS in North East England and Cumbria began in November 2008, and has two main aims:

- 1) to produce robust data and independent analysis on the scale and scope of the Third Sector in North East England and Cumbria;
- 2) to provide an analysis of the dynamics of the Third Sector through longitudinal study of stakeholder perceptions, organisational practice and local impact.

Teesside University's Third Sector Development Unit (TSDU) is undertaking the qualitative study of the Third Sector, led by Tony Chapman (Teesside University) and Fred Robinson (Durham University). Alongside this, colleagues at the University of Southampton, the National Council for Voluntary Organisations and Guidestar UK are undertaking a comprehensive quantitative mapping exercise of TSOs in the study region. The two sides of the work will come together in a longitudinal panel survey of a representative sample of local organisations starting in Spring 2010.

Research findings are being disseminated on a regular basis throughout the life of the project.

More information

- **Northern Rock Foundation Third Sector Trends Study:** www.nr-foundation.org.uk/thirdsectortrends

■ Full report

The full report on this study is available to download free of charge from the website above.

Published by Northern Rock Foundation
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This report is published as part of the Foundation's Third Sector Trends Study. The views expressed, however, are those of the researchers and not necessarily those of the Foundation.

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