northern rock foundation
Third Sector Trends Study

The crystal ball:

How do third sector organisations see their future? And what are they doing about it?

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1 Introduction

As the Northern Rock Foundation Third Sector Trends Study has progressed over the last five years, we have come to some conclusions about how best to study and understand the shape and structure of the third sector as an entity and about the way that individual third sector organisations (TSOs) work.

In our first working paper, *Mosaic, Jigsaw or Abstract,*[1] we quickly came to the conclusion that there was not much point in thinking about the third sector as a single coherent and cohesive entity. Instead, we argued that the sector is seen in many different ways by the people who volunteer or are employed in it. We also argued that the sector was often more clearly described in terms of how it is *different* from the public sector (the state), the private sector (the market) and private life. People found it hard to describe what the third sector is, but they were very clear about what it is not.

We then produced a working paper about the culture and characteristics of TSOs: *What makes a third sector organisation tick?*[2] What we did in that paper was to describe the practices that all TSOs have to attend to, and assembled these under four broad headings: *Foresight, Enterprise, Capability and Impact*. It became apparent from that work, and the subsequent survey work and analysis undertaken in 2010 and reported in *Keeping the Show on the Road,* that there was not much point in producing a formal typology of organisations in the third sector based on, for example, legal form, purpose or structure.

Instead, we progressively came to the view that *organisational culture* told us more about the way they practice – irrespective of their legal form, purpose or structure. The reason for this is that the kind of organisational form that TSOs associate

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[1] Chapman, T. and Robinson, F., *et al.* (2009) *Mosaic, Jigsaw or Abstract? Getting a big picture perspective on the Third Sector in North East England and Cumbria.* Newcastle, Northern Rock Foundation; Chapman, T. and Robinson, F., e*t al.* (2010) *What makes a Third Sector Organisation tick? Interactions of foresight, enterprise, capability and impact.*

[2] Chapman, T. and Robinson, F., *et al.* (2010) *What makes a Third Sector Organisation tick? ibid.*; Chapman and van der Graaf, *et al.* (2010) *Keeping the show on the road: a survey of dynamics and change amongst Third Sector Organisations in North East England and Cumbria,* Newcastle, Northern Rock Foundation.

themselves with often does not match particularly well with the way they in which they actually practice. An example we often give to illustrate this, when speaking at events, is that about 15% of TSOs which describe themselves as 'social enterprises' do not actually earn *any* income. And similarly, we often say that many TSOs are unwilling to adopt the term 'social enterprise' – but when it comes to their practice, they are actually rather good at it.

In the second round of the TSO50 and TSO1000 we began to examine in depth how organisational culture affected the way that TSOs operate. It became immediately apparent that the size of TSOs makes a difference to the way that they practice. We find that small TSOs, with annual incomes below £25,000 a year, operate in different ways from larger organisations with income of £50,000 or above. The principal reason for this, it seems to us, is that larger organisations *employ people* and, as a consequence, the organisation becomes more formal in its structure and starts to take on a life of its own as an entity. Our research shows that larger organisations are no less likely to have strong values and a clear mission to meet the needs of their beneficiaries. But as larger entities, they also have to think about how to sustain themselves in resource terms. As a consequence they have to engage in a difficult balancing act to ensure that they have the right level of resources to meet their objectives.

In a series of papers published in the last year[3] we have explored the issue of organisational culture in depth and have come to the view that the 'ethos' of these larger organisations has a significant impact on the way that TSOs marshal their assets (of people, resources and ideas) to achieve their objectives. By the term 'ethos' we mean the *cultural orientation* of the organisation – in relation to the market, the state, or the community (but we do not mean the extent of their dependence on market, state or community – although admittedly that can connect with ethos). The three categories can broadly be described as follows:

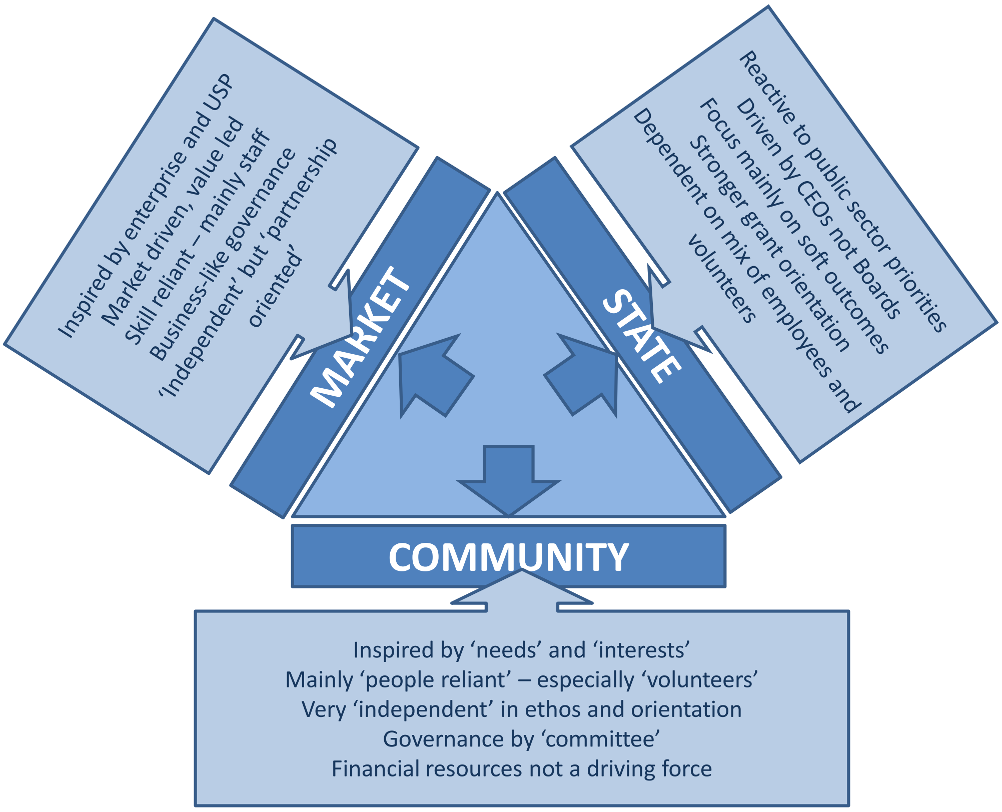
- **Community driven ethos**. These are organisations that are not only *for* the community but also *of* the community. They are embedded in their community of place or interest, and reliant on its support. Many of these TSOs are quite small and they are often very reliant on volunteers; they may endure over long periods of time.
- **Public-sector driven ethos**. These TSOs are aligned closely with the public sector or at least are very much shaped by public sector agendas. Their objectives may thus have been defined by others, particularly through the operation of funding regimes. They may struggle at first to find the flexibility to respond when public policy priorities change.

[3] Chapman, T. and Robinson F. (2013) *On the money: How does the way Third Sector Organisations think about money affect the way they work?* Newcastle, Northern Rock Foundation; Chapman, T. and Robinson, F., *et al*. (2013) *Walking a tightrope: balancing critical success factors in hard times.* Newcastle, Northern Rock Foundation; Robinson, F. and Bell, V., *et al*. (2012) *Taking the temperature: How are Third Sector Organisations doing.* Newcastle, Northern Rock Foundation.

- **Market driven ethos**. These TSOs are business-like in their practice – they are clear about what product or service they offer. But they usually remain strongly attached to their values. They may be described as social enterprises; as both 'value-led' and 'market driven'.[4]

Our working paper *Journeys and Destinations*[5] culminated with an analysis of the relationship between the ethos of organisations and their assessed positions in 2010 and 2012. Those that we categorised as having a market or community driven ethos had generally fared well. By contrast, those with a public sector-driven ethos were doing less well. Most of them appeared to be struggling in 2009 and still struggling in 2012.

Figure 1 **Planning and practice ethos in the TSO50**



Drawing conclusions from a study of only 50 TSOs, no matter how intensive that may have been, does not provide sufficient evidence to convince us that our

[4] The definition of social enterprise as "value led, market driven", comes from A. Westall (2001) *Value Led, Market Driven: social enterprise solutions to public policy goals*, London, Institute for Public Policy Research.

[5] Chapman, T. and Robinson, F. *et al.* (2012) *Journeys and Destinations: the impact of change on Third Sector Organisations,* Newcastle, Northern Rock Foundation*.* The diagram is a development from conceptual ideas presented initially by Pestoff, V. A. 1992. 'Third sector and co-operative services: from determination to privatization', *Journal of Consumer Policy*, 15:1, 21-45; and then revised by Evers, A. and Laville, J. L. 2004. 'Defining the third sector in Europe' in A. Evers and J.L. Laville (eds.) *The Third Sector in Europe*, Cheltenham: Edward Elgar Press.

assertions are correct. The purpose of this paper, therefore, is to see if we are right by using data from the 2012 TSO1000 study.

Being right about something is an appealing prospect, but proving it is an illusive objective in the world of social science. So we say straight away that what we find in this paper are patterned 'tendencies' for organisations with a particular ethos to hope for certain things and to behave in certain ways.

- TSOs with a community driven practice and planning ethos, for example, are 'more likely' to eschew social enterprise as their preferred approach to running their organisation.
- TSOs with a public-sector driven planning and practice ethos are 'more likely' to be driven by the priorities of the state.
- TSOs with a market driven planning and practice ethos are 'more likely' to focus on developing strategies to earn income from trading.

Figure 2 **Organisational ethos as a matter of 'degree'**

It is very important to note that none of these categories of TSO, as defined by their ethos, has a *monopoly* over any particular aspect of organisational practice. Instead, it is a question of the *degree* of assimilation of particular attitudes and adoption of particular practices that we are talking about, as indicated in Figure 2. In other words, organisations with a market driven planning and practice ethos are 'more likely' to have the characteristics featured in Figure 1 than other TSOs. But this does not mean that other organisations do not share some of these characteristics. And neither does it mean that TSOs with a market driven planning and practice ethos are not driven to some extent by values and practices more closely associated with the state and community.

Structure of this working paper

This working paper is divided into a number of sections:

- Section 2 provides a brief outline of the objectives and methodology used in the Third Sector Trends Study.
- Section 3 considers the principal characteristics of TSOs by size and ethos
- Sections 4 to 7 explore, respectively, through analysis of survey data, organisational practices in the following areas: *Foresight, Enterprise, Capability* and *Impact.*
- Section 8 provides a summary of key findings from each of sections 4-7 and assesses the implications of the findings.

2 About the TSO1000 and the TSO50

The TSO1000 survey

A large scale questionnaire survey of TSOs was undertaken in the early summer of 2010 and repeated in 2012. Over 1000 responses were received in the first phase (that's why we called it the 'TSO1000') and that was well exceeded in the second phase (over 1,700 responses in 2012).[6]

The 2012 survey was undertaken in June 2012. Over 8,000 paper questionnaires were sent out to TSOs across North East England and Cumbria. Additionally, in 2012, the questionnaire was available on Bristol Online Survey for the duration of the survey period should respondents wish to use this method of completing the survey. A total of 1,710 usable responses (i.e. completed questionnaires) were received (230 of which were completed electronically).

This survey was designed to explore findings from all the other component parts of the study and generate data from a sufficient number of cases to allow analysis of the relationships between different variables. Statistically comparable data from the two phases was successfully matched. The survey has proved invaluable in understanding how the sector is structured and, with baseline data from the first phase, we have been able to look at how the sector is being affected by change.

The TSO50 study

The intention of the TSO50 study was to follow the fortunes of 50 organisations which, to some extent at least, can be said to be representative of the sector in the North East and Cumbria. The sample was selected using three dimensions: the area within which the organisations operate; the size of the organisations; and the beneficiary groups which they serve.

To cover at least some of the varied economic, geographical, cultural and social characteristics of the North East and Cumbria, we sought to identify samples of 10

[6] A full explanation of the methodological approach to the TSO1000 can be found in Chapman *et al.* (2010) *Keeping the Show on the Road*, Newcastle: Northern Rock Foundation.

organisations in each of the five sub-regions, and in each of these sub-regional samples we focused on a particular beneficiary theme.

We also sought to include organisations of different sizes. So, in each of these sub-regions, organisations were selected in four main size categories:

- Large national organisations: with headquarters/head offices based outside our study region.
- Larger regional / sub-regional organisations: with more than 24 employees and an annual turnover of at least £1 million.
- Medium sized organisations: those with between 5 and 24 staff, and a turnover of more than £200,000, but less than £1 million.
- Smaller organisations: with a turnover of less than £200,000 and having fewer than 5 employees.

The first phase of the TSO50 interviews was carried out in 2009. Together with data from the first phase of the TSO1000 survey, these interviews provided us with a snapshot of the third sector at that time. Now, in this second phase of the study, we can start to look at how the sector is managing change. The second phase of the TSO50 study was undertaken between November 2011 and April 2012. Out of the 50 organisations we had started with, we found that one had shut down, one could not be contacted, and one was unable to meet with us, so we were able to interview 47 organisations. The majority of the interviews involved the same interviewer and interviewee as in 2009.

In this second phase of our TSO50 interviews we have been finding out how organisations have been getting on since we last met with them, exploring particularly how they balance external and internal factors and influences, and how they respond to challenges and opportunities.

3 Characteristics of TSOs by ethos

In the TSO1000 survey in 2012 we asked a series of questions to find out how TSOs positioned themselves in relation to the state, market and community. This is the question we used: "we are interested in the 'culture' of voluntary and community sector organisations – where do you think your organisation sits in relation to the following?" Respondents were presented with a list to respond to, shown in Figure 3, and had the option of ticking 'people in the public sector', 'people in the private sector', or 'people in the community'.[7]

Figure 3 shows that the majority of respondents say that their values are matched most closely with those of the interests of people in the community (87%). It shows that their volunteers come primarily from the community (92%). It is also clear that the resources of the sector come primarily from the community (67%). In the present analysis, however, we are more interested in the first and the last questions which focus on pragmatic issues of 'practice' and 'planning' because these are the factors which tell us more about how TSOs: see the future (*foresight*); respond to opportunities (*enterprise*); develop their *capability* and assess their *impact*.

Figure 3 **The ethos of third sector organisations, 2012**

Where do you think your organisation sits in relation to the following?	People in the community	People in the public sector	People in the private sector	N=
In the way that we do our work in practical terms, we are closer in style to...	72.4	11.0	16.6	1,495
Our values are matched most closely with the interests of...	87.2	7.7	5.1	1,496
The financial resources we use to do our work come mainly from...	61.3	21.3	17.3	1,420
Volunteers who support us come mainly from...	91.5	2.3	6.3	1,405
When we are planning for the future, our approach is close to...	70.0	7.4	16.6	1,454

[7] We purposefully avoided asking if they were influenced by public, private or community 'organisations' because we wanted them to answer with 'people's' values and practices in mind.

Figure 4 deepens the analysis by comparing organisational values of larger and smaller organisations. To achieve this, the data have been organised into four groups: the smaller TSOs and the bigger TSOs, split into three categories based on ethos:

- ***Smaller TSOs***: these organisations had an income of less than £25,000 in the previous year.[8]
- ***Bigger TSOs with a community driven planning and practice ethos***: (organisations with an income of above £50,000 a year).
- ***Bigger TSOs with a public-sector driven planning and practice ethos***: (organisations with an income of above £50,000 a year).
- ***Bigger TSOs with a market driven planning and practice ethos:*** (organisations with an income of above £50,000 a year).

Figure 4 **Organisational planning and practice ethos, 2012**

	In the way that we do our work in practical terms, we are closer in style to...			When we are planning for the future, our approach is closer to...		
	Smaller TSOs	Bigger TSOs	All TSOs	Smaller TSOs	Bigger TSOs	All TSOs
People in the community	85.3%	52.7%	72.4%	88.4%	56.9%	75.7%
People in the public sector	7.0%	17.4%	11.1%	4.1%	12.6%	7.5%
People in the private sector	7.7%	29.9%	16.5%	7.6%	30.5%	16.8%
N=	819	539	1,358	790	531	1,321

Larger TSOs in the data set were selected if respondents agreed that they planned *and* practiced in the same way as one of these categories 'people in the community', 'people in the public sector' or 'people in the private sector'. On the basis of this reorganisation of the data, the following numbers of cases were identified.

- All smaller TSOs = 819
- Community driven practice *and* planning ethos TSOs = 275
- Public-sector driven planning *and* practice ethos TSOs = 97
- Market driven planning *and* practice ethos TSOs = 167

[8] TSOs with income between £25,000-£50,000 were excluded from the analysis. This is because their characteristics could not easily be distinguished from smaller or larger TSOs.

Figure 5 presents data on the age of TSOs by their organisational ethos. This table shows that smaller TSOs tend to be rather older than larger ones: nearly 38% were established before 1945 and a over 65% were established before 1980. Many larger TSOs have also been around for a long time. About a quarter, irrespective of ethos, were established before the end of the war. TSOs with a public-sector driven practice and planning ethos are less likely to be amongst the most recently established organisations.

Figure 5 **Organisational ethos by age of TSO, 2012**

		Larger TSOs		
When was your organisation established:	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Pre 1945	37.5	21.3	25.0	25.9
1945 to 1980	28.0	20.9	25.0	16.0
1981 to 1996	16.9	30.2	29.3	31.5
1997 to date	17.6	27.6	20.7	26.5
N=	768	268	92	162

The area of operation of TSOs gives an indication of the geographical range of their activity. Contrary, perhaps, to expectations, many of the smaller TSOs do not confine their activities to the locality. Indeed, nearly 18% work at regional level or beyond. The vast majority of these smaller TSOs, 71%, do operate within a single local authority area and 42% operate at neighbourhood or village level.

Figure 6 **Organisational ethos by area of operation, 2012**

Where does your organisation operate?	Smaller TSOs	Larger TSOs: Community driven practice and planning ethos	Larger TSOs: Public-sector driven practice and planning ethos	Larger TSOs: Market driven practice and planning ethos
Neighbourhood or village area	42.1	16.0	7.2	4.2
Town or city to Local Authority area (District/ former District)	28.7	30.9	35.1	34.1
More than one Local Authority/ District area to Sub regional area	11.7	32.0	36.1	32.9
Regional area to international area of operation	17.5	21.1	21.6	28.7
N=	819	275	97	167

Turning to the larger organisations with a community driven practice and planning ethos are the most likely to operate at neighbourhood level (16%). But 53% of these organisations operate in more than one local authority area (32%) or at regional level or beyond (18%). TSOs with a public sector or market driven ethos share similar characteristics in this respect. TSOs with a market driven ethos are a little more likely to work across local authority boundaries or beyond (62% compared with 58% for TSOs with public-sector driven ethos).

The nature of TSO's work differs considerably by size of organisation as shown in Figure 7. Only about 18% of smaller TSOs get involved with providing front-line services to beneficiaries, and just over 5% provide indirect support to beneficiaries. The majority, 58%, of smaller TSOs do not fit easily into the three functional categories of activity. The reason for this is that many do not serve beneficiaries as such, since the people who run the organisation often *are* the beneficiaries.

Larger organisations are distributed in the primary, secondary and tertiary categories in broadly similar proportions. TSOs with a market driven ethos are most likely to be involved in primary functions: delivering direct services such as housing, training, social care and so on (48%), but are the least likely to deliver direct support services (such as advice and guidance).

In the tertiary function category, very few TSOs are primarily involved in indirect support services (such as campaigning or research), although a sizeable number provide infrastructure support to other TSOs.

Figure 7 **Organisational ethos by TSO beneficiary orientation, 2012**

What is the main thing your organisation does?	Smaller TSOs	Larger TSOs: Community driven practice and planning ethos	Larger TSOs: Public-sector driven practice and planning ethos	Larger TSOs: Market driven practice and planning ethos
Primary function: provide front line services to beneficiaries	18.2	40.3	41.5	47.8
Secondary function: provide direct support services to beneficiaries	5.2	23.2	22.3	17.0
Tertiary function: provide indirect services to beneficiaries	18.4	14.4	9.6	14.5
Provide indirect support services to beneficiaries	*(1.9)*	*(1.9)*	*(1.1)*	*(1.3)*
Provide infrastructure support to the Third Sector	*(8.1)*	*(8.0)*	*(6.4)*	*(9.4)*
Provide grants to the Third Sector as a foundation or a trust	*(8.5)*	*(4.6)*	*(2.1)*	*(3.8)*
Mixed or other activities	58.2	22.1	26.6	20.8
N=	792	226	51	88

Organisational size is defined, in this study, by the organisation's level of income in the previous year. As Figure 8 shows, all TSOs with an income of less than £25,000 a year are included in the 'smaller' TSO category. Within this group, the data show that about three quarters of the TSOs have income levels below £10,000 a year.

Amongst the larger TSOs, it is clear that those with a community or public-sector driven ethos tend to have rather lower levels of income than TSOs with a market driven ethos. Certainly, TSOs with a market driven ethos tend to be amongst the largest TSOs: 22% have incomes over £1m compared with 13% of TSOs with a public-sector driven ethos and 9% of those with a community driven ethos.

Figure 8 **Organisational ethos by income, 2012**[9]

		Larger TSOs		
	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
no income	4.4			
£1 - £2,000	23.9			
£2,001 - £5,000	21.1			
£5,001 - £10,000	24.8			
£10,001 - £25,000	25.8			
£50,001- £100,000		29.5	27.8	15.6
£100,001 - £250,000		30.2	25.8	25.7
£250,001 - £500,000		21.1	19.6	19.8
£500,001 - £1,000,000		10.2	13.4	16.8
£1,000,001 plus		9.1	13.4	22.2
N=	819	275	97	167

The resource base of organisations clearly impacts on their potential to employ staff. As Figure 9 shows, most of the smaller TSOs had no employees (96%); just 4% of them had a full-time employee. Rather more of the smaller TSOs were in a position to employ part-time employees however: about 24% employed part-time staff.

Larger TSOs generally employed staff on a full-time and/or part-time basis. The majority of TSOs with a community driven ethos employed between 1 and 5 members of full-time staff (59%). Only 14% had no full-time staff. Part-time staff appear to be employed in larger numbers: nearly 39% of these TSOs employed more than 6 part-time staff.

TSOs with a public-sector driven ethos were the most likely to employ full-time staff: fewer than 4% had no full-time staff (compared with nearly 9% of TSOs with a market driven ethos). The same applies to part-time staff where fewer than 3% had none, compared with 7% of TSOs with a market driven ethos. At the upper end of employment levels, however, TSOs with a public sector or market driven ethos were broadly the same.

We asked how many volunteers worked in organisations.[10] Volunteers clearly play an important role in organisations of all sizes. While 27% of the smallest TSOs had no

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[9] TSOs with income between £25,000-£50,000 were excluded from the analysis. This is because their characteristics could not easily be distinguished from either the smaller or larger TSOs.

volunteers, the majority had many. We presume that where no volunteers are recorded, this is because the people who take most responsibility for running the organisation were trustees or committee members and did not see themselves as 'volunteers' (although they are).

Larger TSOs relied heavily on volunteers – particularly those with a community driven ethos – where only 4% had no volunteers at all compared with about 10% of other larger organisations. Around 40% of all the larger TSOs had more than 20 volunteers doing work for them – which indicates their heavy reliance on such support.

The extent to which the numbers of employees and volunteers has changed over time is shown in Figure 10.

- Smaller TSOs employ very few staff, so the question is not relevant. In relation to volunteers, 75% of smaller TSOs stated that the numbers of volunteers had remained about the same. 86% stated that this was the case for trustees. Only 10% of smaller TSOs now had more volunteers.
- 58% of TSOs with a community driven planning and practice ethos had retained the same number of full-time staff, and 54% had the same number of part-time staff. 12% reported increasing numbers of full-time staff and 24% increasing numbers of part-time staff. But 29% of these TSOs also recorded a loss of full-time staff and 22% recorded a loss of part-time staff. By contrast, or perhaps compensation, 37% stated that they had more volunteers now.
- 15% of TSOs with a public-sector driven planning and practice ethos had increased the number of full-time staff and 20% had increased the number of part-time staff. Others had lost employees: 35% had reduced the number of full-time and 24% had reduced the number of part-time staff. 27% of TSOs reported that volunteer numbers had risen, compared with just 10% who stated that numbers had fallen.
- TSOs with a market led planning and practice ethos were the most likely to have increased the number of full-time (19%) or part-time (33%) staff. But many of these TSOs also recorded falling staff numbers. 35% said they had reduced numbers of full-time staff and 25% had reduced part-time staff. TSOs with a market driven ethos were the least likely (24%) to have increased their numbers of volunteers – but this still represents a rising number for many TSOs.

[10] The numbers of trustees or committee members were recorded in a separate question.

Summary of findings

The findings about smaller TSOs and larger TSOs with a community driven, public-sector driven or market driven planning and practice ethos are summarised below.

Smaller TSOs tend to have been established for longer than most other TSOs, with 65% having being established before 1980 and 28% established before the end of the Second World War. Most work at a local level, 71% within a local authority area, and 42% in a neighbourhood or village. Most smaller TSOs do not deliver services to beneficiaries (58%), and nearly 75% have incomes of less than £10,000 a year. Few smaller TSOs have staff (96% have no full-time staff), and 27% report that they have no volunteers.

Larger TSOs with a community driven planning and practice ethos tend to have been established more recently: 58% since 1981. They are most likely to operate in a single local authority area (47%, and 16% operate only in one neighbourhood or village) although 21% work at a regional or wider level. 40% are involved the delivery of primary services to beneficiaries. Relatively few of these organisations are very large: only 19% have incomes of above £500,000 a year. About 9% have more than 21 full-time employees, and 7% have more than 21 part-time employees. These TSOs are the most likely to rely on larger numbers of volunteers to help them do their work.

Larger TSOs with a public-sector driven planning and practice ethos tend to have been established more recently, over 50% since 1981. About 42% work within a single local authority, but 22% work at regional level or in a wider area. Over 42% are engaged mainly in primary service delivery. 27% have income in excess of £500,000 a year. 17% have over 21 full-time and 15% have over 21 part-time staff. They tend to be less reliant on volunteers than TSOs which have community driven ethos but still have many volunteers supporting them.

Larger TSOs with a market driven planning and practice ethos are also often more recently established organisations (58% since 1981). They work across a wider area than other TSOs; 29% work regionally or on a wider level. They are the most likely to be engaged with primary service delivery (48%) and are much more likely to be the largest organisations: 47% have income over £500,000 a year; consequently, they are also the biggest employers: 22% have more than 21 full-time staff, and 18% have over 21 part-time staff. These organisations are heavily reliant on volunteers although less so than TSOs with a community driven ethos.

Figure 9 **Number of employees and volunteers by organisational ethos, 2012**

	Smaller TSOs			Larger TSOs: Community driven practice and planning ethos			Larger TSOs: Public-sector driven practice and planning ethos			Larger TSOs: Market driven practice and planning ethos		
	Full-time employees	Part-time employees	Volunteers	Full-time employees	Part-time employees	Volunteers	Full-time employees	Part-time employees	Volunteers	Full-time employees	Part-time employees	Volunteers
None	95.8	76.0	26.8	14.2	11.3	4.3	3.4	2.3	9.2	8.9	6.8	10.2
1 to 5	4.2	23.3	24.6	59.2	50.4	20.8	55.1	58.6	32.9	43.7	37.2	18.9
6 to 20		0.7	37.1	17.6	31.3	35.5	24.7	24.1	18.4	26.6	38.5	33.9
21 to 50			8.8	4.7	5.4	24.2	9.0	5.7	21.1	10.8	8.1	17.3
50+			2.7	4.3	1.7	15.2	7.9	9.2	18.4	10.1	9.5	19.7
N=	545	596	679	233	240	231	89	87	76	158	148	127

Figure 10 **Change in TSO staffing and volunteer levels over last two years, 2012**

		Larger TSOs		
	Smaller TSOs*	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Paid full-time staff				
Increased		12.3	15.7	18.7
Stayed the same		57.9	49.4	46.5
Reduced		29.8	34.8	34.8
N=		228	89	155
Paid part-time staff				
Increased		24.1	20.4	32.7
Stayed the same		54.4	55.9	42.7
Reduced		21.6	23.7	24.7
N=		241	93	150
Volunteers (excluding trustees)				
Increased	10.1	36.5	27.7	24.3
Stayed the same	75.3	50.0	62.7	63.6
Reduced	14.6	13.5	9.6	12.1
N=	656	244	83	140
Trustees				
Increased	5.0	13.9	5.8	10.9
Stayed the same	86.3	71.7	86.0	74.8
Reduced	8.7	14.3	8.1	14.3
N=	686	244	86	147

* Note: as shown in Figure 10, very few smaller TSOs employed staff full time or part time so these data are excluded from the analysis.

4 Organisational foresight

In our TSO50 study, foresight was defined as:[11]

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

On the basis of research undertaken in 2009 and 2012, we were able to produce clear statements on what we believed constituted good organisational practice, and provided indicators of the kinds of practice which may lead to detrimental outcomes. These conclusions are summarised in Figure 11.

In this report we take the analysis one more step forward by drawing upon data from the TSO1000 survey of 2012. In this survey we had a number of questions of relevance to this issue which are explored in some depth below. These questions focus upon TSOs' opinions about what they expect will happen to their organisation in the future, and what they intend to do about changing their practices to meet the challenges they think they may face.

[11] Details on the original methodology adopted in the TSO50 that led to the formulation of these definitions can be found in: Chapman, T. and Robinson, F., *et al*. (2010) *What makes a Third Sector Organisation tick? Ibid.* For revisions to the methodology following the second phase of study see: Chapman, T. and Robinson, F., *et al*. (2012) *Journeys and Destinations, ibid.*

Figure 11 **Features of organisational foresight**

Good organisational practice	Indications of poor organisational practice
Knows what they are there to do and who they serve: has a clear understanding of who its beneficiaries are; knows how it can best serve its beneficiaries.	It is possible for a TSO to know who they are there to serve and know what they are there to do whilst, at the same time, failing to take the right steps to achieve their objectives. Drift from core mission may be a common factor in undermining organisational effectiveness.
Plans on the basis of realistic appraisal of capability: knows how to assess opportunities; knows what its capabilities are and can match these with its ambitions.	Losing the connection between mission and practice is, in weaker organisations, often associated with a failure to understand organisational capability (or the potential to develop it) and therefore take on new activities for which they have insufficient skill, experience or even interest to do properly.
Leaders are focused on longer term objectives: leader(s) focus on 'big picture' objectives; organisation plans its activities with its principal objectives in mind.	Most organisations find themselves at the mercy of sudden change from time to time. That can result from the loss of key staff, trustees or volunteers; or from unexpected external factors. Good organisations can weigh up what the significance of these changes is for the longer term – rather than reacting too quickly and unwisely. Keeping a big picture perspective is hard but necessary.
Governing body understands aims and supports plans: governing body has the right skills mix, energy and commitment to develop and support organisational objectives; governing body works with 'one mind' once agreement has been reached on the organisation's objectives.	Good governance requires a balancing act. Boards which are dispossessed, uninterested, unimaginative, inadequately skilled and insufficiently knowledgeable, intrusive, over ambitious, combative, divisive, destructive and delusional can make poor decisions. Unbalanced boards rarely speak with one mind or effectively communicate what they want to happen – producing uncertainty and inefficiency.
Would consider making hard decisions in response to challenges: organisation remains focused on its principal strategic objectives if faced with new opportunities or a crisis; organisation contemplates radical action to ensure continued service to its beneficiaries (such as downsizing, merger, closing).	Making difficult decisions and communicating them effectively is a critical success factor in TSOs. Organisations which prevaricate or bury their heads in the sand rarely prosper over time. Often crises occur over resource constraints producing a tendency to protect the interests of people who work and volunteer in a TSO – perhaps at the expense of the needs of beneficiaries.

Expectations about the future

Figures 12(a) and 12(b) present data on expectations TSOs have about what will happen to them over the next two years in relation to a range of factors. About one third of smaller TSOs believe that ***expenditure*** will increase. Over 58% of smaller TSOs feel it will remain much the same. Only 4% think expenditure will fall. Amongst the larger organisations, it is clear that TSOs with a public-sector driven planning and practice ethos are the most likely to believe that expenditure will increase (61%) although half of the other larger TSOs also think it will increase. TSOs with a community driven ethos are the least likely to expect that expenditure will fall.

Interestingly, these data do not match expectations about an increasing ***need for their services*** particularly well – except in the case of the smaller TSOs. Between 72% and 78% of larger TSOs say the need for their services will increase compared with just fewer than 2% who believe that need will fall. Setting expectations of expenditure against service need indicates, therefore, that many TSOs probably feel that they will not have sufficient resources in future fully to respond to needs.

A useful indicator of organisational expectations about their capacity to do their work is expectations about staffing and volunteering levels. Smaller TSOs employ few staff, as shown in Section 4; hence the small number of TSOs responding to this question (n=211). Of those smaller TSOs which do employ staff, 87% envisage no change. Similarly, three quarters of smaller TSOs anticipate stability in the number of volunteers they can draw upon – although a sizeable minority think that the number of volunteers will increase (15%). Fewer than 10% think the number of volunteers will fall.

Larger TSOs are rather more optimistic about increasing staff numbers: especially in the case of TSOs with a market driven ethos (31%). Over 26% of TSOs with a public-sector driven ethos expect staff numbers to fall, compared with about a fifth of other larger TSOs.

Expectations about levels of staffing and the number of contracts held, it may be expected, should match quite closely. In fact, TSOs are rather more optimistic about the prospect of increasing the number of contracts they hold. That stated, the pattern of responses by ethos is quite similar; although TSOs with a market driven ethos are more likely to believe that the number of contracts will increase (40%). Many TSOs, it should be noted, also feel that the number of contracts held will fall, particularly so in the case of TSOs with a public-sector driven ethos.

Most contracts gained by TSOs come from the public sector, so it is necessary to explore whether TSOs believe, in light of the current political and economic situation, if TSO activities will increase. The majority of smaller TSOs, which are the least likely to be involved with contracts, tend to think that public sector expectations of them will not change (66%), although 29% do think their expectations to increase.

Larger TSOs, by contrast, are very likely to believe that the expectations of statutory agencies of their services will increase. While differences by ethos are not pronounced, it is evident that TSOs with a market driven ethos are more likely to believe that this will be the case (69%).

Not all public sector funding to TSOs comes in the form of contracts. When expectations are compared specifically about 'contracts' and more generally about all kinds of 'funding', differences emerge. For example, 40% of TSOs with a market driven ethos thought contracts would increase compared with just 23% in relation to funding in general. Indeed, for other larger TSOs, they are less likely still to think that funding in general will increase – especially those with a community driven ethos (14%).

The main finding here, however, is a shared sense of pessimism about the availability of public sector funding – large or small, and irrespective of planning and practice ethos, about 40-44% of TSOs think public sector funding will fall.

We asked TSOs if they felt that recruiting new staff, volunteers and trustees would change in the next two years. Given the above finding, it should be expected that TSOs would not be particularly optimistic about recruiting paid staff. This is shown to be the case – but attitudes are not overly pessimistic. Amongst the larger TSOs, those with a market driven ethos are most likely to think that the ease of staff recruitment will increase (23%) compared with 17% with a public-sector driven and 14% with a community driven ethos.

The next two factors, which consider the recruitment of volunteers and trustees, provide an indication of the sector's mood about the strength of civic engagement. The over-riding response from large or small TSOs is that things will not change: between 60-75% of TSOs believe this to be the case. That stated, there are signs of negativity: about 20% of TSOs, large or small, think that volunteer recruitment will become harder. Trustee recruitment is expected to become more difficult too for a minority of TSOs – but there is a stronger emphasis on these expected difficulties for larger organisations with a market driven ethos (21%).

Figure 12(a) **TSO expectations about the future, 2012**

		Larger TSOs		
	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Expenditure will ...				
Increase	37.8	53.7	61.3	52.8
Remain similar	58.2	36.3	22.6	30.1
Decrease	4.0	10.0	16.1	17.2
N=	754	270	93	163
Number of paid staff will ...				
Increase	9.0	19.9	17.4	30.6
Remain similar	86.7	59.0	56.5	47.8
Decrease	4.3	21.1	26.1	21.7
N=	211	251	92	157
Number of volunteers will ...				
Increase	15.3	40.0	37.3	50.4
Remain similar	75.4	51.0	56.6	39.3
Decrease	9.3	9.0	6.0	10.4
N=	621	255	83	135
Contracts held will ...				
Increase	27.4	28.5	31.3	39.8
Remain similar	69.9	52.1	43.3	43.1
Decrease	2.7	19.4	25.4	17.1
N=	113	165	67	123
The need for our services will ...				
Increase	35.0	71.9	76.1	78.0
Remain similar	63.0	26.5	22.7	20.7
Decrease	2.0	1.5	1.1	1.3
N=	603	260	88	150

Figure 12(b) **TSO expectations about the future, 2012**

	Smaller TSOs	Larger TSOs: Community driven practice and planning ethos	Larger TSOs: Public-sector driven practice and planning ethos	Larger TSOs: Market driven practice and planning ethos
Statutory agencies expectations of our services will ...				
Increase	29.4	64.7	64.1	69.3
Remain similar	65.6	33.3	33.3	27.0
Decrease	5.0	1.9	2.6	3.6
N=	279	207	78	137
Funding from statutory bodies will ...				
Increase	9.0	13.8	15.2	22.0
Remain similar	50.2	42.4	40.5	35.4
Decrease	40.8	43.8	44.3	42.5
	277	203	79	127
Ease of staff recruitment will ...				
Increase	7.9	13.3	17.1	22.8
Remain similar	70.9	71.0	68.3	58.8
Decrease	21.2	15.7	14.6	18.4
N=	165	210	82	136
Ease of trustee recruitment will ..				
Increase	4.6	12.2	15.5	14.2
Remain similar	75.9	73.9	67.9	65.2
Decrease	19.5	13.9	16.7	20.6
N=	497	238	84	141
Ease of volunteer recruitment will ..				
Increase	5.7	14.7	15.7	16.3
Remain similar	72.6	70.6	62.7	64.3
Decrease	21.7	14.7	21.6	19.4
N=	457	170	51	98

These findings give a broad impression of the mood of the sector on the chances they may have to maintain or build their assets so that they can respond to rising demand and increasing expectations of their services. But what do they intend to do to meet the challenges of the future? Figure 13 presents data on the strategic responses TSOs have made ('We are doing this now') or are hoping to make ('We are planning to do this') in relation to a range of factors.

Smaller TSOs, against the whole range of factors are undoubtedly the least likely to have changed or be planning to change the way they do things. There are two exceptions. Firstly, about 15% of smaller TSOs are planning to increase earned income, and 23% are already taking action to achieve this. Secondly, 17% of smaller TSOs are planning to increase individual donations and 16% have already taken action to achieve this.

Larger TSOs are rather more likely to be changing the way they do things in relation to many of the listed factors: so each will be discussed separately. That stated, there are several areas of activity that larger TSOs are emphatically *not* planning to engage in: such as merging, taking services over from another TSO or changing their legal status.

***Earned income*:** 54% of larger TSOs with a public-sector driven ethos and 52% of TSOs with a market driven ethos have already taken action to increase earned income, and 19% of the former and 29% of the latter are 'planning' to do this. In short, the impetus to 'earn' income is becoming much stronger. TSOs with a community driven ethos are more conservative in their attitudes – with a third of organisations not planning to change; but 41% have changed practices and 26% are planning to.

Increasing individual donations. As would be expected, larger TSOs with a community driven ethos are more likely to be taking action to increase individual donations (because they are less reliant on trading and contracts): 24% of these TSOs have already taken action and a further 30% are planning to. TSOs with a public sector or market driven ethos are also keen to increase donations. Indeed, between 20-25% are doing this now, and 35-30% are planning to do this.

Changing organisational legal status is not a priority for larger TSOs and neither did we expect it to be. What is surprising about these data, however, is that rather more TSOs are considering or doing this than we expected would be the case. Clearly, we cannot determine from this simple question what kind of change in legal status they are seeking (they could be planning to become, for example a Company Limited by Guarantee, an Industrial or Provident Society or a Community Interest Company).

Alternatively, they may be planning to establish a trading arm of some kind which is legally separate from their charitable operation. While differences between TSOs with different ethos are not large – TSOs with a public-sector driven ethos are the most likely to be taking such options seriously (16%) or to have acted already (9%).

Changing the way services or activities are run. The planning and practice ethos of larger TSOs affects their attitudes to change in this respect. TSOs with a community driven ethos are the least likely to be planning or actively changing what they do (58%, compared with 51% of TSOs with a public-sector driven ethos and 40% of TSOs with a market driven ethos). Only 22% of TSOs with a community driven ethos have taken action, compared with 33% of TSOs with a public-sector driven ethos and 42% of market driven ethos. There are hints that the TSOs with a community driven ethos are taking the idea of change more seriously – with 20% planning to change the way they do things.

Merging with one or more similar organisations is not an option many larger TSOs are considering. Between 5-7% are doing this now and between 6-12% are planning to do so; but twice as many TSOs with a market driven ethos are doing this (12%) compared with a community driven ethos (6%). These findings strongly suggest that TSOs are generally not much interested in losing their independence as organisations at the present time.

This does not mean, however, that larger TSOs are not interested in ***working more closely with another TSO***. About half of TSOs with a community driven ethos are not considering working with other TSOs (compared with 47% for those with a public-sector driven and 44% for those with a market driven ethos). But many are already doing this – especially those TSOs with a market driven ethos (39%). TSOs with a public sector ethos are the least likely to be doing this now, but 21% are planning to work more closely with other TSOs. The mood for collaboration and partnership working is, these data suggest, warming up. But it is equally clear that many TSOs value complete independence over the prospect of partnership or collaboration.

TSOs are keen to remain independent and our qualitative evidence strongly indicates that they seek, in turn, to respect the independence of other organisations. By implication, this would suggest that TSOs are not generally very interested in developing highly competitive business strategies and are unlikely to want to ***take services over from other TSOs***. The data show that 90% of TSOs with a community driven ethos will not consider such an option: 88% of TSOs with a public-sector driven ethos are equally reticent about such strategies. The TSOs with a market driven ethos are the most likely to consider such an option: 7% are doing it now and a further 11% are planning to do this.

While these data may not necessarily indicate actual intensification of competition as such to deliver services, it may indicate potential to move in that direction. Data on planning and practice ethos cannot be compared with 2010 (as this was a new question in the 2012 survey) but for larger TSOs in general, the indications are that the willingness to consider taking over services from another TSO is growing.

Summaries of the key findings from this, and subsequent section, are provided in the concluding chapter of this working paper.

Figure 13 **TSO strategy for future development, 2012**

		Larger TSOs		
	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Increasing earned income				
Planning to do this	14.8	26.2	18.6	28.7
Doing this now	23.1	41.5	54.6	52.1
Not planning or doing this	62.1	32.4	26.8	19.2
Increasing individual donations				
Planning to do this	17.2	30.2	24.7	29.9
Doing this now	15.9	24.4	25.8	19.8
Not planning or doing this	66.9	45.5	49.5	50.3
Changing your organisation's legal status				
Planning to do this	3.5	7.3	15.5	9.6
Doing this now	3.3	8.0	9.3	6.6
Not planning or doing this	93.2	84.7	75.3	83.8
Changing the way you run your services or activities				
Planning to do this	8.3	19.6	15.5	17.4
Doing this now	6.0	22.9	33.0	41.9
Not planning or doing this	85.7	57.5	51.5	40.7
Merging with one or more similar organisations				
Planning to do this	3.8	6.5	10.3	11.4
Doing this now	2.2	5.1	6.2	6.6
Not planning or doing this	94.0	88.4	83.5	82.0
Working more closely with another voluntary/ not-for-profit organisation				
Planning to do this	7.2	15.3	20.6	16.8
Doing this now	12.0	35.3	32.0	39.5
Not planning or doing this	80.8	49.5	47.4	43.7
Taking over a service or project from another voluntary/ not-for-profit organisation				
Planning to do this	2.9	5.8	3.1	10.8
Doing this now	2.1	4.7	9.3	7.2
Not planning or doing this	95.0	89.5	87.6	82.0

5 Organisational enterprise

In the TSO50 research, Enterprise is defined as:

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

Figure 14 presents our critical overview on what we feel constitutes good or poor organisational practice in this area of activity.

In the TSO1000 survey of 2012, a number of questions were asked which provided insights on the way TSOs were now positioned, and intended to position themselves towards enterprising activity in future. These questions covered the following areas:

- The sources of income TSOs currently valued the most.
- The extent to which their income had fluctuated in the last two years.
- The percentage of earned income.
- Expectations about delivery of public services.
- Involvement in partnership bidding.
- TSO position on tendering for public service contracts.
- Perceptions of public sector attitudes towards TSOs.

From the analysis which follows it is possible to get a clearer picture of the extent to which organisational ethos affects attitudes towards enterprising practice.

Figure 14 **Features of Organisational enterprise**

Good organisational practice	Indications of poor organisational practice
Knows how to spot and assess opportunities: organisation has knowledge and a clear understanding of where opportunities might present themselves; organisation has a mechanism to undertake successful opportunity appraisals.	TSOs which react to opportunities on the near horizon without proper appraisal of the potential longer-term consequences of such action for achieving their mission often find themselves in hot water. Weaker TSOs cannot distinguish between good opportunities and bad ones.
Knows when to compete or cooperate with others: organisation knows who its potential competitors or partners are and understands its relationship with them; the organisation has a clear understanding of its reasons for choosing to compete or cooperate.	TSOs which refuse to contemplate cooperation because they want to win everything for themselves often fail to achieve their potential. Conversely, organisations that throw themselves into marriages of convenience without due diligence face almost inevitable problems as a consequence. Decisions to compete or cooperate, when taken lightly, may well produce problems.
Uses innovation to meet beneficiary needs: the organisation employs innovative practice with the sole purpose of meeting the needs of its beneficiaries; the organisation know how to learn from its own and others' innovative practices.	Innovation in practice is less common than we expected when this study was started. We are respectful of those organisations which know what they do well and exercise continuous good practice rather than constantly experimenting for the sake of it. False claims about innovation to win bids may be exposed soon enough.
Has an organisational culture which is responsive to change: the organisation has the ability to marshal all its resources to address new challenges and opportunities; the organisation communicates with and successfully prepare its people for change.	TSOs which are unresponsive to internal or external change can miss good opportunities or fail to tackle issues which need attention. Some organisations change too readily without proper regard to the potential consequences. In both cases there can be a chasm between decision making and communication with staff and volunteers which can cause uncertainty, insecurity and inefficiency.
Maintains useful relationships with stakeholders to help achieve aims: the organisation maintains positive relationships with relevant external stakeholders; the organisation knows which networking or relationship building opportunities to prioritise in order to pursue its objectives.	Some TSOs can be insular or secretive and fail to communicate fully with organisations which support or resource them – leading to loss of trust. Other TSOs work hard to project and promote their organisation's interests, but sometimes do so without first having established clear strategies to achieve their objectives. This can produce opportunity overload and constantly skew organisational mission.

The findings from the Section 5 suggest that many TSOs have recognised that significant changes in their working environment are afoot, and that they are taking action to change the way they do things to meet the challenges and opportunities that present themselves. The ability to capitalise on new opportunities depends to a large extent, as argued in our recent working paper, *On the money*, upon the way that TSOs actually depend upon (or feel that they do) particular sources of income.

In *On the money*, we identified three broad sources of income: *earned money*, *given money* and *borrowed money*. And it was argued that the level of interest in accessing money of these different kinds was shaped, to some extent, by the ethos of the TSO. In Figures 15(a) and 15(b) TSO's perceived extent of reliance on a range of income types are presented according to organisational size and planning and practice ethos.

Grants: Smaller TSOs, which have some level of dependence on grants (n=500) are likely to stress that they are amongst their most important sources of income (48%). Larger TSOs with a public-sector or market driven ethos state similar levels of dependence (48% and 46% respectively). TSOs with a community driven ethos are by far the most dependent on grants (64%).

Similarly, larger TSOs with a community driven ethos are also more likely to state that they are highly dependent upon gifts (26%) when compared with other larger TSOs (about 20%). Indeed, TSOs with a public-sector or market driven ethos are much more likely to say that gifts are amongst the least important sources of income for them (32% and 24% respectively), compared with just 15% of TSOs with a community driven ethos.

Contributions in kind also constitute, albeit indirectly, a source of given money (because if that contribution was not made, it would *cost* money to deliver). Again, TSOs with a community driven ethos are rather more likely to stress the importance of such resources compared with other larger TSOs. TSOs with a market driven ethos are the most likely to perceive only a very limited level reliance on contributions in kind (28%).

Subscriptions and ***investment income*** do not neatly fall either into the category of given money or earned money. Some TSOs specifically target subscription income as a source of earned money (as it constitutes a payment for a service they deliver). Others regard it more as a gift from the people who support or participate in their organisation's activities. Investment income, similarly, can come from given property from which a TSO may earn income (via rent). Of from dividends from shares which were afforded through initial gifts. Alternatively, TSOs may have produced their own investment income through the purchase of property or shares from surpluses they generated.

These questions do, nevertheless, give us a sense of the relative importance of such sources of income for TSOs with different ethos. The data suggest that TSOs with a community driven ethos are rather more dependent upon subscription income (24%) and that TSOs with a market driven ethos are the least dependent (13%). That stated, a similar proportion of larger TSOs state that subscription income is amongst the least important source of money in their portfolio of income.

Investment income is more important to TSOs with a community driven ethos (13%) compared with only 7% of TSOs with a market driven ethos. What is most clearly apparent from these data, however, is that few TSOs in general have much access to or reliance upon investment income. This certainly helps to reinforce the view that the sector is, to some extent, undercapitalised.

It is generally expected that TSOs with a socially enterprising ethos would be amongst the most likely to be engaged in earning money through contracts or trading. The indications from the TSO1000 data are that this is true – but it is not a straightforward issue.

Contracts are clearly an important source of income for many larger TSOs irrespective of ethos. Nearly 43% of TSOs with a community driven ethos say that contracts are amongst the most important sources of their income. TSOs with a public sector ethos are most likely to express this level of importance (53%), followed closely by TSOs with a market driven ethos (51%). At the other end of the spectrum, it is apparent that very few TSOs state that contracts are the least important sources of income (6-10%).

Earned income in the context of this question, means income from trading of services (but not from contracts to deliver services). TSOs with a community driven ethos are the least likely to say that earned income is amongst the most important sources of money (34%). TSOs with a public-sector driven ethos are the most likely to stress highest levels of importance (44%). But when the categories 'important' and 'most important' are pulled together, it is clear that TSOs with a market driven ethos value such income the most (75% compared with 68% of TSOs with a public-sector driven ethos). Interestingly, TSOs with a public-sector driven ethos were rather more likely to state that earned income was amongst the least important sources of income (17% compared with just 6% of TSOs with a market driven ethos).

Loans are clearly not widely used by larger TSOs. TSOs with a public-sector driven ethos are the least reliant on borrowed money (just 5% say it is very important to them) which may be read as surprising given that they may be the *most* likely to be involved in the delivery of public sector services.[12] TSOs with a market driven ethos are by far the most likely to state that they have a higher level of dependence upon borrowed money (16% say it is most important to them, and 41% say it is most important or important to them).

Just because current levels of dependence upon loans is low, it does not necessarily mean that attitudes about accessing loans are negative, or that TSOs have not even considered the prospect of borrowing money. But as will be shown in this report, the indications are that levels of interest in or awareness of loans currently remains quite limited.

[12] TSOs involved in the delivery of larger contracts are often expected to take significant financial risks, particularly in payment by results contracts, which require them to access working capital. Unfortunately, we have too few data to be able to disaggregate the largest TSOs involved in the delivery of such services to determine whether they are much more likely to be willing to access money from loans.

Figure 15(a) **Sources of income TSOs most value, 2012**

		Larger TSOs		
	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Grants				
Most important	48.2	63.9	48.2	45.9
Important	23.2	22.7	36.1	34.2
Of some importance	21.0	9.2	12.0	16.4
Least important	7.6	4.2	3.6	3.4
N=	500	238	83	146
Contracts/ Service Level Agreement				
Most important	24.5	42.9	53.0	51.3
Important	25.5	27.7	31.8	31.6
Of some importance	20.2	19.0	6.1	11.1
Least important	29.8	10.3	9.1	6.0
N=	94	184	66	117
Earned income				
Most important	44.6	33.7	44.4	43.4
Important	24.7	32.7	23.6	31.8
Of some importance	14.3	21.4	15.3	18.6
Least important	16.3	12.2	16.7	6.2
N=	251	196	72	129
Investment income				
Most important	34.7	13.0	8.8	6.5
Important	14.2	17.1	17.5	19.6
Of some importance	20.7	28.1	28.1	31.8
Least important	30.3	41.8	45.6	42.1
N=	323	146	57	107

Figure 15(b) **Sources of income TSOs most value, 2012**

		Larger TSOs		
	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Contribution in kind				
Most important	22.8	17.5	15.5	12.4
Important	34.1	28.5	23.9	27.1
Of some importance	31.5	32.0	38.0	32.6
Least important	11.6	22.0	22.5	27.9
N=	372	200	71	129
Gifts				
Most important	36.1	26.2	19.5	20.3
Important	29.2	38.6	24.7	31.3
Of some importance	22.5	20.0	23.4	24.2
Least important	12.1	15.2	32.5	24.2
N=	568	210	77	128
Subscriptions				
Most important	55.7	23.9	20.0	12.7
Important	21.1	24.6	17.5	28.2
Of some importance	14.2	22.5	35.0	29.6
Least important	9.0	28.9	27.5	29.6
N=	379	142	40	71
Loans income				
Most important	13.9	6.8	4.8	16.2
Important	16.7	13.6	4.8	24.3
Of some importance	11.1	11.9	23.8	16.2
Least important	58.3	67.8	66.7	43.2
N=	36	59	21	37

Figure 16 shows that over the last two years income has remained relatively stable for smaller TSOs: in 80% of cases this is shown. Only 4% of smaller TSOs had rising income but 16% experienced significantly falling income. For larger TSOs, it is a mixed picture. Nearly 16% of TSOs with a market driven ethos had rising income compared with 12% of TSOs with a public-sector driven ethos and 14% of community driven ethos. While these differences are small, at the other end of the spectrum, it is clear that TSOs with a public-sector driven ethos were rather more likely to have significantly falling income (37% compared with about 30% for other larger TSOs).

Figure 16 **Income fluctuation in last two years, 2012**

		Larger TSOs		
Over the last two years, has your organisation's income	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Risen significantly	3.7	14.0	12.4	15.8
Remained about the same	80.3	55.5	50.5	54.5
Fallen significantly	16.0	30.5	37.1	29.7
N=	807	272	97	165

Figure 17 shows that organisational size has a very significant influence on the extent to which they earn income. 60% of smaller organisations earned no income compared with about 15% of larger organisations. Amongst the larger TSOs, 47% of those with a market driven ethos were earning over 60% of their income. This may be expected for TSOs with a 'socially enterprising' outlook. But more TSOs with a public-sector driven ethos were earning this much income (55%). This is, presumably, due to their higher levels of involvement in and dependence upon public sector contract delivery.

Figure 17 **Organisational ethos by percentage of earned income, 2012**

Approximately how much of your income is earned?	Smaller TSOs	Larger TSOs: Community driven practice and planning ethos	Larger TSOs: Public-sector driven practice and planning ethos	Larger TSOs: Market driven practice and planning ethos
No earned income	57.9	19.0	10.6	14.5
up to 20% earned income	12.2	24.2	18.1	18.1
21% to 40% earned income	4.2	7.7	8.5	9.6
41% to 60% earned income	7.0	13.6	6.4	10.8
61% to 80% earned income	5.5	12.8	14.9	15.1
81% to 100% earned income	13.1	22.7	41.5	31.9
N=	801	273	94	166

As Figure 18 shows, expectations about involvement in public-sector service delivery over the next two years, differs - depending on organisational ethos. While a similar proportion of larger TSOs had no involvement in public-sector service delivery (about 19-22%), TSOs with a market driven ethos were the most optimistic about doing more of it in future (39%).

Figure 18 **Expected TSO involvement in delivery of public services, 2012**

Over the next two years do you expect your organisation's involvement in the delivery of public services will...	Smaller TSOs	Larger TSOs: Community driven practice and planning ethos	Larger TSOs: Public-sector driven practice and planning ethos	Larger TSOs: Market driven practice and planning ethos
Increase	10.7	32.2	34.4	39.4
Stay the same	41.4	31.5	35.5	32.1
Reduce	3.9	13.7	8.6	9.1
We do not deliver public services	43.9	22.6	21.5	19.4
N=	785	270	93	165

As shown in previous reports from the Third Sector Trends Study, the third sector in North East England, is particularly dependent upon the public sector for funding.[13] Much of that public service delivery is now done in partnership – often with local TSOs being subordinate partners to larger prime contractors (which are often

[13] Kane and Mohan (2010a and 2010b) show that a about 48% of third sector income comes from public sector sources in North East England, but in Cumbria it is much lower, at 28%,

national TSOs or private sector companies). Figure 19 shows the extent to which TSOs have been involved in, or plan to become involved in partnership bidding for contracts (which may or may not be for public sector services). Smaller TSOs play practically no part in such work with 86% not being involved in partnership bidding and having no intention of doing so.

TSOs with a market driven ethos are the most likely to have been successful in partnership bidding (32%). There are signs, however, that TSOs with a public-sector driven ethos have also been bidding for contracts but have not yet been successful (21%) or are considering this as a possibility (24%).

Figure 19 **TSO involvement in partnership bidding, 2012**

		Larger TSOs		
Has your organisation been involved in partnership bidding?	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Yes and have been successful	4.0	25.2	23.2	31.7
Yes and have not yet been successful	1.7	12.4	21.1	16.8
No, but we are considering this	8.4	20.4	24.2	20.4
No, and we are not considering this	85.8	42.0	31.6	31.1
	805	274	95	167

Figure 20 presents data on the extent to which TSOs are aware of opportunities to bid for public sector contracts or are bidding for them. These data present a slightly different picture from that which is presented in Figure 19. Rather fewer TSOs claim to be delivering public sector services under contract than appeared to be the case in Figure 20. This may be because many TSOs are delivering contracts for other organisations – such as national charities, charitable foundations or are delivering public services under contract to private-sector businesses or other larger charities.

It is evident from these data that smaller TSOs are not much involved in this kind of activity: 92% are either unaware of such opportunities or are not interested in getting involved. Larger TSO's levels of involvement are shaped to a considerable extent by their ethos. TSOs with a community driven ethos are the most likely to be unaware of such opportunities (12%) or to say that they do not want to get involved because it is not relevant to their objectives (34%). Interestingly, 33% of TSOs which identify themselves with a public-sector driven ethos are aware of such opportunities but do not want to deliver contracts. TSOs with a market driven ethos are the least likely to be disinterested in contracts (28%) but their number is still substantial.

From these data, it is clear that TSOs with a market driven ethos are the most likely to be delivering public sector contracts (26% compared with just 13% of TSOs with a public-sector driven ethos). Why these statistics are so different from data presented in Figure 17 are not altogether clear. But there is plenty of evidence to suggest that many more TSOs with a public-sector driven ethos are involved with bidding (18%) or may do so in future if they perceive that barriers to bidding are removed (such as needing more information (11%), need additional support (10%) or because they perceive barriers to the tendering process (10%). It should be noted that TSOs with a market driven ethos are the most likely to perceive barriers to successful bidding (16%).

Figure 20 **TSOs position on tendering for public service contracts, 2012**

		Larger TSOs		
Which of the following best describes your organisation's position about tendering for public sector services?	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
We are not aware of these opportunities	26.9	12.5	4.4	8.2
We are aware of these opportunities but they are not relevant to our organisations objectives	65.6	34.1	33.3	27.8
We are aware of these opportunities but need more information	1.8	6.8	11.1	5.1
We are interested in this option but would need extra support to do this	2.6	10.6	10.0	6.3
We are interested in this option but feel there are barriers in the tendering process	1.7	12.5	10.0	15.8
We are already bidding to deliver public sector services	0.6	6.4	17.8	10.8
We are already delivering public sector services for which we have tendered	0.8	17.0	13.3	25.9
	721	264	90	158

On the issue of public sector service delivery, larger TSOs seem to have quite different perspectives on the way they feel that they are perceived by public-sector organisations. As Figure 21 shows, the vast majority of larger TSOs think that the public sector values the work they do (89%) and respect their independence (78-80%). Fewer TSOs with a market driven ethos feel that the public sector understands the nature and role of their organisation – but most think that they do

(74%). TSOs with a public-sector driven ethos are the most confident that the public sector understand the nature and role of their organisation (82%).

Perhaps a reason why, as shown in Figure 20, is that TSOs feel there are barriers to the delivery of public-sector services is that the public sector does not inform them well enough about issues of interest; do not involve TSOs fully in policy development and implementation; and, that the public sector fails to act on TSO's opinions or responses to consultation exercises.

TSOs with a public-sector driven ethos are the most confident about the public sector having positive attitudes towards them – but rather less so than in relation to generalised statements on being valued. Nearly 65% of TSOs with a public-sector driven ethos think they are informed about issues of interest compared with 61% of TSOs with a market driven ethos. 51% of TSOs with a public-sector driven ethos feel that they are appropriately involved in policy development and implementation compared with 47% of TSOs with a market driven ethos. The widest variation in response is found in relation to the public sector's willingness to act upon TSOs opinions: 60% of TSOs with a public-sector driven ethos believe this to be the case compared with just 48% of TSOs with a market driven ethos.

Figure 21 **Perceptions of the public sector towards TSOs, 2012**

		Larger TSOs		
	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
They value the work of your organisation				
Agree	85.9	89.1	88.6	89.3
Disagree	14.1	10.9	11.4	10.7
N= (excluding not applicable)	552	248	88	150
They understand the nature and role of your organisation				
Agree	82.7	79.6	82.0	74.3
Disagree	17.3	20.4	18.0	25.7
N= (excluding not applicable)	568	250	89	152
They respect your organisation's independence				
Agree	87.6	80.1	77.6	77.9
Disagree	12.4	19.9	22.4	22.1
N= (excluding not applicable)	524	236	85	145
They inform your organisation on issues which affect you or are of interest to you				
Agree	64.2	64.9	64.7	61.2
Disagree	35.8	35.1	35.3	38.8
N= (excluding not applicable)	486	242	85	147
They involve your organisation appropriately in developing and implementing policy on issues which affect you				
Agree	43.5	48.0	51.2	47.1
Disagree	56.5	52.0	48.8	52.9
N= (excluding not applicable)	372	223	82	140
They act upon your organisation's opinions and/ or responses to consultation				
Agree	43.8	49.3	59.7	48.1
Disagree	56.2	50.7	40.3	51.9
N= (excluding not applicable)	356	217	77	133

6 Organisational capability

In the TSO50 research, an organisation's capability is defined as

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

Figure 22 provides a summary of our views of what constitutes good or poor practices in developing capability.

In the TSO1000 survey of 2012, we asked a number of questions which help to determine the extent to which TSOs invest in their development, primarily through training or seeking external support to improve their practice. In our report on the first wave of the TSO1000, *Keeping the show on the road*, published in 2010, it was shown that TSOs which invested more fully in training and staff/volunteer/trustee development appeared to be amongst the more successful organisations in many respects. It was concluded that the successes of such TSOs were not due to investment in training alone, however, but rather that if TSOs were well governed and had an appropriately business-like ethos, they would naturally invest in staff development activity. Certainly, the qualitative evidence collected in both the first and second rounds of the TSO50 studies demonstrated that this was the case.

In 2012 the percentage of TSOs which had a training budget was as follows:

- 6% of Smaller TSOs have a training budget.
- 45% of larger TSOs with a community driven ethos have a training budget.
- 57% of larger TSOs with a public-sector driven ethos have a training budget.
- 58% of larger TSOs with a market driven ethos have a training budget.

Figure 22 **Features of organisational capability**

Good organisational practice	Indications of poor organisational practice
Staff, volunteers and trustees are properly prepared to perform their roles: the organisation employs effective strategies to inform and train its staff [and volunteers] to undertake their roles successfully; the organisation understands how to motivate its staff to maximise their potential.	Most TSOs prepare staff and volunteers well for the roles they perform, in line with statutory requirements. But more focused training and staff development can be limited. The 'fire-fighting' culture of poorly governed organisations tends to put this issue down the priority list. There is a risk that, when TSOs shift quickly from their core mission, and take on work which is beyond their capability, staff can struggle to cope and become frustrated or demoralised. Failure to invest appropriately in staff is a good indicator of problems in other areas of activity.
Is appropriately 'professional' in approach to practice: the organisation approaches its work in such a way as to win the confidence of its beneficiaries, funders and other key stakeholders; the organisation knows how to deal with trustees, employees and volunteers who could or do undermine their professionalism.	Professionalism is essential to organisational success and most organisations achieve this. Serving beneficiary interests is generally at the heart of the organisation, and care and attention is given appropriately. But if staff and volunteers are stretched or underprepared for their roles, the impact of work can be undermined. Staff, volunteers and trustees with behaviours that challenge organisational credibility are not dealt with adequately in weaker organisations.
Can work effectively with other organisations: the organisation prioritises the maintenance of effective and productive relationships with the TSOs with which it works; the organisation knows when and how to adapt its own practice preferences in order successfully to work with other organisations.	Lack of reliability, dependability and low levels of inter-organisational diplomacy in partnership relationships can undermine the confidence of other organisations. Not maintaining dialogue with funders and partners about inflexibility or changes in the ways things are done can produce serious problems about TSO's credibility.
Plans and manages finances effectively: the organisation has the appropriate skills and systems in place to plan and manage its finances and budgets successfully; the organisation plans its use of financial resources successfully to maximise its impact on serving beneficiaries.	Not managing finances effectively in practical day-to-day terms is relatively uncommon. Organisational strategies surrounding resource allocation are often weak, however, in less well managed organisations. This can result in staff and volunteers being stretched in terms of time and resources, which can undermine their motivation and confidence. Trying to push resources a long way to achieve maximum impact is a laudable aim – but doesn't usually work in the long term.
Understands and implements relevant procedures and practices: the organisation has sufficient knowledge and understanding of its statutory responsibilities; the organisation has (or has access to) appropriate systems and processes to manage its responsibilities.	Few organisations lack awareness of statutory responsibilities and generally comply readily with them. There is little evidence to suggest that TSOs are overloaded with bureaucratic procedures imposed by outside agencies of government or other funders.

Figure 23 presents data on the extent of investment in staff, volunteer and trustee development in 2012 by organisational size and ethos. As would be expected, small TSOs do not do much training – largely because they have limited resources, few – if any - paid employees and do not have a requirement for the kinds of professionalism that larger organisations do. Where they do invest in such activity, it is clearly most likely to be training for volunteers: 29% of smaller TSOs train volunteers in-house and 12% send them on courses run by external training providers.

Larger TSOs are much more likely to commit resources to staff, volunteer and trustee development. TSOs with a community driven ethos tend to be less likely to engage in full-time or part-time staff development. TSOs with a public-sector driven or market driven ethos tend to be more or less equally involved in staff, volunteer and trustee development.

Figure 23 **Provision of training for employees, volunteers and trustees, 2012**

		Larger TSOs		
	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Provide training in house training for:				
Full-time employees	8.2	54.9	72.2	74.3
Part-time employees	10.5	62.9	73.2	74.9
Volunteers	29.1	72.7	63.9	62.9
Trustees	24.0	56.4	60.8	56.3
Provide training external training for:				
Full-time employees	2.9	56.7	71.1	73.7
Part-time employees	5.7	57.5	69.1	67.7
Volunteers	12.3	42.5	34.0	43.7
Trustees	8.2	42.5	28.9	40.1
Provide distance learning for:				
Full-time employees	1.2	19.3	25.8	25.1
Part-time employees	1.6	17.1	20.6	25.1
Volunteers	2.4	10.5	12.4	12.6
Trustees	1.8	6.5	5.2	5.4

There are some notable variations. TSOs with a public-sector driven ethos are less likely to send volunteers for external training (34% compared with 44% for TSOs with a market driven ethos). TSOs with a public-sector driven ethos are also rather less likely to send trustees on external training courses (just 29% compared with about 40-42% for other larger TSOs). But they are more likely to do in-house training for trustees (61% compared with 56% for TSOs with community or market driven ethos).

It is perhaps more revealing, as shown in Figures 24(a) and 24(b), to consider what the top training priorities are for TSOs with different planning and practice ethos. It is clear from these figures that TSOs with a public-sector driven ethos put more emphasis on training for fundraising, bidding for grants and tendering and commissioning than TSOs with a market driven ethos. These are all activities of importance, of course, but it suggests that income generation is given a higher priority than other issues surrounding governance and strategic management of organisational operations.

TSOs with a community or market driven ethos are more likely to put a strong priority on a range of factors such as: managing staff and volunteers, strategic management; business planning; and, marketing and publicity when compared with TSOs with a public-sector driven ethos.

Having considered the strategic importance placed on training in Figure 24, it is useful to extend the analysis by considering how much TSOs prioritise other forms of external support for what they do. Figure 24 shows that some interesting differences emerge for TSOs in relation to their ethos.

- Larger TSOs with a community driven planning and practice ethos put most emphasis on: funding alerts (73%); communications strategy (64%); a network of like-minded TSOs with which to build relationships and partnerships; and, information and advice about local and national policy issues (54%).
- Larger TSOs with a public-sector driven planning and practice ethos put most emphasis on: receiving funding alerts (69%); a network of like-minded organisations to build relationships and partnerships 68%); communications strategy (65%); advice on local policy issues (61%); reasonably priced training (57%); and, help with evaluation work (54%).
- Larger TSOs with a market driven planning and practice ethos put most emphasis on: developing a communication strategy (70%); receiving funding alerts (75%); impact evaluation (61%); national policy advice and information (61%); and a network of like-minded TSOs to build relationships and partnerships.

While priorities differ to some extent, it is clear from these data that TSOs with a market driven planning and practice ethos are generally more likely to prioritise external support to help them tackle strategic issues rather than looking for income generation support.

Figure 24(a) **TSO training priorities by ethos, 2012**

		Larger TSOs		
	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Managing staff and volunteers				
High priority	7.1	23.8	20.7	25.7
Low priority	15.9	37.7	40.2	41.2
Not needed	77.0	38.5	39.1	33.1
N=	666	260	87	148
Fundraising				
High priority	27.6	42.3	38.9	34.8
Low priority	20.9	31.5	32.2	36.1
Not needed	51.5	26.2	28.9	29.0
N=	721	260	90.0	155
Bidding for grants				
High priority	29.4	39.1	44.4	38.6
Low priority	19.9	32.9	24.4	36.6
Not needed	50.7	27.9	31.1	24.8
N=	710	258	90	153
Strategic management				
High priority	6.4	29.1	24.1	31.2
Low priority	12.5	32.8	42.5	43.5
Not needed	81.1	38.1	33.3	25.3
N=	623	247	87	154

Figure 24(b) **TSO training priorities by ethos, 2012**

		Larger TSOs		
	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Financial management				
High priority	6.8	20.6	18.2	17.1
Low priority	16.4	39.9	35.2	50.7
Not needed	76.8	39.5	46.6	32.2
N=	634	248	88	152
Business planning				
High priority	8.1	31.4	26.7	30.7
Low priority	13.2	33.7	37.8	44.0
Not needed	78.7	34.9	35.6	25.3
N=	628	258	90	150
Marketing and publicity				
High priority	16.7	37.3	25.0	35.5
Low priority	20.2	32.9	48.9	43.2
Not needed	63.1	29.8	26.1	21.3
N=	659	252	88	155
Tendering and commissioning				
High priority	4.8	34.8	42.0	40.4
Low priority	6.9	22.4	20.5	26.5
Not needed	88.3	42.8	37.5	33.1
N=	626	250	88	151

Figure 25(a) **Sources of external support TSOs prioritise by ethos, 2012**

		Larger TSOs		
	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Help to communicate our organisations successes				
High priority	25.6	63.7	64.9	70.4
Low priority	19.6	16.3	18.2	17.0
Not needed	54.8	20.0	16.9	12.6
A volunteer bureau to provide people to help us in our work				
High priority	15.4	32.4	30.4	27.2
Low priority	14.2	25.7	34.2	28.7
Not needed	70.4	41.9	35.4	44.1
Reasonably priced back-office support (e.g. payroll, legal issues, insurances)				
High priority	6.8	37.8	42.7	31.0
Low priority	5.8	20.9	20.0	15.9
Not needed	87.4	41.3	37.3	53.2
Provision of loans with reasonable terms for development				
High priority	2.4	12.0	15.0	17.2
Low priority	5.1	18.0	15.0	17.2
Not needed	92.5	70.0	70.0	65.6
Funding alerts and advice so that we can spot new opportunities				
High priority	35.5	72.8	68.8	74.6
Low priority	9.6	10.7	12.5	6.3
Not needed	54.8	16.5	18.8	19.0
Up to date information and advice about policy at a national level				
High priority	16.9	54.0	53.8	61.3
Low priority	18.0	26.8	28.2	18.5
Not needed	65.1	19.2	17.9	20.2

Figure 25(b) **Sources of external support TSOs prioritise by ethos, 2012**

		Larger TSOs		
	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Assistance on how best to increase public giving to support our organisation				
High priority	27.2	52.3	49.4	47.6
Low priority	14.2	24.7	24.7	21.4
Not needed	58.6	23.0	25.9	31.0
Information and advice about local policy issues				
High priority	17.6	53.9	61.1	52.0
Low priority	18.7	25.7	23.6	29.1
Not needed	63.7	20.4	15.3	18.9
Advice on organisational management issues (e.g. governance, employment)				
High priority	9.0	45.3	45.9	42.1
Low priority	16.2	27.4	32.4	28.1
Not needed	74.8	27.4	21.6	29.8
Reasonably priced training sessions that are relevant to changing external requirements				
High priority	12.7	52.1	56.8	51.1
Low priority	15.0	26.3	21.0	24.4
Not needed	72.3	21.7	22.2	24.4
A network of like-minded organisations to build relationships and partnerships				
High priority	20.1	59.5	68.1	56.3
Low priority	20.8	24.7	12.5	23.5
Not needed	59.2	15.8	19.4	20.2
Help with evaluation of our work so we can evidence impact				
High priority	13.4	56.4	54.3	60.6
Low priority	18.4	19.5	28.4	20.5
Not needed	68.1	24.1	17.3	18.9

7 Organisational impact

In the TSO50 study, impact is defined as:

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

Figure 26 presents our principal conclusions on what constitutes good or poor practice in TSOs in relation to impact assessment. In the TSO1000 study undertaken in 2012, two questions were asked to determine TSOs impact assessment priorities and practices.

Figure 27 lists a range of approaches that TSOs can use to assess the impact of what they do. The measures are listed in priority order for TSOs with a community driven planning and practice ethos. It is evident from these data that smaller TSOs, as would be expected, are rather less likely to put a high priority on impact assessment. This is because they are working on a much smaller scale, are unlikely to be involved directly in service delivery and are less likely to be required to demonstrate the impact of what they do.

Larger TSOs share similar priorities although there are some differences in the degree to which they prioritise particular methodologies of impact assessment. For example, TSOs with a public-sector driven planning and practice ethos are less likely to prioritise holding individual discussions with beneficiaries (56%) compared with other TSOs (68-71%). TSOs with a market driven ethos are more likely to prioritise surveys, collecting output and outcome data, have a complaint procedure, or have a social audit than other larger TSOs. TSOs with a community driven ethos are more likely to prioritise participatory events with beneficiaries.

Figure 26 **Features of organisational impact**

Good organisational practice	Indications of poor organisational practice
Communicates role and impact successfully to relevant audiences: the organisation adopts and maintains appropriate media to communicate its purpose, activity and successes; the organisation prioritises the resources it commits to its communications strategy to maximise organisational benefit.	TSOs have very different needs in this respect, depending upon their scale and activity - which makes generalisation difficult. Some weaker TSOs mistakenly believe that a good communications strategy will resolve other deeper problems and may over-invest in this aspect of practice. Others, which practice well, may expect potential admirers to beat a path to their door - but may be mistaken in this.
Beneficiaries are appropriately involved in shaping organisation's activities and development: the organisation ensures that it maintains awareness of its beneficiaries' changing needs; the organisation ensures that beneficiaries have an appropriate role to play in shaping the organisation's strategic mission	Beneficiaries are not always fully and directly involved in shaping organisational mission and strategy and this can sometimes be justified. Where it is not justified, lack of engagement can produce unhealthy social distance between TSOs and their actual (or potential) beneficiaries and substantially weaken the quality of service provision. The poorest TSOs do not even recognise that they are out of touch with their beneficiaries.
Benefit to users is assessed and considered: the organisation adopts appropriate methods to record, monitor and report upon its impact; the organisation acts upon its intelligence on user impact to maximise the benefits to the people who use its services.	Assessing and considering the impact of practice is vital in all TSOs, but the methods adopted to do this vary, depending upon scale and activity. Some of the poorer TSOs may monitor impact under duress and miss opportunities to learn about themselves. The poorest TSOs retain a very strong, but misplaced, belief in their capability because they fail to assess or notice evidence about underperformance in the production of benefit.
Makes a positive contribution to the third sector: the organisation makes a positive contribution to its own 'community of interest' within the third sector; the organisation makes a positive contribution to raising the esteem, impact and reputation of the third sector in wider terms.	Some of the weakest TSOs are insular and isolate themselves from outsiders - suggesting an unwillingness to learn about themselves. If they gave more by contributing to their community of interest or practice, they could gain benefit. Some TSOs neglect their own organisational interests by becoming too preoccupied with sector politics – believing that being in the 'right place at the right time' will bring opportunities that will resolve deeper organisational problems that they need urgently to address.
Seeks to maximise impact on social well-being: the organisation has sufficient knowledge and understanding of its ability and potential to contribute to social well-being; the organisation is driven primarily by its purpose to serve its beneficiaries.	TSOs have strong social values, but interests vary in scale, range and depth so it is not possible to generalise. Insularity can restrict access to understanding and knowledge of change – but there is no real evidence to show that this is the case. TSOs are generally well aware of what is going on around them. Very few organisations have an instrumental or cynical attitude towards beneficiaries, but those which do, put organisational interests first and beneficiaries' interests second.

Figure 28 compares the extent to which TSOs actually use methods of impact assessment. It is clear from these data that TSOs with a market driven planning and practice ethos are more likely than community or public-sector driven TSOs to attend to each of these methods (with the exception of participatory events held by TSOs with a community driven ethos); in several cases, these differences are quite large. For example, 71% of TSOs with a market driven planning and practice ethos have individual discussion with beneficiaries compared with just 62% of TSOs with a public-sector driven ethos).

Figure 29 compares the differences between TSOs emphasising a high priority on particular activities and the extent to which they attend to such issues. It is clear from these data that TSOs with a public-sector driven ethos are the least likely to live up to their own expectations. This is particularly clear in relation to some factors: 23% say that they put a high priority on using social return on investment, but only 8% do it. Such anomalies are not restricted to TSOs with a public-sector driven ethos: both TSOs with a community and market driven ethos put a high priority on having a complaints procedure, but many fewer actually do it. These findings suggest that while this is a matter of degree, TSOs with a market driven ethos are more likely to invest resource in impact assessment.

Figure 27 **Methods of impact assessment given high priority by TSOs, 2010**

		Larger TSOs		
	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Collect feedback from beneficiaries	42.1	87.2	85.3	87.8
Have a formal complaint procedure	29.7	84.3	75.9	85.4
Have individual discussions with beneficiaries	24.0	71.1	56.5	68.1
Collect data on outcomes for funders	14.9	70.1	72.9	75.9
Collect data on outputs for funders	15.0	66.7	74.3	75.7
Organise participatory events with beneficiaries	26.0	62.6	58.0	56.9
Conduct surveys with beneficiaries	10.8	51.3	55.6	59.4
Use social media (e.g. Facebook, Twitter) to communicate with our beneficiaries	9.3	40.8	41.9	42.7
Conduct a social audit	5.4	23.4	23.0	25.6
Conduct (phone) interviews with beneficiaries	3.7	18.5	20.0	17.1
Conduct a Social Return on Investment (SROI) analysis	1.9	17.1	23.3	22.8

Figure 28 **Methods of impact assessment currently used by TSOs, 2010**

	Smaller TSOs	Larger TSOs: Community driven practice and planning ethos	Larger TSOs: Public-sector driven practice and planning ethos	Larger TSOs: Market driven practice and planning ethos
Collect feedback from beneficiaries	46.8	84.0	80.4	86.8
Have a formal complaint procedure	17.2	72.0	74.2	76.0
Have individual discussions with beneficiaries	25.9	65.5	61.9	70.7
Collect data on outcomes for funders	14.8	65.1	66.0	70.1
Collect data on outputs for funders	14.8	64.4	67.0	71.3
Organise participatory events with beneficiaries	31.5	62.9	50.5	61.7
Conduct surveys with beneficiaries	14.1	54.5	51.5	61.7
Use social media (e.g. Facebook, Twitter) to communicate with our beneficiaries	10.0	49.1	46.4	50.9
Conduct (phone) interviews with beneficiaries	3.3	20.0	18.6	21.6
Conduct a social audit	4.3	14.9	14.4	16.2
Conduct a Social Return on Investment (SROI) analysis	0.9	10.9	8.2	12.0

Figure 29 **Comparing the difference between impact assessment priorities and actual practice, 2012**

	Smaller TSOs			Larger TSOs								
				Community driven practice and planning ethos			Public-sector driven practice and planning ethos			Market driven practice and planning ethos		
	High priority	Do this now	% diff	High priority	Do this now	% diff	High priority	Do this now	% diff	High priority	Do this now	% diff
Collect feedback from beneficiaries	42.1	46.8	4.7	87.2	84.0	-3.2	85.3	80.4	-4.9	87.8	86.8	-1.0
Have a formal complaint procedure	29.7	17.2	-12.5	84.3	72.0	-12.3	75.9	74.2	-1.7	85.4	76.0	-9.4
Have individual discussions with beneficiaries	24.0	25.9	1.9	71.1	65.5	-5.6	56.5	61.9	5.4	68.1	70.7	2.6
Collect data on outcomes for funders	14.9	14.8	-0.1	70.1	65.1	-5.0	72.9	66.0	-6.9	75.9	70.1	-5.8
Collect data on outputs for funders	15.0	14.8	-0.2	66.7	64.4	-2.3	74.3	67.0	-7.3	75.7	71.3	-4.4
Organise participatory events with beneficiaries	26.0	31.5	5.5	62.6	62.9	0.3	58.0	50.5	-7.5	56.9	61.7	4.8
Conduct surveys with beneficiaries	10.8	14.1	3.3	51.3	54.5	3.2	55.6	51.5	-4.1	59.4	61.7	2.3
Use social media (e.g. Facebook, Twitter) to communicate with our beneficiaries	9.3	10.0	0.7	40.8	49.1	8.3	41.9	46.4	4.5	42.7	50.9	8.2
Conduct a social audit	5.4	4.3	-1.1	23.4	14.9	-8.5	23.0	14.4	-8.6	25.6	16.2	-9.4
Conduct (phone) interviews with beneficiaries	3.7	3.3	-0.4	18.5	20.0	1.5	20.0	18.6	-1.4	17.1	21.6	4.5
Conduct a Social Return on Investment (SROI) analysis	1.9	0.9	-1.0	17.1	10.9	-6.2	23.3	8.2	-15.1	22.8	12.0	-10.8
Average % difference between allocation of high priority and actual practice			*0.1*			*-2.7*			*-4.3*			*-1.7*

8 Summary, conclusions and next steps

From our study of the TSO50, we drew some broad conclusions on the way that organisational ethos shaped TSO's priorities and practices in relation to *Foresight, Enterprise, Capability* and *Impact.* In so doing, we drew some broad conclusions on the way TSOs positioned themselves in practice terms, in relation to the public sector, the market and the community (see Figure 1). The aim of this working paper has been to assess the extent to which our original assertions were accurate, drawing upon survey data from the TSO1000 study undertaken in 2012.

As expected, we find, amongst the larger TSOs at least, a great deal of similarity in the way that TSOs practice in relation to most of the domains we have studied. And as we argued in Section 1 (see Figure 2), the patterns we observe suggest that organisational ethos produces *variations in organisational policy and practice*, rather than *fundamentally different approaches*.

That stated, it seems that many (but not all) of our assertions from the analysis of the TSO50 have been borne out and we are now in a position to produce pen portraits of 'typical' TSOs with a particular planning and practice ethos. When the study is repeated in 2014, we hope to be able to explore whether the proportions of the TSOs which adopt these practices have changed or not; and also, find out how particular forms of practice contribute to longer-term organisational sustainability and help to achieve positive impact on the beneficiaries they serve.

Smaller TSOS

Characteristics

Smaller TSOs tend to have been established for longer than most other TSOs, with 65% having being established before 1980 and 28% established before the end of the Second World War. Most work at a local level, 71% within a single local authority area, and 42% in a neighbourhood or village. Most smaller TSOs do not deliver formal services to beneficiaries (58%), and nearly 75% have incomes of less than £10,000 a year. Few smaller TSOs have staff (96% of them have no full-time staff).

Foresight

Smaller TSOs are the most likely to believe that their situation will remain largely the same in the future. But despite this emphasis on stability, 38% think their expenditure will rise, and 35% of those which deliver services think than the need for their services will increase.

Enterprise

Smaller TSOs which have any reliance at all on each of the eight sources of income we have defined, report the highest levels of income dependence upon - in priority order - subscriptions, grants, earned income, gifts, investment income, contracts, contributions in kind and loans. Most (80%) smaller TSOs experience income stability. 70% earned less than 20% of their income, and 58% earned no income. 44% were not involved in public service delivery, but 10% of these TSOs thought their involvement in that would increase. Most of these TSOs were not considering partnership bidding for contracts (86%).

Capability

Smaller TSOs do not have sufficient resources to engage in training in large numbers and their operational requirements for higher levels of expertise are more limited. Consequently, investment in training is low – only 6% have a training budget. These smaller TSOs put the highest priority on seeking the following sources of external support in order of importance: funding alerts and advice to help spot new opportunities (36%); assistance to increase public giving (27%); help with communicating organisational success (26%); a network of like-minded TSOs in order to build relationships and partnerships (20%); and, information and advice about local policy issues (17%).

What is most clear, from this analysis, is that smaller TSOs put low priority on these factors (compared with larger TSOs, as shown below). But it is also interesting to note that *very few* of these TSOs put high priority on getting support with, for example, advice on management issues (9%), reasonably priced training (12%); a volunteer bureau (15%) and reasonably priced back office support (7%).

Impact

Smaller TSOs, due to the scale of their operation, are generally not very interested in assessing the impact of what they do and they use a limited range of methods to do so. That stated, for those organisations where impact assessment is considered relevant to their work: 47% collect feedback from beneficiaries; 31% organise participatory events; and 26% have individual discussions with beneficiaries – demonstrating some commitment to such issues.

Larger TSOs with a community driven ethos

Characteristics

Larger TSOs with a community driven planning and practice ethos tend to be older, are the most likely to operate in a single local authority area, neighbourhood or village and are more likely to be involved in the delivery of primary services to beneficiaries. Relatively few of these organisations are very large, and only 19% have incomes of above £500,000 a year. About 9% have more than 21 full-time employees, and 7% have more than 21 part-time employees. TSOs with a community driven planning and practice ethos are the most likely to rely on larger numbers of volunteers to help them do their work.

Foresight

Larger TSOs with a community driven planning and practice ethos generally emphasise expectations that their situation will not change in future in some respects, but to a lesser extent than smaller TSOs. In some areas they expect much change: 72% expect increasing demand for their services; 65% think statutory agencies will expect more of them; 53% think expenditure will rise; 20% expect the number of paid staff will increase, and 40% anticipate rising numbers of volunteers.

With the exception of trying to increase the levels of private donations, these TSOs are the least likely to have taken action or be planning to take action to change their practices or strategies: for example, only 22% have changed the way they run their services. But 35% are working more closely with other TSOs and 41% are now earning more of their income. But most will not consider merging with another TSO (88%), taking over a service from someone else (90%) or changing their legal status (85%).

Enterprise

Larger TSOs with a community driven planning and practice ethos' reliance on the following sources of income are prioritised as follows: grants, contracts, earned income, gifts, subscriptions, contributions in kind, investment income and loans. 14% of these TSOs had rising income in the last two years, but 30% had falling income. 43% earned less than 20% of their income, but 35% earned more than 61% of their income. Only 22% had no involvement in public service delivery, but 32% thought their involvement would increase. 42% were not interested in partnership bidding, the largest proportion of bigger TSOs, but 25% had been successful in this. These TSOs were most likely to think that the public sector respected their independence (80%).

Capability

Larger TSOs with a community driven planning and practice ethos are rather less likely than other larger TSOs to have a training budget (45% compared with about 57-8% for other larger TSOs). These TSOs are most likely to invest in training their volunteers in-house (73%). Between 55-57% of these TSOs provide in-house or external training for their full-time and part-time staff – a considerably lower level of investment than TSOs with a public sector or market driven ethos. High priority is allocated to these top five training needs (in order of importance): fundraising (42%); bidding for grants (39%); marketing and publicity (37%); tendering and commissioning (35%); and business planning (31%).

When seeking support, TSOs with a community driven ethos put most emphasis on: funding alerts (73%); communications strategy (64%); a network of like-minded TSOs to build relationships and partnerships; and information and advice about local and national policy issues (54%). Relatively few of these TSOs put a high priority on getting external support on organisational management issues (45%); back office support (37%); or support in gaining loans with reasonable terms for development (12%).

Impact

Larger TSOs with a community driven ethos are less likely to use impact measurement than TSOs with a market driven ethos, but their involvement is not significantly lower. The five most often used measures of assessment are: collecting feedback from beneficiaries (84%); a formal complaint procedure (72%); individual discussions with beneficiaries (66%); collecting data for funders (65%); and organising participatory events with beneficiaries (63% - compared with just 50% of TSOs with a public-sector driven ethos). Priorities for impact assessment generally match their practice.

Larger TSOs with a public-sector driven ethos

Characteristics

Larger TSOs with a public-sector driven planning and practice ethos tend to have been established more recently - over 50% since 1981. About 42% work within a single local authority, but 22% work at regional level or higher. Over 42% are engaged mainly in primary service delivery. 27% have income in excess of £500,000 a year. 17% have over 21 full- time and 15% have over 21 part-time staff. They tend to be less reliant on volunteers than TSOs which have a community driven ethos but, even so, still have many volunteers supporting them.

Foresight

Larger TSOs with a public-sector driven planning and practice ethos anticipate much change in some ways: 76% think demand for their services will increase; 64% think the expectations of statutory agencies will increase; and 61% think expenditure will increase. Amongst the larger TSOs, they are the least likely to think that the number of paid staff will increase (17%), or that numbers of volunteers will increase (37%), but are still very optimistic in these areas. They are the most likely to expect that the number of contracts will decrease (25%) and that funding from statutory bodies will decrease (44%).

To tackle the challenges ahead, 33% of these organisations have changed the way they run their services, 55% have taken action to increase earned income, and 32% are now working more closely with other TSOs – and many other TSOs are planning to do these things. But most will not consider merging with another TSO (83%), taking over a service from someone else (88%) or changing legal status (75%).

Enterprise

Larger TSOs with a public-sector driven planning and practice ethos state that their reliance on the following sources of income is prioritised in this order: contracts, grants, earned income, subscriptions, gifts, contributions in kind, investment income and finally, loans. 12% of these TSOs had rising income in the last two years, but 37% had falling income – the highest proportion of the larger TSOs. Only 29% earned less than 20% of their income, but 55% earned more than 61% – the highest proportion among the larger TSOs. Only 22% were not involved in public service delivery, but 34% expected their involvement to increase. 32% were not interested in partnership bidding, but 21% were bidding (but had not yet succeeded) or had won contracts in partnership (23%). These TSOs were the most likely to feel understood by the public sector (82%); feel involved in policy development (51%); and have their opinions acted upon (60%)

Capability

Amongst Larger TSOs with a public-sector driven planning and practice ethos, 57% have a training budget. They are much more likely to provide external training for full and part-time staff than for volunteers. But 64% do provide in-house training for volunteers. They are the least likely to provide external training for trustees (28%). High priority is allocated to the following top five training issues (in order of importance) by these TSOs: bidding for grants (44%); tendering and commissioning (42%); fundraising (39%); business planning (27%); and marketing and publicity (31%).

When seeking support, TSOs with a public-sector driven planning and practice ethos put most emphasis on: receiving funding alerts (69%); access to a network of like-minded organisations to build relationships and partnerships 68%); communications strategy (65%); advice on local policy issues (61%); reasonably priced training (57%); and, help with evaluation work (54%). Fewer of these TSOs put a high priority on getting external support in the following areas: a volunteer bureau (30%); provision of loans (15%); and organisational management (46%).

These TSOs are rather less likely to seek external support in the following areas: advice on organisational management issues (42%); provision of back-office support (31%); a volunteer bureau (27%); and support with the provision of loans with reasonable terms for development (17%).

Impact

Larger TSOs with a public-sector driven planning and practice ethos are most likely to use the following methods of assessing the impact of what they do: collecting feedback from beneficiaries (80%); a formal complaints procedure (74%); collecting outcome data for funders (66%); and having individual discussions with beneficiaries. On balance, most of these assessments seem to be more likely to be required of TSOs rather than self-evaluation methods as in the case of TSOs with a community driven ethos. These TSOs are the least likely to match their stated priorities for impact measurement with their practices.

Larger TSOs with a market driven ethos

Characteristics

Larger TSOs with a market driven planning and practice ethos are the most likely to be recently established (58% set up since 1981). They work across a wider area than other TSOs: 29% work regionally or on a wider level. They are the most likely to be engaged with primary service delivery (48%) and are much more likely to be the largest organisations: 47% have income over £500,000 a year. Consequently, they are also the biggest employers: 22% have more than 21 full-time staff, and 18% have over 21 part-time staff. These organisations are more heavily reliant on volunteers than we expected (from the TSO50 research) although they are less reliant on volunteers than TSOs with a community driven ethos.

Foresight

Larger TSOs with a market driven planning and practice ethos are the most likely to expect increasing need for their services (78%); rising numbers of contracts (40%); rising expectations from statutory agencies (69%); and also increased funding from statutory bodies (22%). These TSOs also are the most likely to expect that the number of volunteers will increase (50%). To tackle the challenges ahead, these TSOs are the most likely to have taken action to change the way they run their services (42%) and work more closely with other TSOs (40%). While most of these TSOs will not consider merging with another TSO (82%), or taking over a service from someone else (82%), they are the most likely to be doing so.

Enterprise

Larger TSOs with a market driven planning and practice ethos state that their reliance on the following sources of income are prioritised in this order: contracts, grants, earned income, gifts, loans, subscriptions, contributions in kind and, finally, investment income. 16% of these TSOs had rising income in the last two years, the highest level of all larger TSOs, but 30% had falling income. Only 15% of these market driven TSOs earned no income; while 47% earned more than 61% of their income. Nearly 40% expected their involvement in public service delivery to increase, the largest proportion of bigger TSOs; only 20% were not involved in this aspect of work.

These TSOs were the most likely to be successful in partnership bidding (32%), although 31% were not considering this kind of activity. These TSOs were the most likely to perceive barriers to success in the tendering process (16%). They were also the most likely not to feel understood by the public sector, informed by them, involved in policy or be influential in the public sector – although the differences between them and other larger TSOs are not great.

Capability

Amongst larger TSOs with a market driven planning and practice ethos, 58% have a training budget. They are the most likely to train full and part-time staff in-house, compared with other larger TSOs, but the differences are marginal. External training for employed staff is undertaken at similar levels to TSOs with a public-sector driven ethos, but rather higher than TSOs with a community sector planning and practice driven ethos. High priority is allocated to the following top five training issues (in order of importance) by these TSOs: tendering and commissioning (40%); bidding for grants (39%); fundraising (35%); strategic management (31%); and, business planning (30%).

Impact

When seeking support, larger TSOs with a market driven planning and practice ethos put most emphasis on: developing a communication strategy (70%); receiving funding alerts (75%); impact evaluation (61%); national policy advice and information (61%); and a network of like-minded TSOs to build relationships and partnerships. They are the most likely to use methods of collecting evidence on impact assessment in every domain apart from participatory events with beneficiaries (where TSOs with a community driven ethos outperform them). The five most often used measures of assessment are: collecting feedback from beneficiaries (87%); a formal complaint procedure (76%); collecting data on outputs for funders (71%); and individual discussions with beneficiaries (70%).

Looking into the crystal ball

The summary presented above shows how TSOs of different sizes or ethos consider their own prospects for the future and indicates what they are doing, or intend to do about it. Before broad conclusions are drawn about the significance of these findings, however, it is useful to provide some evidence on how TSOs think the third sector 'as a whole' will change over the next two years.

Figures 30(a) and 30(b) provide an indication of how respondents felt *the third sector as a whole* (rather than their own organisation) would become more or less reliant on particular sources of support over the next two years. These data usefully give a sense of the 'mood of the sector'. The data suggest that many respondents are, in many respects, irrepressible optimists!

- Contrary to current indications from national statistics on levels of volunteering (which suggests that levels of participation are relatively consistent over time, rather than rising significantly[14]), the third sector in North East England and Cumbria believes it will become more reliant on volunteers delivering front-line services and helping with fundraising.
- There is an expectation that local infrastructure bodies will provide much more support, and that reliance on charitable foundations will also grow very significantly. But the impression we get in North East England and Cumbria is that many infrastructure bodies have declining income and reduced capacity to help, and we have no evidence to show that charitable foundation funding will increase significantly in the region over the next two years.
- While it is known that the level of public giving, nationally, is falling at the moment[15] – there is a feeling in the third sector that reliance on public giving will grow. Indeed, larger TSOs seem to be more optimistic in this respect than smaller TSOs: they are probably mistaken in this expectation (unless it is meant that reliance on giving will grow 'proportionally' because other sources of money reduce).
- Over 40% of respondents from larger organisations feel that the sector will become more reliant on local authorities to help them, and over 45% seem to think that the public sector will provide support for core costs. Even in these straitened times, there seems to be a feeling held by many TSOs (which is probably misplaced), that the public sector will come to the rescue.
- Expectations of reliance on the private sector also seem to be high: including high expectations for free professional services from people in business, contracts and sub-contracts to deliver services and other forms of financial support. TSOs with a market driven planning and practice ethos seem to be particularly optimistic in these respects. We don't know if these expectations are realistic. But we doubt that the private sector will be in a position to (or want to) make significant changes in their levels of support to the third sector in the next two years.

[14] Whether levels of volunteering are rising, flat or falling is currently disputed. The recent Government Community Life Survey suggests a rise of 9% in volunteering (at least once a year). In the NE, these figures suggest a rise from 29% to 42% - equivalent data for Cumbria are not yet available (Cabinet Office press release 12th February). The latest Citizenship Survey, by contrast, states that volunteering had declined in the past year. For a brief but critical discussion of the current trends, see Mohan, J. (2013) 'What do statistics tell us about changes to levels of volunteering'? *Guardian*, 22nd March.

[15] According to the Charities Aid Foundation/NCVO, "The estimated total amount donated to charity by adults in 2011/12 was £9.3 billion. Compared to 2010/11, this is a decrease of £1.7 billion in cash terms, and a decrease of £2.3 billion in real terms, after adjusting for inflation. In real terms, the estimated total amount in 2011/12 is the smallest it has been since the survey began in 2004/05. Between 2010/11 and 2011/12, the total amount donated has decreased by 15% on the unadjusted totals and by 20% in real terms (adjusting the 2010/11 total for inflation). NCVO/CAF (2012) *UK Giving 2012*, London: NCVO/Charities Aid Foundation, November.

Figure 30(a) **Reliance of the third sector as a whole on external support, 2012**

		Larger TSOs		
	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Volunteers helping to deliver front-line services				
Becoming more reliant	71.3	85.4	85.9	86.2
No change	25.7	13.5	12.0	13.8
Becoming less reliant	3.0	1.1	2.2	0.0
Volunteers helping with fundraising				
Becoming more reliant	71.2	80.8	86.7	82.1
No change	25.6	18.1	12.2	16.7
Becoming less reliant	3.2	1.1	1.1	1.3
Free support from local CVSs/VDAs to help organisations				
Becoming more reliant	41.4	58.3	60.7	54.9
No change	48.6	34.7	29.2	36.6
Becoming less reliant	10.0	6.9	10.1	8.5
Grants from charitable foundations to support organisations				
Becoming more reliant	56.6	71.6	78.0	73.6
No change	29.3	18.2	15.4	19.5
Becoming less reliant	14.1	10.2	6.6	6.9
Money given by the general public				
Becoming more reliant	50.5	55.7	58.2	60.8
No change	35.1	28.0	30.8	25.9
Becoming less reliant	14.4	16.3	11.0	13.3

Figure 30(b) **Reliance of the third sector as a whole on external support, 2012**

		Larger TSOs		
	Smaller TSOs	Community driven practice and planning ethos	Public-sector driven practice and planning ethos	Market driven practice and planning ethos
Free support from the local council to help organisations				
Becoming more reliant	35.2	43.3	42.7	44.9
No change	38.5	30.3	27.0	31.4
Becoming less reliant	26.3	26.4	30.3	23.7
Grants from the public sector to support our core costs				
Becoming more reliant	36.5	46.5	45.1	48.4
No change	33.8	20.4	16.5	21.9
Becoming less reliant	29.7	33.1	38.5	29.7
Contracts/sub-contracts from the public sector to deliver services				
Becoming more reliant	27.3	50.4	61.4	56.5
No change	45.1	30.8	18.2	29.2
Becoming less reliant	27.6	18.8	20.5	14.3
Free professional services from people in business				
Becoming more reliant	38.2	47.5	49.4	57.1
No change	44.1	41.6	38.2	35.3
Becoming less reliant	17.7	10.9	12.4	7.7
Funding from private sector businesses				
Becoming more reliant	39.2	44.7	44.9	54.5
No change	40.6	41.6	41.6	36.5
Becoming less reliant	20.2	13.6	13.5	9.0
Contracts/sub-contracts from private businesses to deliver services				
Becoming more reliant	26.1	38.1	38.4	47.7
No change	50.5	51.6	41.9	39.2
Becoming less reliant	23.5	10.3	19.8	13.1

The above discussion suggests that TSOs are rather more optimistic than is perhaps realistic about levels of investment and support the third sector can expect to get from the state, market and community in the next two years. This is mirrored to some extent by expectations TSOs have about their own organisation's future, as shown in Figure 12(a) and 12(b). We think it is better to be optimistic than pessimistic – although there is always a risk of disappointment if TSOs are *too* optimistic.

That stated, too much optimism can be problematic too. This is because TSOs may not attend to things that need to be done to secure the future of the organisation in the mistaken belief that times will get a lot better soon and eradicate the financial problems they may face. In the concluding section, we attempt to connect together our assertions of what we think TSOs need to do to be successful (drawn from the TSO50 study), with the evidence presented in this paper on what they *are* doing within the context of the general mood of the sector, as discussed in the above bullet points.

Implications and next steps

We find a sector which is quite confident about itself and robust in its optimism about the future in spite of the challenges created by the present economic situation. Should the sector be feeling quite so confident? The answer depends upon which TSOs are being discussed.

It seems to us that smaller TSOs, which have incomes of below £25,000 a year, are generally resilient, even when they face significant change and the challenges that brings. They comprise a majority of organisations in our survey and within the third sector itself[16] – so it is heartening that we have come to this view.

Larger TSOs, with incomes above £50,000 a year, also show significant signs of robustness, but they have a more difficult job to do as they have to attend to the wellbeing of a more complex organisation as well as achieving the social mission they have set themselves. We have stated in this working paper, and in previous working papers, that this is a tricky balancing act.[17]

In the introduction to this working paper we explained, on the basis of the TSO50 research, that organisational ethos affects the way TSOs operate. The purpose of the analysis of the TSO1000 data in this working paper, was to test whether our assertions about the impact of ethos on practice are justified. The results of the analysis suggest that our position is 'broadly' confirmed.

[16] For accurate data on the composition of the third sector, rather than from the sample survey we report upon here, see Mohan *et al.* (2011) *Trends in the North*, Newcastle, Northern Rock Foundation.

[17] See these working papers by Chapman and Robinson *et al* (2013) *Walking a Tightrope*, *ibid*, 2013; Chapman and Robinson *et al.* (2012) *Journeys and Destinations*, *ibid*; and Chapman and Robinson (2013) *On the Money*, *ibid*.

- ***Larger TSOs with a community driven planning and practice ethos*** are the most numerous in the sector, they are very independent in their outlook and are probably the most secure in many respects because they show significant reliance on localise commitment to them and lower levels of reliance on the vagaries of public sector activity.
- ***Larger TSOs with a public-sector driven planning and practice ethos*** are the most reliant on the public sector in shaping their destiny. They also appear to be more likely to express dependence upon the public sector and other external organisations to help them sort out their problems.
- ***Larger TSOs with a market driven planning and practice ethos*** are the most business-like in their practices, they are likely to work with others and generally invest more in developing their capability and assessing the impact of what they do. While many may not describe themselves as social enterprises, they do appear to be the most enterprising TSOs in the sector.

These statements suggest a measure of clarity in the position we have reached, but our position needs some qualification. In Figure 2, we exhibited a diagram with each of the three kinds of TSO defined by ethos being shown as three intersecting circles. Its purpose was to show that, in many respects, we expected TSOs to share similar characteristics and that differences amongst them would be a matter of degree. The evidence in this working paper certainly confirms that position. What we find are 'variations on a theme' and not dramatic differences. Certainly, we do not find clearly defined 'types' of TSOs which are more different from each other than they are similar.

We can look at some of these variations on a theme in relation to planning and practice ethos in the way that TSOs appear to be tackling strategic priorities surrounding *foresight, enterprise, capability* and *impact*. And following this, in each category of practice we consider some of the big similarities amongst TSOs, irrespective of ethos, which may help or hinder them in future.

Organisational foresight

In the analysis of the TSO1000 data, we find that many larger TSOs are preparing to change the way they run services or activities in the future or have already begun doing so. But there are big differences by ethos: 42% of the TSOs with a market driven ethos that have changed practices, compared with 33% of public-sector driven TSOs and just 23% of TSOs with a community driven ethos. But 58% of TSOs with a community driven ethos and 52% with a public-sector driven ethos are *not* even planning to change the way they run services or activities. Perhaps they do not need to? We don't know. But certainly we need to find out in the third wave of our study.

There are some options that very few TSOs will consider, largely irrespective of ethos: 88% with a community driven, 84% with a public-sector driven, and 82% with a market driven planning and practice ethos will not, for example, consider merging with a similar organisation. Similar proportions will not consider taking over a service from another TSO. And, indeed, between 44-50% of larger organisations will not even consider working more closely with other TSOs. We understand and respect the idea of organisational independence in the third sector, but doubt that such assertions of rugged independence are appropriate or sensible in a changing world. But we may be wrong! So this also needs to be explored again in two years time.

Organisational enterprise

By being enterprising, we assert that TSOs have to weigh up the opportunity costs of making crucial business decisions. It is the TSO50 study that throws most light on this issue, as we were in a position to explore in depth how opportunities are spotted, evaluated and acted upon. What we find in the TSO1000 research is a confirmation of our position that organisational ethos affects the way that particular sources of money are relied upon. Larger TSOs with a public-sector driven and market driven planning and practice ethos are shown, for example, to have broadly similar levels of reliance on grants, contracts and earned income.

But three times as many TSOs with a market driven ethos have high levels of reliance on loans when compared with TSOs with a public-sector driven ethos. This tells us something about awareness and readiness for change in the environment within which TSOs work. But what we do *not* know, of course, is whether the differences between them will widen or narrow. More importantly still, we do not know whether interest in loans and other forms of social finance will increase. So we need to explore that, too, in the next phase of work.

Organisational capability

We have argued in recent working papers that if TSOs are well governed, they will prioritise the development of organisational capability appropriately. Indeed, we go as far as to say that the prioritisation of developing capability through staff development is a useful proxy measure of good governance. TSOs with a community driven ethos are less active in staff development compared with other larger TSOs. We find that a little worrying. Other larger TSOs invest in their people in broadly similar proportions – although around 25% of TSOs seem to be inactive this respect which is a matter of concern.

When the training priorities of TSOs are considered by ethos, it is clear that TSOs put a much higher premium on building capability in fundraising, grant bidding and tendering for contracts (and it is the TSOs with a public-sector driven planning and practice ethos which tend to put most emphasis on these factors). We understand why TSOs focus on getting money in as they may feel that this is the life blood of their organisation. But the apparent lack of attention to business planning, strategic management, marketing and publicity, and financial management is alarming. TSOs with a market driven ethos are much more likely to prioritise these factors (although by no means enough of them do) which we think should stand them in good stead for the future. But we do not know that for sure – so we will have to explore this in the third phase of the research programme.

Organisational impact

As with organisational capability, we are of the view that serious attention to the assessment of the impact of what a TSO does, should be a matter of high priority in well governed organisations. The indications are that where larger TSOs are obliged to undertake impact assessment (i.e. collect data on outputs and outcomes for funders), they do so – but in areas where it is up to them to assess their impact (such as conducting organisational social audits), most don't. TSOs with a market driven ethos are consistently more likely to attend to impact assessment, which suggests to us that they are more likely to be well governed.

The mismatch between what TSOs say are high priorities for non-obligatory methods of impact assessment and the extent to which they do these things is, frankly, dispiriting: especially in the case of TSOs with a public-sector driven ethos. Without awareness of the impact of the organisation's practices in achieving its objectives, we doubt that a TSO can plan and prepare for the future adequately. We know that assessing impact is difficult and that arguments about the value of different approaches to this are contentious,[18] but the extent to which some organisations neglect this may limit the potential of organisations to adapt to a changing environment. But again, we don't know this for sure – so this must be explored in the final phase of the Third Sector Trends Study in 2014.

This is the final working paper from the second phase of the Third Sector Trends study. A review of the key findings and policy implications of the study so far, *The Reality Check*, will be published shortly. Following this, we hope to begin planning for the final stage of the Third Sector Trends Study, beginning in 2014 with the last round of the TSO50 from March to July 2014 and the third wave of the TSO1000 survey in June 2014.

[18] See Chapman *et al*. (2011) *Measuring Impact, easy to say hard to do*, Newcastle, Northern Rock Foundation.

9 List of working papers

All working papers from the study are available free to download at www.nr-foundation.org.uk/resources/third-sector-trends-study/).

Bell, V., Robinson, F., Chapman, T., van der Graaf, P., Shaw, S., Brown, J. and Chinaka, G. (2010) *Forearmed with Foresight: Speculations on the future development of the Third Sector in North East England and Cumbria.*

Chapman, T. and Robinson F. (2013) *On the money: How does the way Third Sector Organisations think about money affect the way they work?*

Chapman, T., Robinson, F., Bell, V., Dunkerley, E., Zass-Ogilvie, I. and van der Graaf, P. (2013) *Walking a tightrope: balancing critical success factors in hard times.*

Chapman, T., Robinson, F., Bell, V., Dunkerley, E., Zass-Ogilvie, I. and van der Graaf, P. (2012) *Journeys and Destinations: the impact of change on Third Sector Organisations.*

Chapman, T. and Robinson, F. (2011) *Taking stock, moving on: A summary report and position statement at the end of the first phase of study.*

Chapman, T., Bell, V., and Robinson, F. (2011) *Measuring Impact: easy to say, hard to do. A think-piece to stimulate sector debate from the Third Sector Trends Study*

Chapman, T., Robinson, F., Brown, J., Crow, R., Bell, V. and Bailey, E. (2010) *What makes a Third Sector Organisation tick? Interactions of foresight, enterprise, capability and impact.*

Chapman, T., van der Graaf, P., Bell, V., Robinson, F. and Crow, R. (2010) *Keeping the show on the road: a survey of dynamics and change amongst Third Sector Organisations in North East England and Cumbria.*

Chapman, T., Robinson, F., Brown, J., Shaw, S., Ford, Co., Bailey, E. and Crow, R. (2009) *Mosaic, Jigsaw or Abstract? Getting a big picture perspective on the Third Sector in North East England and Cumbria.*

Kane, D. and Mohan, J. (2010a) *Mapping Registered Third Sector Organisations in the North East.*

Kane, D. and Mohan, J. (2010b) *Mapping Registered Third Sector Organisations in Cumbria.*

Kane, D. and Mohan, J. (2010) *Mapping Registered Third Sector Organisations in Yorkshire and the Humber.*

Kane, D., Mohan, J. and Geyne-Rajme, F. (2010a) *Paid work and volunteering in the Third Sector in North East England.*

Kane, D., Mohan, J. and Geyne-Rajme, F. (2010b) *Paid work and volunteering in the Third Sector in Cumbria.*

Mohan, J., Kane, D. and Balodis, L. (2011) *Beyond the regulated Third Sector: a survey of organisations in the North East*

Mohan, J., Kane, D., Branson, J. and Barnard, S. (2011) *Entering the lists: what can be learned from local listings of Third Sector Organisations? Results from a study of Northern England.*

Mohan, J., Wilding, K., Kane, D. and Clark, J. (2011) *Trends in the North: what we have learned from the quantitative programme of the Third Sector Trends Study.*

Mohan, J., Kane, D., Wilding, K., Branson, J. and Owles, F. (2010) *Beyond 'flat earth' maps of the Third Sector: Enhancing our understanding of the contribution of 'below-the-radar' organisations*

Robinson, F., Bell, V., Chapman, T., Dunkerley, E., Zass-Ogilvie, I. and van der Graaf, P. (2012) *Taking the temperature: How are Third Sector Organisations doing?*

Robinson, F. and Chapman, T. (2011) *Building better boards: what's the problem? A think-piece to stimulate sector debate from the Third Sector Trends Study.*

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