



Forearmed with Foresight:

Speculations on the future development of the
third sector in North East England and Cumbria

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Third Sector Trends Study **Forearmed with Foresight:**
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i Acknowledgements

The research team is grateful to all the Foresight Panel members for their enthusiastic participation in this research; we look forward to their continued involvement in the future. We would also like to thank Cathy Pharoah and Carol Candler for their helpful comments on an earlier draft of this paper. Also, thanks to the Third Sector Trends Advisory Panel.

ii Background to the Third Sector Trends Study

The Northern Rock Foundation's investment in the study of the third sector in North East England and Cumbria is intended to have a significant impact on the way the sector is perceived by itself and its stakeholders. It is also hoped that it will influence how the sector works. Most importantly, the research should help future activity meet beneficiary needs more effectively, securing more positive outcomes.

The research has several different strands, and a phased inter-related programme of work. In the first phase, Teesside University's Third Sector Development Unit (TSDU) has undertaken qualitative and other surveys of the sector. The research team is led by Tony Chapman (Teesside University) and Fred Robinson (Durham University), and researchers include: Robert Crow (Research Associate, TSDU), Peter van der Graaf (Research Fellow, TSDU), Victoria Bell (Research Associate, TSDU), Judith Brown (independent researcher and consultant), Chris Ford (independent researcher) and Sue Shaw (independent researcher and policy analyst).

Alongside this, in the first two years of the study, colleagues at the University of Southampton, the National Council for Voluntary Organisations and Guidestar UK have undertaken a comprehensive mapping exercise of third sector organisations (TSO) in the study region. Following this, and using information from this part of the work, TSDU plan to undertake a longitudinal panel study of TSOs, continuing through to 2012.

The research programme as a whole aims to:

- produce robust data and independent analysis on the scale and scope of the third sector in the North East and Cumbria;
- provide an objective and thorough analysis of the dynamics of the sector through longitudinal study of stakeholder perceptions, organisational practice and local impact;
- develop a more complete understanding of sector impact and potential, and assess policy and practice implications;
- design and test innovative methodological approaches to the study of the sector which are compatible with national data sources and are replicable in other UK regions.

As a longitudinal study, research findings are being disseminated on a regular basis throughout the life of the project. The study should provide a clearer indication than has ever been attempted before in the UK of local trends over time. These will be interpreted in the light of detailed analysis of stakeholder views, network and organisational analysis, and comparison with other regions and countries if possible.

A key objective of the research is to gain a better understanding of the sector, but in so doing, to provide an evidence base upon which to develop policy and practice so that the sector may be enabled to provide the maximum benefit to its beneficiaries, to the economy and to society in general.

1 Introduction

Over the last two years, the UK economy has been subject to considerable turmoil. In 2008, a worldwide crisis in the banking sector precipitated deep and prolonged global recession. Shoring up the banks and maintaining public expenditure cost the former Labour government billions of pounds and contributed to spiralling public debt. After the general election in May 2010, a new Conservative/Liberal-Democrat coalition government was established, committed to implementing very significant cuts in public sector spending. Full details of the depth and focus of these cuts will become clearer when the results of the Public Sector Spending Review are announced on 20 October 2010.

The third sector will certainly be adversely affected by cuts, but it may also benefit from new opportunities. The government has emphasised its support for the activities of the third sector and is eager to employ the sector's substantial resources to help bolster public services and build a stronger civil society. In particular, the government envisages that the third sector will play a major role in developing a 'Big Society'. However, little is yet known about the extent to which the government will invest in the sector and support its development.

This report considers future prospects and challenges for the sector, as perceived by people who are closely involved with it. As part of the Northern Rock Third Sector Trends Study, three Foresight Panels were set up early in 2010, made up of people from across North East England and Cumbria. The panels are essentially forums for discussion and 'horizon scanning' and they include people involved with the third sector in various capacities. The panels met just before the election and this report presents and interprets their views about the sector and the issues it might have to face in the future. The report conveys a sense of the current state of the sector and helps to show how it is placed to respond to the challenges that lie ahead.

1.1 The context and objectives of the Foresight Panel research

This is the third working paper from the Northern Rock Foundation Third Sector Trends Study produced by Teesside University researchers. The overall purpose of the Teesside element of the study is to develop a better understanding of the internal dynamics of the sector. We are examining how the third sector as a whole, and the organisations which comprise it, respond to changes in the economic, political and social environment within which they work. The ultimate aim is to help the sector understand more about its values and mission; its structure and functions; and, also, its strengths and weaknesses. We hope to produce useful information and tools (for individual organisations, third sector representatives and for stakeholders from outside the sector who support its activities) to inform and improve practice.

The study is using a variety of methods to gather evidence about trends in the third sector. We began by talking to infrastructure organisations in order to develop an overall picture of the sector. The findings were reported in our first working paper, *A Mosaic, Jigsaw or an Abstract? Getting a big picture perspective on the Third Sector in North East England and Cumbria*.¹ That paper encapsulated different conceptions of the sector. We came to the view that it is not realistic to produce a unified model of the third sector as if it were a fully connected *jigsaw*, or a *mosaic* of distinct but separate parts. Instead, we conceptualised the third sector as analogous to an *abstract* painting – where people with different interests, values and viewpoints constructed personal images of the sector. Its beauty, in short, was very much in the eye of the beholder.

Our second phase of research (the ‘TS050’ study) involved a detailed examination of a sample of 50 third sector organisations (TSOs). Findings from that study were reported in *What Makes a Third Sector Organisation tick? Interactions of foresight, enterprise, capability and impact*.² The TS050 study provided important insights on the diversity of the sector and how individual organisations respond to the challenges that they face.

1 Chapman, T., Robinson, F., Brown, J., Shaw, S., Ford, C., Crow, R. and Bailey, E. (2009). *A Mosaic, Jigsaw or an Abstract? Getting a big picture perspective on the Third Sector in North East England and Cumbria*. Northern Rock Foundation Third Sector Trends Study Working Paper No. 1.

2 Chapman, T., Robinson, F., Brown, J., Crow, R., Bell, V. and Bailey, E. (2010a). *What Makes a Third Sector Organisation tick? Interactions of foresight, enterprise, capability and impact*. Northern Rock Foundation Third Sector Trends Working Paper No. 3.

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The analysis in the TS050 study helped us to prepare the ground for a major survey (the TS01000)³, which was undertaken in early summer 2010; the results of that are published simultaneously with this working paper.

In the subsequent phase of our work, we wanted to move beyond an acceptance that there are many competing viewpoints about what the third sector *is*, what it is *for*, and what it should *do*. To do that, we set up Foresight Panels to explore processes of change in a sector which is characterised by its pluralistic values, practices and objectives.

The TS050 study had presented us with a wide range of questions which required much more detailed discussion with sector stakeholders. With the Foresight Panels we have been able to explore how people with different interests, values and viewpoints assess the possible consequences of change. This has enabled us to get a better understanding of how they decide what to do when change occurs and get a clearer picture of where the differences between what is *desirable* and what is *achievable* connect and conflict.

1.2 Structure of the report

This working paper presents the findings from the first consultation with our Foresight Panels. These panels are made up of invited key informants from within and beyond the third sector in North East England and Cumbria who were brought together to assess future prospects for the sector. It begins with a discussion of how the Foresight Panels were structured, and how data gathered from participants prior to them attending one of the meetings was used to shape their discussions. After the meetings the data collected from the panel discussions were thematically analysed. Four main themes emerged from this analysis and these are the focus of the findings discussed here. The four themes are: Funding and Resources; Governance; Partnerships; and, Measuring Performance and Impact.

³ Chapman, T., van der Graaf, P., Bell, V., Robinson, F. and Crow, R. (2010). *Keeping the show on the road: findings from a survey of third sector organisations in North East England and Cumbria*. Northern Rock Foundation Third Sector Trends Working Paper No. 7.

- **Funding and Resources** – includes discussions about funding uncertainties currently preoccupying the third sector, the practice of bidding, competition for funding and the potential consequences of this. This also looks at the ‘endemic’ features of the funding arrangements in the sector and the more ‘extraordinary’ ones currently faced or likely to be faced in the future.
- **Governance** – discusses the issues and challenges of good governance in the third sector. Panel members talked about recruiting board members, the skills and attributes of trustees and the place of leadership within TSOs.
- **Partnerships** – explores how the members of our panel approach partnership working, their different views, ways of working, pressures that they are under to work with others, and how they make choices about who to work with.
- **Measuring Performance and Impact** – this theme includes discussion about how and why panellists think that the third sector is misunderstood by others. The core of the discussion was about measuring performance and how some struggle with this, how organisations successfully promote the value of their work externally, and how evaluation can enable people within an organisation to reflect, plan and develop their activities.

In the concluding section of the paper we draw together the findings from our analysis and assess their implications in the context of a fast-changing political, economic and social environment.

2 Research methodology

2.1 Identifying the Foresight Panel participants

We have established three Foresight Panels that include a varied group of people who are involved with the third sector in different capacities. People from large and small, long-established and recently set up TSOs across a wide range of sub-sectors were invited to take part. We also invited people from the private and public sectors. Participants were selected in several ways: names were gathered from listings of previous third sector events; others were key informants known to the research team or recommended to us; and, in addition, local Councils for Voluntary Service (CVSs) across the region helped us to identify other potential panel members.

Panel members were recruited by personal invitation; we were not seeking organisational representatives but, rather, well-placed knowledgeable people. Hence, if one of our participants changes jobs, we hope that they will be able to continue being part of the Foresight Panels. In a few cases people passed their place on to someone else because they were not able to attend, or they thought that there was someone else who was better placed to take part. There are three panels, each comprising people from different sub-regions of North East England and Cumbria. The first included individuals from Tees Valley and County Durham, the second was made up of people from Tyne and Wear and Northumberland, and the third covered Cumbria.

In each of these areas a half-day meeting was convened for panel members in the spring of 2010. Altogether 58 people attended from across the study region.⁴ A questionnaire was sent out to panel members prior to each of the meetings and results from that helped shape the agenda for discussion. The questionnaire was used to identify panellists' top six issues, or challenges facing the sector, from multiple-choice questions.⁵ Each sub-regional panel was presented at their panel meeting with their panel's collective results. Appendix 3 shows the top six external and internal challenges identified by each sub-regional panel.

⁴ Appendix 1 shows the number of panel members in each area.

⁵ A copy of the questionnaire can be found in Appendix 2.

2.2 The questionnaire

The questionnaire sent to panel members had just 12 questions. The first eight captured biographical information about panel participants and were a combination of both open and closed questions. The open questions gave respondents the opportunity to describe their organisation and job role.

The second section of the questionnaire was based on emerging themes from the previous two working papers, with the aim of gaining further understanding of some of the issues highlighted in earlier phases of the study. Participants were asked to rank statements about strengths of the sector and possible internal and external challenges it faces. The questionnaire was sent out prior to each Foresight Panel event so that the results could be collated, analysed and presented on the day.

The questionnaire was intended as a means of building a collective agenda, with the results of the questionnaire being representative of each sub-regional group's opinions. Hence, the topics for discussion had, in effect, been chosen democratically by participants. The use of the questionnaire allowed us to go straight into the discussion without the need to decide what to talk about, thus saving time by providing focus. Furthermore, it gave those who wanted to be involved but were unable to attend on the day, the opportunity to contribute.

The panels varied in terms of their composition but there was very little variation in the perceived challenges that they identified; this suggests that the challenges facing the sector are broadly similar across North East England and Cumbria.

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2.3 The Foresight Panel meetings

The Foresight Panels were held in three different locations: Middlesbrough (with people from Tees Valley and County Durham), Newcastle (with people from Tyne and Wear and Northumberland) and Penrith (with people from Cumbria).

The Foresight Panels were held over a half day and were designed to allow free discussion of the topics effectively chosen by participants.

Panels discussed the top six external challenges in their first session and the top six internal challenges in their second session, relating these to the top six strengths of the sector. Each panel was split into two and each group discussed three challenges each, along with three strengths. The strengths were swapped for each group in the second session. After each session the groups came together and reported back.

The structure of the Foresight Panels was the same in all three locations. Whilst the results from each Foresight Panel were not the same, common themes did emerge and topics were linked with each other. Since many of the themes recurred across all three panel meetings, it was felt reasonable to present the results together; this paper therefore presents findings from the study region as a whole.⁶

2.4 Approach to analysis

Recording, managing and analysing data

With permission from all participants, each of the Foresight Panel meetings was recorded using digital recording equipment. Facilitators also took notes during the panel sessions. The recordings were then transcribed verbatim. The material was then analysed thematically by members of the research team who then came together for a detailed discussion of the findings. There was overall agreement about the main themes that emerged from the data analysis. Further in-depth analysis continued after these discussions.

⁶ Appendix 3 shows the topics covered by each Foresight Panel.

Four main themes were identified from the analysis and these are explored in detail in the next section. The four themes are: Funding and Resources; Governance; Partnerships; and, Measuring Performance and Impact.

Reflection on the Foresight Panel methodology

The aim of the Foresight Panels was to gain understanding of how participants make sense of what they think is likely to happen in the third sector in the future, and how the sector may need to prepare itself for any changes ahead. One of the challenges for us as researchers was to cover all the topics in the time available. This was done by splitting the panels into two groups and dividing the topics for discussion into categories that were seen to be linked in some way, to allow for flows in the discussions. Due to time limitations, it was necessary to keep the discussions on topic. Whilst some of the discussions did veer off topic occasionally, this was managed by facilitators in each session.

Another challenge was to get panellists to talk about the third sector rather than talk about themselves and their own organisations. We asked panellists to take a wider view, to look at the situation of the sector as a whole. Not surprisingly, most panellists found this difficult, if not impossible. Panellists used their own experiences as the basis for their perceptions and thoughts and used examples of what happens in their organisation as the basis for discussions. It was undoubtedly difficult for them to separate themselves and what happens in their organisation from the larger picture.

The result is that the report uses many quotes that were spoken in the context of the individual organisations that the Foresight Panel members represent. In light of this, we have had to interpret what they say about their own organisation to understand what is happening in the third sector as a whole in the study region. We are confident that we have achieved this and feel that this can be justified by the range of people involved who were telling us about similar issues across different sub-sectors and circumstances.

3 Findings

“It’s accepting that change is the norm and that you are going to have to be enterprising and innovative, and creative; if you don’t, something will come along, whether it’s government cutbacks, or a recession, or whatever, and take the ground from under you. So you can’t relax and say everything is great – this is the norm, you have to keep that upwards spiral going.”

Introduction

Panel members noted a number of significant factors that are currently a challenge for the sector, including: changes in funding opportunities; the perceived need to work in partnership; effective governance; the image and perception of the sector; and, requirements to provide evidence of good practice. The third sector is under pressure to become more structured and ‘professional’ in its practices. Some people felt very apprehensive about ‘enforced’ changes; others were more ready to respond to what they saw as challenges – and potential opportunities.

The general election, imminent at the time of the panel meetings, and the likelihood of political change, also prompted discussion amongst panellists. Since the Foresight Panel meetings, there has been a change in government, from Labour to a Conservative/Liberal-Democrat coalition. That has resulted in plans to cut public expenditure more vigorously than expected, and it has also generated new debates, particularly with regard to ideas surrounding the ‘Big Society’. We will be able to explore the impacts of these changes and developments in the next wave of Foresight Panel meetings.

3.1 Funding and resources

“...the past 18 months I have never been more uncertain about what the future holds. I used to be able to predict how things were going and what would happen next year... I can’t guarantee funding beyond this current financial year...”

Funding is a major concern for the third sector.⁷ Our initial interviews with infrastructure organisations highlighted worries about funding, as did the subsequent interviews with our TS050 sample of organisations. The TS050 tended to be confident about their short-term prospects, but were inclined to have an ‘abyss mentality’ when discussing longer-term prospects.

Panellists across all three Foresight Panels identified ‘changes in the funding environment’ and ‘competition for resources’ as their overall top two external challenges. All three panels also identified ‘securing funding’ as their top internal issue, with ‘competition for resources’ being the second most important internal challenge currently facing the third sector.

This section uses the discussions generated from the Foresight Panels to explore how the third sector is responding and plans to respond to these challenges. It discusses funding uncertainties currently preoccupying the third sector, the practice of bidding, the competition for funding and the potential consequences of this. It is clear that TSOs may have to make complex choices in the future about applying for funds in order to serve the needs of their beneficiaries.

Uncertainties about funding

Foresight Panel members recognised that for many organisations in the sector, the future looks very uncertain. This uncertainty is unsurprising, given the scale of public sector spending cuts which had already been mooted before the election:

“It’s the squeeze in public sector finances at some point in the not too distant future that is likely to have an impact on the third sector, because the public sector is the ultimate provider of funding that goes to the third sector.”

⁷ See, for example, Rose-Ackerman, 1990; Knapp, Robertson & Thomason, 1990; Kendall, 2003; Varley-Winter *et al*, 2010; NCV0, 2010.

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“You can’t deny that there is a real problem looming with the public expenditure situation. In the end, charitable trusts cannot actually plug that gap.”

Organisations with very different characteristics and missions were voicing similar concerns. Furthermore, our panel members sensed that the coming crisis would be much deeper than had previously been experienced. For example, one panellist stated that: *“...people in the sector are looking at falling off the edge of the cliff”*.

With many organisations relying on short-term funding it was not surprising that most panellists, when discussing finances, focused upon the immediate future. Uncertainty about funding is perhaps an endemic characteristic of the sector. However, there appears to be a particularly high degree of anxiety and much concern about the number and range of funding streams which will soon be coming to an end.

“...so many big grant funding streams that I know of end in March 2011 and no decisions have been made yet as to where they go. I think some of the more locally based funding streams are doing the same, but I haven’t got any money from them so I don’t know and I think that makes a difference as well in terms of planning doesn’t it, because an organisation can have got secure funding now, and can actually have got quite a lot of secure funding in this financial year, but it’s impossible to see beyond next April whether you grow or whether you shrink, whether you stay the same, or whether you try to find some other replacement funding – it’s all got implications [for the future].”

Many panellists argued that there are changes in the funding environment that are largely unknown as, indeed, would normally be the case. Income streams constantly come and go due to the changing priorities of government, the EU, local authorities and foundations. But the question is, are there different factors coming into play this time which have intensified concern? There was an expectation amongst panellists that there may be some replacement of the funding streams which come to an end in 2011, but they were also concerned about some funding streams shrinking or disappearing – particularly from public sector sources.⁸ That said, it was recognised that there may also be new opportunities:

8 Varley-Winter et al (2010:6) also found that “90% of our respondents thought that the delivery of public services by charities would continue to be a big issue. Despite this, more than half were in favour of it, with 60% thinking that charities are usually better able to deliver public services than government.”

“...I appreciate that there are funding streams coming to an end... From what I have seen, there are often replacements for those; SRB came to an end and something else came in afterwards... I think, over time... we are going to just see that slowly squeezing, so it’s going to become more and more of a cat fight to get the money and we are going to have organisations dropping by the wayside...”

This panellist thought that funding for the sector would be likely to reduce and this would make it impossible to maintain the sector at its current size. Initially, this may intensify competition for more limited resources, and as those organisations that cannot compete close, the structure and size of the sector would necessarily change.

Funding opportunities

The third sector has grown significantly in size over the last few years partly due to increases in public sector funding. In fact, *“earned income from statutory sources – ‘contracting’ – has increased by 128% since 2001/01”*⁹. This has resulted in many existing organisations becoming larger, and the establishment of many new organisations.¹⁰ So, has the sector grown too fast and has this been detrimental? As one panellist argued:

“It’s the voluntary sector hung by its own petard in the sense that it’s been encouraged, indeed pressurised, to grow at such a speed and to take on things that were dealt with by statutory organisations and so forth... The recession and diminution of funding increases the dilemma that people have...”

This panellist voiced concerns that the choices made by the sector have contributed to its current situation – particularly by succumbing to pressure to take on new types and larger volumes of work. By taking on more public sector work, for example, it could be argued that many organisations have become more vulnerable to cuts in resources by allowing themselves to become more dependent on public sector funds:

“...for very understandable reasons, we’ve all got sucked into a lot more service delivery than we used to have and therefore are a lot more dependent on those sources of funds and we are inevitably less effective about the policy and campaigning issues as a consequence.”

⁹ Clark *et al* (2010:46) Clark, J., Kane, D., Wilding, K. and Wilton, J. (2010) *The UK Civil Society Almanac 2010*. London: National Council for Voluntary Organisations.

¹⁰ Clark *et al* (2010).

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Our TSO50 study indicated that the majority of TSOs are focused on serving the needs of their beneficiaries rather than pursuing funding opportunities as an end in itself, although many felt that ‘other’ organisational leaders had a tendency to ‘follow the money’.¹¹ However, this focus does not diminish the need to compete for funds which, as one panellist put it, can lead to *“an eternal battle for survival”*:

“You can’t help [beneficiaries] if you don’t exist; I think that’s the bottom line for us. Like everyone, we are in an eternal battle for survival... The only way we can [accumulate reserves] is much more of the selling of services, making a profit, a strong surplus, however we want to define it – that way we can bring more money in to make our organisation stronger and more stable so we can meet our challenges and objectives.”

This panellist said that the sector needs to look at other ways of securing income and perhaps become more ‘business-like’ in order to get stronger. It was recognised, however, that some organisations could not adapt – and that may not always be a bad thing:

“...there is a shelf life for some organisations and we shouldn’t be scared about that and maybe when people move on or when a particular issue has been addressed at a certain level, they disappear and we shouldn’t be worried about... maintaining an organisation for its own sake.”

When TSOs close, it is often a matter for regret, particularly so for the beneficiaries that they sought to help. Organisations recognise the complexities of funding opportunities and have to take responsibility for the choices they make. One example of this is that TSOs have to decide whether or not to take on a contract which may be too demanding to achieve within the size of the budget:

“...if there was enough money in it, the private sector would be delivering the public services, so by definition we are in a sector which is not financed adequately... the minute it was financed properly the private sector would come in, so we have constructed a model... where there is consistent market failure, where third sector organisations come and go because of the funding environment...”

¹¹ Chapman *et al* (2010a).

Claims that the third sector is under-financed are perhaps easily made in a sector where organisations are keen to achieve a lot for their beneficiaries. Such claims can be controversial, particularly from the perspective of other sectors. Private sector organisations may argue, for example, that they cannot access volunteer labour, and explain that this is why they do not operate in some markets. But TSOs which are supported by volunteers may also have to make tough decisions as to whether a contract is worthwhile:

“...the fundamental bit is to understand that you’ve got to really build up the costing that you’ve got to put into a bid [so that it] is properly carrying the cost of running the organisation... As an organisation we got offered funding that was just completely unsatisfactory for the nature of the contract we had, and we just continued to depend excessively on volunteer time...”

Once they have decided to compete for a contract, organisations have to consider the cost of doing the project. Panellists said that one reason why competition may increase in the future is that others, such as health trusts, are beginning to move into the funding territory of TSOs. This may increase further with the proposed changes by the coalition government of handing over more services to outside agencies¹²:

“...where health trusts have gone as community interest companies... it’s greater competition for funding. Eventually, they’ll be bidding to the Lottery in a few years’ time when their PCT [Primary Care Trust] funding runs out... they are going to be much more savvy.”

This will intensify competition for gaining funding to deliver services. It is not surprising, in this context, that there was much discussion by panellists about bid writing and applying for tenders. They referred to the “*professionalisation of funding applications*” and how applying for funding has become more complex. There are many approaches to writing bids, with support and expertise available to assist the sector in doing this. But most panellists said that they tend to do it themselves:

“...I find it very difficult to have somebody outside of the organisation to develop a funding bid that is going to thoroughly reflect our values. It’s easier to do that ourselves...”

¹² Cameron, 2010; Cox & Schmuecker, 2010.

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“...certainly within our organisation [the bid writer] needs to be someone who is going to understand the project... and can't just be somebody who writes funding bids, because they would never get it right.”

Both of these panellists prefer to write their own bids, or at least have them written by someone who is going to be involved in the proposed project. They argued that by doing it internally, they are better able to convey and reflect the values of their own organisation. But sometimes external support can be beneficial:

“As a small volunteer-led organisation we find the bureaucracy and the paperwork a real nightmare and what we are doing now, if we want to take a project forward, we find a project manager, and that project manager puts their fees in with the funding application. Now it's not necessarily the best outcome, but we find that if we want to get a project funded that's the way forward.”

This panellist has no reservations about using a project manager in order to gain funding for a particular project that they would like to do. The significance of the size of organisation when applying for funding was spoken about across all of the panels. Panellists said that lack of capacity and expertise in writing bids were the main reasons that small organisations were not able to apply for some contracts. Seeking funding often requires specialised input and for smaller organisations this is often left to one or two individuals. So, should small organisations be putting their energy into applying for these contracts? And what other choices do they have?

“I think the small organisations are really being hit by the professionalisation of funding applications... [And] now they want more and more information and more and more stuff, and small organisations... we just can't cope with this environment... I'm very cagey about going down the road of sub-contracting and getting contracts because I just think, this is not what local people want, it's not what they are about, they want to actually engage with people in their communities, that's their strength...”

Small, local organisations are often set up and run solely by volunteers and many can remain sustainable with little or no external funding.

These organisations are an important part of the diversity that makes up the third sector (Mohan *et al.*, 2010). If they decide, or are encouraged, to grow, the sector may lose a valuable element of ‘grass-roots’ work. Some feel that they ought to grow and get external funding – and that can make them vulnerable:

“...we have the [local volunteer-run lunch group]. The danger they face is becoming too professional and not keeping it voluntary, because when their funding stream runs out... that’s a burden then to maintain that... The small local community groups... there is a dynamic that happens, in terms of how they need to have funding when you get to a certain organisational size...”

Many panellists agreed that for smaller organisations the burden of maintaining funding can divert them from getting on with managing existing projects.¹³ Searching out and applying for funding can also be stressful:

“... a hell of a lot of my energy on a day-to-day basis goes in some way into funding... the amount of energy we’re expending in managing the funding environment is not actually equitable with the amount that is coming in and I feel weary of it...”

As well as increased competition from within their own locality or region, panellists said that, in the future, they expected to have to compete more with charities that usually operate outside of their area. These are often national charities that may have access to more resources and expertise to invest in the bidding process. Panellists were very uncomfortable with this and felt threatened by ‘outsiders’ squeezing out local organisations, potentially damaging established relationships and losing the local knowledge that was seen as an important aspect of third sector provision:

“The larger voluntary sector organisations, mainly nationals, will have recruited shoals of staff to deal with all this contract stuff... small to medium-sized [organisations], those with a small number of staff, have a chief executive who spends 60-70% of their time chasing contracts and writing bids. That is a huge shift, it really is, in a relatively short space of time... some have adapted to it and others haven’t; others have folded – but that is reality.”

¹³ Varley-Winter *et al* (2010:4) found that “small organisations have a special set of needs [...] it is clear that while large and mid-size organisations may struggle to grow, small organisations struggle to survive.”

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Added to the threat of being squeezed out of a funding opportunity by outside organisations, panellists also expressed concerns about small organisations being excluded from bidding by those who control the funding. The worry was that if they are not recognised as valuable by local funding bodies, they may disappear altogether from the third sector landscape¹⁴:

"... one of the local authorities' chief executives said 'we will only contract with the big five in terms of the voluntary sector, we don't want to work with the local ones, because they don't have the capacity, they are not accountable, and it's too much work for us'. So the sector is going to change fundamentally unless we can sort out how we can support particularly the smaller organisations."

Cox and Schmuecker (2010) have also warned that small and locally focused social and community enterprises may be at risk if the efficiency savings sought by the current government mean that contracts will get bigger. Small enterprises may be unable to compete, which could also be at odds with the intentions of the 'Big Society'.

Ironically, although panellists spoke about the continual 'hunting' for funding, we also heard about instances of funds being available but not being applied for. One funder said, *"We can't give our funding away, they are just not applying for it"*. This raises questions about the types of funding that are being sought by the sector. Perhaps organisations are not aligning themselves to the right pots of money. Perhaps the third sector has become so used to relying on public sector funds that they are not effectively looking further afield. If there is a perception that there is no money, it may be that organisations are not being as thorough in their search for different types of funding as they may have been in the past:

"...some of the meetings... where some of the funders do meet, many of the charitable trusts are repeatedly saying they are not getting as many applications as they used to..."

"...It's the perception that there's no money out there means people are less likely to apply..."

¹⁴ Varley-Winter *et al* (2010:6) found that *"large charities are often seen as monopolising funding opportunities, meaning that smaller charities miss out."*

This led panellists to discuss how the sector can effectively seek out funding opportunities. Organisations may need to look further afield for different sources of funding. However, this may lead organisations to move away from their original mission and organisational objectives. An opportunistic approach can have its dangers:

“...One of the things said on our first day [at a fundraising course] was ‘don’t bend yourself out of shape to fit an application’... I do it all the time because if you want to survive you have to be opportunist about the money and adapt what you do to fit funding streams... you bend yourself out of shape to do it...”

If an organisation is not clear about their mission, it gives a mixed message to others. This can have a detrimental effect on their organisation and also on external perceptions of the third sector.

While the mood of the Foresight Panels was not particularly upbeat due to serious uncertainties about the future, they are well aware that the third sector is used to searching for funds and working flexibly and creatively with limited resources to deliver services to beneficiaries. Some panel members argued that the sector needs to remain optimistic:

“...it’s trying to get the balance between being realistic... and being optimistic and I think at the moment there’s a danger of people being very pessimistic... but actually a way to be successful is to be optimistic and I know it sounds like pie in the sky but I’m sure that’s true...”

One of the main points they made in relation to this was the call for organisations to determine and stick to their planned strategic direction. For some, this will mean a period of consolidation, or “*battening down the hatches*”. For others, they intend to continue with plans for growth:

“...there are two groups; there are those that are basically saying we will do anything we can to cut back, we will tighten up and batten down the hatches... and then there are the others who are saying we are open to transformation here... It’s not about us being cheap because we are using volunteers, or because of our overheads, it’s about saying we can supply that flexibility, creativity, all the things we were saying

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we are good at. How do we actually harness it, because at the moment that is not happening and we are not getting the seats around the table to have those conversations.”

This panellist said that the sector needs to look at ways that it can develop so that it can exploit its strengths in a market where competition is set to intensify. In this context, the third sector does perhaps have to accept that it is the cheaper option. The sector has access to volunteer labour and, as panellists agreed, it has the ability to work flexibly and creatively with small amounts of money – but it also has to look at further ways of harnessing its unique qualities.

Summary

Panellists noted various challenges that they felt were facing the sector. There was much uncertainty about future funding, especially from the public sector. Some felt that there may be the need to seek out other opportunities and become less reliant on public sector funding, or perhaps any funding at all. Panellists said that competition is increasing, and that the process of bidding is becoming more complex.

Public expenditure cuts could well lead to increased competition between organisations delivering public services. In light of this, some TSOs may have to reassess their position and perhaps reappraise their capabilities. Organisations may have to be clearer about their market niche and be careful about moving beyond capacity, values or mission.

In some cases, panellists recognised the role of competition in securing value, and in ensuring that TSOs stay aligned to evolving needs:

“...I’ve had some conversations with local authorities... they would like to keep some element of grant funding for TSOs but they don’t want to be caught in the situation of giving the same amount of money to the same organisations, year after year, just to keep them going because they are not always getting the return they should from that – and I think that’s very valid...”

Changes in funding could have various consequences. Some organisations may benefit from new opportunities; some may feel obliged to change what they do; others may disappear altogether. Perhaps it has always been this way – but at the moment pressures seem particularly great and many organisations may struggle to cope with them. Concerns expressed by panellists could thus be seen as relating to the scale and pace of change, rather than change itself.

Essentially, the issue is not just about changes to the funding and procurement process, but about how third sector organisations respond and adapt to such changes. Their capacity for addressing changes and deciding on their strategic direction whilst considering their mission and objectives will generally require a supportive and well-informed board. This is discussed in the next section.

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3.2 Governance

“... governance has to provide the backbone and the support and the strategic thinking... there are some great governing bodies around... but there are some awful ones as well. Helping the weaker ones to see through that role and be less protective and more strategic about their mission... is a challenge that I think the sector faces...”

Governance here refers to the way TSOs are run. This includes a governing body or board, which has responsibility for ensuring that an organisation adheres to its legal obligations and duty of care.¹⁵ It also includes other organisational components, which are often multi-levelled, with groups such as advisory and user groups involved, often through consultation.¹⁶ As Anheier (2005:231) states: *“In essence, governance is about ensuring the fit between the organization’s mission and its activities and performance”*.¹⁷

Good governance is regarded by many as constituting a major challenge for the third sector in North East England and Cumbria. In our initial interviews, the infrastructure organisations said that the third sector faced problems in recruiting the right calibre and range of trustees to serve on boards or management committees. In addition, it was felt that some trustees did not fully understand their role, and were not properly trained or supported.¹⁸ The TS050 respondents also noted the difficulty of recruiting trustees, especially finding people with the right ‘business’ skills.¹⁹ Moreover, analysis of the TS050 sample showed that the efficacy of governing bodies varies considerably across the sector and that their role is generally of crucial importance in relation to planning for the future, responding to opportunities and managing change.²⁰

15 Stone, M.M. and Ostrower, F. (2007) Acting in the Public Interest? Another Look at Research on Nonprofit Governance. *Nonprofit and Voluntary Sector Quarterly*, 36 (3) 416-438.

16 Cornforth, C. (2003) Introduction: the changing context of governance – emerging issues and paradoxes. In C. Cornforth (Ed) *The Governance of Public and non-profit Organisations. What do boards do?* Routledge, Abingdon, Oxon. pp. 1-19.

17 Anheier, H. K. (2005) *Nonprofit organizations. Theory, management, policy*. Abingdon, Oxon: Routledge.

18 Chapman *et al* (2009).

19 Chapman *et al*, 2010a; see also Clark *et al*, 2010; Varley-Winter *et al*, 2010.

20 Chapman *et al* (2010a).

Our Foresight Panel members also identified governance as a very important issue. Participants across the panels placed 'effective governance' and 'appointing trustees with appropriate skills and experience' in their top six internal challenges facing the sector. Panel members emphasised that planning the strategic direction is the core role of trustees and that, by maintaining stability and managing change, sound governance can help an organisation continue and develop. Having good governance arrangements also reassures funders. Panellists talked about recruiting board members, the skills and attributes of trustees and the place of leadership within TSOs.

Recruitment and retention of board members

Panellists agreed that the main responsibility of a board of trustees or directors is to give an organisation strategic direction. As far as possible, they should refrain from getting involved in operational activities. They should know the boundaries of their responsibilities and understand what their function is. This can be a difficult matter for some organisations, for instance, due to size of organisation, or skills, or personalities on the board. In addition, when trustees get involved in operational matters there can be friction between a chief officer and the board.

Panel members tended to be drawn to the concept of an 'ideal' board. That would generally seem to be a group of trustees who have a full understanding of an organisation's objectives, and which comprises people with a diverse range of relevant skills, knowledge, experience and networks. Boards without these attributes were thought likely to create problems, perhaps especially in relation to leadership. One panellist said:

"...the serious point I'm making is the need to have well-informed, well-skilled trustees and leadership in voluntary organisations and I can think of half a dozen at the moment who are in trouble because their management committees are very good, very well meaning, very committed, but simply do not have the skills to lead organisations the way that they need to be led."

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Although some said that they had few problems with recruitment, others said that they really struggle to fill seats on the board.²¹ It was possible to detect a degree of envy of those organisations that seemed to recruit board members relatively easily. For example, a panel member talked of having been to an event where others said that they had people “*queuing up to get on the board*”, while she has great difficulty in finding potential trustees.

The panels tried to establish why it may be hard to find suitable trustees. It was said that a big part of the problem is that “*people lead busy lives*” and that those who are likely to make good trustees are often already committed, already serving on boards, already busy as “*active citizens*”. There was a sense that only certain kinds of people – “*the same group of people*” – are actually interested and prepared to become trustees. Furthermore, it was thought that some people may be wary of the legal and financial responsibility; after all, trustees actually ‘carry the can’²²:

“What I’ve experienced recently... is a nervousness that wasn’t there before... [When prospective trustees] start to understand more about the climate in which we are operating, and the pressures that we are currently facing, there is a backing away and a nervousness: ‘do I want to be associated with an organisation that is in such a potentially precarious space?’ Because there is so much uncertainty about the future and where we are going.”

It was acknowledged that it may be more difficult to recruit trustees in rural areas where there are fewer people to choose from: “*we fish in a very small pool*”, as one panellist put it. Another reason was thought to be the ‘cultural’ environment. Panel members said that there were difficulties encouraging people from working-class communities to become trustees because “*...maybe in more working-class communities people aren’t used to the culture of being on a board*”.

21 Clark et al (2010:78) also report that “*Overall, one in ten voluntary organisations (11%) identified that they always had difficulties in filling vacancies in their trustee body with four in ten identifying that they had difficulty sometimes*”. – see also Varley-Winter et al (2010).

22 Similarly, Clark et al (2010: 78) found that “*The main reasons identified for trustee recruitment issues were difficulties finding people willing to make the time commitment (82%) and difficulty finding people who want the responsibility or are willing to take on the legal obligations (53%)*”.

Also, it is not just a matter of finding people who are willing to join a board, but actually finding people with the right skills. A skills audit can help to establish what skills the board already has and what it needs. Some panellists talked of how a review of the board can be done by bringing in people from outside the organisation. The challenge is then to fill the gaps, either through up-skilling existing trustees or finding new ones.

It was apparent that, whilst panellists commented on what an ideal board should look like, in practice there may be contradictions and dilemmas. For example, while it may be good to bring in new people, not least to have greater diversity, there is much to be said for continuity, which can help to sustain and secure the history and mission of an organisation. There were differing views about the advantages and disadvantages of having long-serving members: perhaps it is more to do with what they contribute rather than how long they stay. Seeking to create a more 'diverse' board can also present dilemmas, as well as being hard to achieve. Whilst noting the value of having a diverse board, a panel member argued strongly against "diversity for diversity's sake". He said:

"...I was involved with a community development company some years ago which went belly up... The board had to be diverse and there was a list of the organisations or areas that had to be represented so you had to have all of the minorities represented... The board in the end didn't have the skills which were required to run a complex organisation."

Planning the succession of board members is good practice but panellists recognised that it can be difficult to do. Panel members acknowledged the benefits of "refreshing" a board, but noted that some trustees are reluctant to move on. One said that being chair of an organisation in the sector can effectively become "a lifetime job". It can also be difficult for a newcomer, joining a board of long-serving members that has become "too comfortable and cosy".

There was much concern about the difficulty of finding new board members, but there were also more positive perspectives on recruitment. Some seemed to be finding that a more active and creative approach can work. One panel member who was successful in recruiting trustees with the skills and attributes she was looking for said she went "headhunting". Having identified what

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skills were needed, she would, for example, seek likely candidates in the business pages of the local paper and contact them. Another had successfully advertised board vacancies, in order to recruit from a wider pool and not simply “go through that business of ‘who do you know who would want to be a trustee?’”.

It was also argued that it is important to sell the organisation and trusteeship as an interesting opportunity for personal development, not just a worthy chore. It ought to be something that people choose to do because they are actively committed to it:

“...if you want to be on our board you’ve got to prove yourself first to demonstrate that you’ve got the skills in the area to which we’ve recruited you, but also seeing it as a personal development opportunity for that person. So the solicitor, for example, [who became a trustee]... he’s been involved in other areas that have totally broadened his experience as a person... So it’s trying to find the win-win, what’s in it for the board members, instead of this ‘please give me’ type of approach.”

It helps, of course, to be confident about what the organisation can offer and be able to be selective:

“...one of the questions that we always ask [potential trustees] is ‘why do you want to get involved?’ so that we don’t get the serial trustees, so that we can get the ones that are passionate about our particular organisation...”

Most panellists recognised the particular importance of recruiting people with certain skills and who are able to perform particular roles:

“...you’ve got to look for an accountant in particular because if your finances aren’t stable then you go down dead fast. We’ve certainly gone out of our way to make sure we’ve got an accountant on the board and we’ve got a barrister on the board; they don’t do very much, but if you need them you can pass problems on to them.”

Finding the right trustees is just the beginning. It is even more important that their skills are properly used: “making sure you use them for the purposes that you recruited them”.

In summary, it seems to us that some panellists had in mind an ‘ideal image’ of how a board should be constructed and this could affect their approach to recruitment. We do not know whether difficulties surrounding board recruitment will intensify or not over the next few years in response to economic and social circumstances; this is a matter we expect to explore in depth in the future.

Change and ‘professionalisation’

One of the underlying themes of the panel discussions was the management of change and, linked to that, the issue of ‘professionalisation’ in third sector governance. Aspects of change referred to by panellists included the growth of organisations; the perceived move towards the development of the ‘contract culture’²³; and the need to negotiate a shifting operating environment. Several panel members talked about the real difficulties faced by trustees coping with change. When an organisation is undergoing change, some of the trustees may no longer be particularly suitable, or may not want to continue in the new circumstances:

“I think that trustees find it really difficult when an organisation becomes a company limited by guarantee. I have been involved in different organisations at different times where, making that transition, a lot of grass-roots people have stepped back, and said ‘I am not sure that I can take on that legal governance responsibility and requirement’... You need to have local people involved in the governance of organisations, but they don’t have the competence, confidence and expertise to take on the legal requirements. And there is a need to actually find a way of upskilling... raising the bar to enable those people to have confidence and the competence to be involved at that level and find it a fulfilling thing to do... There is a huge difference between a management committee of a small charity and actually going that extra step, it’s almost like the point of no return for them.”

Trustees may come to feel almost alienated from an organisation that has grown and changed. One panellist spoke of local people who had helped set up an organisation because they were passionate about the cause and wanted to make a difference, but now found themselves *“doing monitoring and evaluation and the governance stuff”*; they felt frustrated because they actually wanted to have *“hands-on”* involvement.

²³ MacMillan, 2010; Kendall, 2003.

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Whilst panellists recognised the value of having professional expertise on the board, they also acknowledged the importance of involving ‘grass-roots’ people:

“They know what the reality is down at the shop floor, as it were. That connection is absolutely vital. It’s also good for the users of the service to recognise that there are ordinary people in their community who are trustees, who are connected.”

Others agreed, stressing the need to have local people and also service users or beneficiaries on the board, even though that could sometimes be difficult to achieve and manage. For example, having service users who are very vulnerable serving on a board can be challenging – even simply attending a meeting can be difficult for them. Nevertheless, it was agreed that the voice of local people and service users’ needs to be heard and their views represented on the board. For many panel members, it was a matter of principle. As one put it, *“they’ve got that moral element to them”* – but then went on to say that *“they might be... useless in terms of being a chair of a board and that’s a very difficult dynamic and it’s very difficult to manage...”* One response is to try to improve and develop the skills of such trustees. Another response is to restructure governance arrangements, so that they are able to continue to participate and contribute, but in more of an advisory capacity.

It was recognised that there can be good reasons for keeping trustees who may have limited ‘expert’ skills. For example, some people are good ambassadors for an organisation and are well networked; *“they are like gold dust... they draw other people to you”*. Others help to keep an organisation rooted and accountable.

Changing a board to make it more ‘professional’ can present difficulties. It can be upsetting for existing and often long-serving trustees. One panel member discussed how the incorporation of her organisation had led to big changes to the board. *“We had to be brutal”*, she said, and even though efforts were made to give former trustees new roles, *“a couple of people took their ball home and took the huff...”*

Panel members talked of bringing skilled and ‘high calibre’ people onto boards, and how this changed the dynamics of the board. That could be unsettling for existing members but panellists thought it was important to ensure that it was a good experience for the new members. In that vein, one panellist wondered what skilled newcomers might make of board meetings:

“If we got someone who was highly skilled and high powered and they came on to some of the meetings that we have... I mean it’s the difference between the parish council and [the city council], and their expectations might be much higher than we could actually manage and then it could be a very disappointing experience all round...”

In the conclusion to our TS050 paper, we reported our concerns about a tension between the imperative to become more professional whilst also retaining strong links with the ‘grass-roots’ or service user perspectives. The Foresight Panel debates confirmed this tension, but have also moved us on in our understanding by helping us recognise that the tension is not just about the smooth running of a board or resolving different approaches to managing meetings. We find that the tension also derives from a fundamental belief in the third sector that maintaining links with the ‘grass-roots’ or users is closely associated with the values of the sector as a whole – it is something that must be achieved if claims are to be upheld that the sector is close to its beneficiaries.

Leadership

Panel members pointed to the importance of good leadership as a key component of effective governance.²⁴ The Foresight Panel discussions suggested that, in reality, the chair and chief officer of a TSO often share elements of leadership and that makes the relationship between them very important. Most panellists agreed that the ‘ideal’ may be a situation where both are strong, effective and are able to work well together.

Panel members discussed the qualities and characteristics of leaders, especially chief officers. Panellists talked about the benefits of charismatic leadership, but worried about it as well. It was said that many organisations are “*personality-driven*”; whereas that can be a great strength, it can also present problems when that person leaves. It was noted that recruiting

²⁴ See also Varley-Winter *et al* (2010).

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chief officers in North East England and Cumbria can be difficult because salaries can be relatively modest and yet so much may be expected of them. One panellist talked of needing people with *“high-level skills, strategic understanding and drive”* and another said *“... one is expecting a huge amount from the leaders of these organisations in terms of the skills mix... the passion and the talent and the skills...”*

The supposed ideal combination of desirable attributes of leaders in the sector was summed up by one panellist who said simply that they are people who are *“able to combine that passionate heart with a business head... and there aren’t many who can do it...”*

Summary

Our panellists were concerned about governance. They recognised that the sector needs sound governance and that there was scope for improvement. They acknowledged dilemmas, such as: recruitment and retention; *“refreshing”* the board; commitment; skills and expertise; and, knowledge of the issue, which can arise when trying to create an effective board. They appreciated the need to have board members able to offer professional skills and expertise and also have people with grass-roots knowledge and commitment. In practice, the ‘ideal’ may be a combination of both.

It is much the same with leadership: combining a passionate heart with a business head. And so, a focus on the issue of governance draws out a central challenge for many organisations and people in the third sector: how to uphold the traditional values of the sector and run a business-like operation.

3.3 Partnerships

“Partnership work is what it’s all about... it’s about joining up”

The previous Labour government invested heavily in a range of initiatives to get the public sector and TSOs working together more successfully. Local Strategic Partnerships were established, Local Area Agreements were developed, cross-sectoral Compacts were drawn up and the government supported capacity building initiatives to help TSOs prepare to take on public sector contracts.²⁵

The new coalition government positions the third sector as a key component of the ‘Big Society’, implying that the sector will be expected to play an important part in partnerships delivering services (Cabinet Office, 2010). It is not yet known whether the new government intends to sustain formal collaborative arrangements to achieve this, or let local government, the third sector and private sector work it out for themselves.

In our initial interviews with infrastructure organisations, respondents argued that the third sector works well with others. It brings together people with common interests to tackle problems and issues.²⁶ The subsequent TSO50 study found plenty of cooperation between organisations, particularly in rural areas. Our sample of organisations generally had good relationships with other TSOs, public sector agencies and charitable trusts, but relationships with the private sector were very limited. It seemed that relationships often served to enhance or sustain organisational interests.²⁷

Results from the questionnaire survey undertaken before each of the panel meetings showed that ‘effective partnership working’ was consistently recognised by all of our Foresight Panel members as a key external challenge. Furthermore, panellists ranked ‘pressures to work in partnership’ and ‘pressures to merge with other organisations’ in their top six external challenges.

²⁵ Cabinet Office, 2007; HM Treasury, 2006; Office of the Third Sector, 2006a, 2006b; Home Office, 2004a, 2004b, 2005; Kelly, 2007; Alcock, 2010.

²⁶ Chapman *et al* (2009).

²⁷ Chapman *et al* (2010a).

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In this section we explore how panellists approach partnership working, their different views, ways of working, pressures that they are under to work with others, and how they make choices about who to work with. It was clear from their discussions that the third sector has many opportunities to work in partnership, and whilst there might be considerable benefits, there can also be costs and compromises.

The nature of partnerships in the third sector

The third sector is accustomed to working in partnership. Partnerships are often informal arrangements, built on mutual understanding of an issue or a shared focus on a particular beneficiary group:

“I would say [that in] our organisation, our influence is exerted just through community relationships... [we] probably wouldn’t recognise [these relationships] are partnership working as such – there are no signed documents to confirm that there is the commitment of both parties...”

As this panellist states, some partnerships emerge as natural alliances, with organisations usually sharing some common ground. Others are entered into more as a means to an end. Across the panels, people told us that in practice they found collaboration beneficial for the sector and it helped with service delivery. Many said that their organisations are used to working in partnership and do so regularly: *“at all sorts of levels people are working in partnership all the time”*. Others were less convinced about the sector’s willingness to take partnership opportunities seriously:

“there is this reluctance within the sector to work properly in partnership and I think that there’s a lot of lip service paid to ‘yes we work in partnership and we’re great at it’ – but we’re not.”

For this panellist, this view stemmed from the experience of having to respond to external pressures to work ‘in partnership’ to deliver a contract.

Panel members had differing views about the relative effectiveness of formal and informal relationships. Some preferred working together as part of a contract – they talked about the need for contractual arrangements so that organisations were clear about the boundaries of their role. This also helped to clarify responsibilities:

"...[With] partnerships that aren't written contractually, there are always problems; any partnership that I've engaged in that hasn't had a contract in terms of who does what, who does what where, who has responsibility – that's where it doesn't work."

While this need for organisations to be accountable was expressed by some, others, using quite powerful language, made it clear that they were less willing to be bound by formal agreement:

"...formal partnerships are just the kiss of death... the worst [partnerships] are when we are forced down an avenue because we've been told that's what's got to happen and we've got to suspend disbelief and work in a partnership in a formal structure... all the alarms bells are clanging away... and we're all gradually walking off towards the edge of the cliff..."

"...I think the third sector probably does work very well together but once the driver becomes commercial and contractual it's a completely different ball game and I don't think a lot of the voluntary sector have been forced down this road before."

Such panellists argued that an informal partnership was more open and less of a threat to their identity or independence. They said that, whilst the third sector is good at working together, once this becomes formal it can be more difficult to maintain.

Nevertheless, our panellists said that they like partnerships to have clarity with regard to who is responsible for what in a project:

"[the best outcome would be] to end up with a relationship where everybody is clear about what is being provided up front, to make sure the third sector organisation is clear about what's happening..."

It was apparent that many panellists are more comfortable with less formal arrangements, where they can share ideas or, for some, even continue working in isolation. Some see contractual partnerships as the beginning of the end of their independence. We do not yet know why organisations prefer informal partnerships, or why independence may be preferred to any form of partnership working. This may be explored in more detail in future phases of the study.

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Panellists said that the need to secure funding often led to pressures to work in partnership.²⁸ With the perceived shift towards larger contracts issued by the public sector, it has become increasingly necessary for organisations to seek partners that can share the workload or input their knowledge. Panellists said that funders increasingly want organisations to work in partnership and, in some circumstances, they were much more likely to receive funding if they tendered as part of a partnership. Panellists were concerned that they were being 'encouraged' to collaborate or even merge because funders find it more convenient to deal with a single large contractor:

"I think one of the drivers for partnership working is about funding. I mean we know that there are a lot of funds out there for the VCS that are pushing people or encouraging people to merge or collaborate or whatever and I think that's a big problem for a lot of front line organisations because of capacity..."

"If we do a partnership project it has twice the likelihood of being funded, eighty per cent success rate as against forty per cent; therefore the imperative is to do more partnership projects."

"We have always done this [worked in partnership] and now we are having to structure it in certain ways that other people are telling us."

Organisations have to make choices about whether to embark on contractual partnerships, or risk not getting a contract. Small organisations may not have the capacity or expertise to bid for funds without the assistance of another organisation. The extent to which such issues shape organisational decision-making is dependent on the type of organisation and how reliant they are on external funding. We suspect that while many organisations have a great deal to say about the "perils of partnerships" and contracts, the reality for many is that they are unlikely to need to or want to get involved in such arrangements. In fact, our TSO1000 survey reveals that only a relatively small proportion of organisations do actually work together in partnership bidding or embark on contract work. Grants and other forms of income are still much more important to the sector than partnership contracts.²⁹

²⁸ See also Varley-Winter *et al* (2010).

²⁹ Chapman *et al*, 2010b; see also Mohan *et al*, 2010.

Panellists also spoke about the additional financial costs of working in partnership and how this is often not taken into account by funders:

“I think a lot of the funders are really driving me to work in partnership but they don’t really understand the implications... Once you start to work in partnerships it is less cost effective because you end up having management groups, steering groups, extra meetings, people based in all sorts of different locations that have to be line managed in different ways and it actually makes your funding not go as far... It is often far better for the end users to just buy the right services, the right expertise at the right time [rather] than go down the partnership approach.”

Debates on the financial costs of partnership were implicitly underscored, as this quotation suggests, by worries surrounding the opportunity costs. In other words, choosing to engage in one kind of work could distract attention from other, possibly more valuable, activity. Panellists were also concerned about the reputational cost of working with others that they did not know much about:

“You are encouraged to go into partnerships with weaker organisations who you know you are going to have to carry, possibly even do the work for them, and you know there are some real trade-offs going on which are not acknowledged and often can actually drag you down as an organisation, and there’s whole issues about reputation, the ways you do the work – so it’s complicated...”

Panellists also said that there are often short timescales in which to prepare and submit bids for contracts. It can be difficult at short notice to find a partner with the right expertise that the organisation feels comfortable working with. Some said that they felt as if they were “*thrown together*” as co-bidders with another organisation, having not had enough time to gather information about the other potential partner:

“...quite often that [pressure] comes from very short timescales to get bids in for pieces of work... you know that you aren’t big enough or you don’t deliver all the services on your own. You’ve got three or four weeks to form partnerships for putting a bid together; I mean, it’s never going to work properly, you don’t have the time, you are struggling over the budget, who does what and you know it doesn’t lend itself to effective partnership...”

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One of the reasons given for this is that organisations do not then have enough time to investigate the capability of the other organisation(s) before they embark on a partnership, which has the potential to be awkward for all those involved:

“...There’s no due diligence essentially – because I would want to do due diligence on an organisation before we partner with them, but that takes time and it’s often perceived as a bit rude, but I would expect someone to do due diligence on me and my organisation if they were going to enter a financial partnership with us.”

Panellists also discussed potential partnerships with other sectors. They told us that they can get “*pushed into partnerships*” with organisations in other sectors, and that can be uncomfortable:

“We are pushed into partnerships which are sub-contractual arrangements with very big private sector organisations who are the main prime contractors for the public sector. I have to say they are not partnerships in the main; what they are is very difficult relationships where essentially we are crowded out of shaping the contract or the delivery and we are being given some targets that are part of it and they like to tick the box and include us because it gives them some brownie points...”

This panellist viewed these types of partnerships as arrangements or “*difficult relationships*” which do nothing to enhance relationships across sectors. They felt that in these circumstances someone else is in control and calling the shots – “*...the funder is in the driving seat*”. These issues may not be limited to the contract in question, but could also be related to wider issues of how they think they are perceived by others. Whilst organisations are free to make choices about how to embark on partnerships, they may then object to not being treated as an equal:

“...the public sector have been bludgeoned to get into partnership with the voluntary sector and have been looking at the sector as an homogenous mass that they need to bring in and have as a tick list on their attendees lists and there’s a sense of frustration that comes from that, because it’s partnership for partnership’s sake, not for the sake of delivering an end...”

Panel members considered that such a procedural approach – that is, only involving the third sector in order to “tick boxes” rather than achieve true inclusion on a project – perpetuates misunderstanding of the sector by others. If ‘outsiders’ perceive the third sector as homogenous, the diversity of the sector will not be acknowledged. Whoever they partner with, panellists were keen that the partners should have equal status; as one put it: “... to be effective, due weight has got to be given to the views of each partner”. Although they did acknowledge that this was not always possible, it was the ideal scenario for panel members. It may be unrealistic to expect to have equal footing in a partnership when such things as size, expertise and mission are considered. In the TSO50, we found that “Leaders are often uncomfortable with formal hierarchies and develop flat organisational structures to create inclusive and empowering organisational cultures”.³⁰ Whilst this is so, this way of working may not translate very well when working with other TSOs or other sectors.

The result of not fully weighing up the financial and reputational benefits and costs of a proposed partnership can be misunderstandings and tensions between partners. Some panellists spoke about the difficulties of marrying organisational values and the problems that this produced:

“...we have extremely strong ethics and values that we stick to... and because we are small we are able to carry that right through everything that we do... I would say sometimes our weaker partnerships are with the bigger organisations where we work with individuals who don’t necessarily hold all the values [that we do]... There is a big conflict there.”

Panellists said that partnerships may compromise their values and mission. As we found in the TSO50, organisations work hard to maintain their mission, which is a significant driving force which shapes nearly all other aspects of their activities. Many panel members said that they were much more likely to partner with someone that they had a built a relationship with and they knew shared their values.

³⁰ Chapman *et al* (2010a:88).

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Mergers

A strong culture exists within the third sector which emphasises the importance of maintaining independence, working within certain values and staying true to mission. These factors can prevent much of the third sector from seriously considering mergers³¹ – they are generally not seen as a realistic or acceptable option.³² Mergers were regarded by panellists as a threat to organisational identities which many in the sector are so keen to retain.

In the face of potentially significant changes in the way the sector is financed in the future, mergers might be the only way for the work of some organisations to continue. Merging may also prove to be a good move for organisations that operate in the same area whose beneficiaries overlap. Moreover, by merging, organisations could consolidate their resources and thereby strengthen their position.

Many members of the Foresight Panels recognised that mergers could be advantageous; their comments reflected realism about the changing environment within which TSOs work:

“...takeovers are going to happen and we are frightened of it because our culture is [that] you don’t do that, that’s kind of, like, too aggressive, but it’s happening all the time in the private sector. Look at how many small and medium-sized enterprises flourish and die or are taken over and they can be very, very healthy and I think we’ve got to begin to look at it like that. There are organisations who, very quietly and with dignity, close their doors and end – fine, they’ve done their job, it’s over. There are a lot of others who could be helped by a stronger partnership with a more healthy body in their part of the world, or by just being taken over by them and the services continue in that way. It’s not easy but I do think we’ve got to change our attitude.”

It may come down to a choice between scraping by to survive, relying on the possibility of funding that they might not get, or, by merging, not just surviving but also becoming stronger.

31 Between 2007 and 2009, there were 441 registered mergers between charities. This constitutes 0.3% of the total number of charities. The housing sector was the sector that merged the most – *“Between 2002 and 2007, 700 (36%) of the 1,900 housing associations went through some kind of constitutional change”* – this includes either merging, enlarging or consolidating. (Clark *et al*, 2010:6).

32 See also Varley-Winter *et al* (2010).

If this is to be a realistic option, organisations will have to willingly merge, not only their organisation, but perhaps also some of their values, which may get diluted in the merger. We do not know yet if merging is going to be a big issue, or a reality, for large parts of the third sector. We will be able to find out more about the situation and position of organisations in subsequent rounds of our TSO50 and TSO1000 surveys.

Relationships

Foresight Panel members recognised that the most important ingredient in successful partnerships was trust. Trust is developed over time and was underpinned, panel members told us, by the importance of building relationships with like-minded people:

“...partnership really works when you are delivering something together – shared objectives – and [where] we’re all going to benefit from it. We’ve built up the relationship, and we’ve got some trust in the standards that we work to and what we can deliver...”

The significance of shared values to panel members was central to their explanations of what helps to maintain these relationships. Another important element in building positive relationships comes down to personalities and, quite simply, people getting on:

“I spend quite a lot of my time working with statutory services and having reasonably good partnerships but a lot of those reasonably good partnerships come down to personalities and understanding of where you fit...”

Panellists said that building positive relationships and partnerships did “*not just happen*” but depended on real investment in developing strong bonds of trust and interdependence with other TSOs and, to some extent, the public sector or other funders. To achieve this, as one panellist stated, “*[you have to] put yourself out there*”. This refers to effective networking, actively seeking opportunities and establishing that they are reliable.

Panel members discussed how building relationships with funders fosters a greater mutual understanding of objectives and can develop a shared understanding of expected outcomes. One panellist gave an example of how such a relationship can work in practice:

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"...our biggest contract this year rang us up and said 'do you remember we were talking the other day about this?'... That is actually how it works, that was a two-year relationship of building trust; the serendipity bit happens, I believe in serendipity to an extent, but it comes because you've created the advantage, you've created that trust and that environment so that people know they can ring you up and know it will happen..."

Other panel members gave similar accounts of gaining funding through building trust as a result of previous work done in partnership or through effective networking. Similarly, in the TS050 we reported that organisations generally exploit networks in order to improve their own service provision. However, the upshot of this is that other organisations may, for reasons within or beyond their control, exclude themselves from funding opportunities. This could be particularly pertinent for small organisations which may not have the capacity to develop networks or for larger organisations which do not prioritise such aspects of relationship building.

Panellists talked about how some of them have created associations with other organisations in the sector and how they have found this useful as a means of developing partnership working with trusted associates. Some are formalised consortia, while others are less formal ways of sharing knowledge and expertise. Panellists said that creating clusters or networks like this helped to raise the profile of the sector and demonstrate expertise to potential funders. These associations were also apparent across sub-sectors and often as a result of successful past partnerships. Such alliances can also be valuable when going for contracts; there is already a level of understanding between organisations that would be difficult to achieve if an organisation had to go out and seek a partner at short notice.

One panellist spoke about the benefits of developing a cluster, but also warned that its continued development will depend on effective service delivery and individual organisations' objectives:

"...it is important to talk with other organisations within our field and share information so we can deliver... Sometimes people, I think, feel rather reluctant to have that sort of partnership, sometimes from a competition point of view... We do work with a partnership of three organisations... [we] brought different groups, different subsectors together and that has been valuable. The issue about long-term development of that

partnership depends on whether it would be able to deliver its objective... as well as developing your own individual organisation's objectives."

However, some can be excluded from these clusters. They may be unwilling or unable to participate – and may lose out in the competition for resources. It seems that successful partnerships come from TSOs creating their own opportunities. Panel members said it was important to be open to opportunities and not limit themselves to who they would consider partnering with. In particular, working with the private sector may be more of an initial challenge but there is scope for organisations to form long and fruitful partnerships with the private sector:

"I think most people will instantly think about working in partnership with other voluntary sector organisations as opposed to thinking, well, actually private sector organisations also need to tender for local authority contracts... so actually... partnership working [is about] who is out there that we can partner with?..."

At present, there appears to be little evidence of the third sector working with the private sector.³³ Currently, it seems that the main way that the third sector does this is through having private sector representatives as trustees on their boards. The situation may change under pressure from the coalition government to outsource more work to different agencies, consistent with the notion of a 'Big Society'.³⁴

Panel members said they were keen to be more involved at the development stage of commissioning so that they can influence the decisions that are made about projects and funding:

"...even if it's just open forums where there can be an exchange of views between public sector commissioning people and service delivery people and the third sector where there's an open exchange of views..."

"...it's pre-procurement, we've got to get to pre-procurement funding because it doesn't happen after someone's commissioned or procured something, it's happening at the design stage, so it's how do we get in before the design stage?..."

³³ Chapman *et al* (2010a).

³⁴ Cameron, 2010; Cox & Schmuecker, 2010.

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Again, getting involved with commissioners at the development stage of a project will not suit all of the third sector and, due to the size of the sector, would not be possible. However, increasing dialogue and communication between different sectors has to be a positive move. One panellist referred to the process as ‘smart commissioning’:

“In an ideal world it would be great to be able to collaborate and to go to commissioners and say this is a scheme that we think will meet your outcomes and we are going to do it collaboratively... we were calling it smart commissioning... In reality, it’s not really happening and... you are then driven against each other to go for contracts and really, in a lot of ways, it doesn’t benefit anybody. It doesn’t benefit the third sector because it doesn’t encourage collaborative working and it doesn’t actually really benefit the commissioners because I don’t think they are always getting the best services at the end of the day...”

Panellists’ discussions of the positive aspects of partnership again showed the importance to them of maintaining values, mission and independence. They believed that the best way to do this is to build relationships over time, which in turn gives the best possible outcomes for the sector, the funder, and ultimately, beneficiaries. Panellists also, however, recognise that this is not always possible in the current climate of contracting.

Summary

Panellists have said that there are difficulties concerning deferential relationships when working in partnerships. Organisations want equality, even in situations when it may not be appropriate. For some, there is a tension: between remaining independent and upholding their values and securing their own survival. How much should organisations be prepared to compromise? Should they compromise at all? While some accept a lesser role in a contract, they may then object to not being treated as an equal in the partnership.

Panellists talked in depth about the pros and cons of partnership working. The perception was that informal partnerships enable organisations to remain independent. Most panellists said that they prefer to work with others in an informal capacity, because it is less of a threat to their organisation's identity, values and mission. They also stated that these qualities (independence, identity, values, and mission) were barriers to embarking on partnerships – as they did not want to jeopardise their position. Others, due to experiences, are wary of entering into collaboration without a formal contract.

As long as the public sector remains one of the main funders of the third sector, this partnership will continue to be unequal. Problems arise through lack of understanding and communication about expectations, particularly of potential and actual outcomes. Continuing the work that the third sector is doing on building clusters of expertise is one way of increasing understanding, locating expertise when needed and building trust, not just between TSOs but also with external partners. Ideally, the third sector would like collaboration to occur at the development stages of procurement and be involved in developing ideas and making decisions about what is best for the sector.

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3.4 Measuring performance and impact

“...I don’t think it matters now whether it’s a tender or a grant, because of the competition for grant funding, you’re probably having to explain even more than you’ve ever had to do in terms of what your impact will be...”

In the public sector there has been an increasing emphasis on evidence-based practice, focusing on ‘what works’. Similarly, the third sector is being asked to show the ‘worth’ of its activities. However, measuring impacts and outcomes is inherently difficult and, indeed, inappropriate measurement of ‘social value’ can sometimes produce quite damaging statements on what constitutes valuable work.³⁵ Reliable measurement of the third sector’s performance and impact can help promote understanding of what it is and what it does.

There appears to be a commonly held view within the third sector that the sector is not well understood by outsiders and that that is a problem. The infrastructure organisations we originally interviewed said that the public sector generally does not understand the third sector and, consequently, their perceptions were, all too often, negative. They thought that the private sector also knew little about the third sector, but were indifferent to it, rather than negative. Although it was thought that the general public had a positive view of the sector, it was felt that their understanding was often quite limited.³⁶

The TS050 organisations were quite positive about how they were perceived. From their individual perspective, referring to their particular organisations, most thought they were generally well respected for the work they do; they were also able to cite many examples of good relationships and effective collaboration with the public sector. However, we did find that many were not particularly good at communicating their role and impact successfully to relevant audiences. Many organisations were well aware that they had difficulty measuring their impact and getting their message across.³⁷

35 For a recent review of the literature on the problems surrounding the measurement of outcomes and impact, see: Westall, A. (2009) *Value and the third sector: working paper on ideas for future research*, Birmingham: Third Sector Research Centre, University of Birmingham.

36 Chapman *et al* (2009).

37 Chapman *et al* (2010a).

Members of the Foresight Panels also recognised that external perceptions were a problem and that the sector can struggle to show how well it performs. ‘Monitoring and communicating performance effectively’ was consistently identified across the three Foresight Panels as one of the top six internal challenges. Linked to that, two of the three panels identified the problem of being ‘misunderstood by other sectors’ as a key challenge for the third sector. These issues came up in several contexts, especially in discussions about funding and partnership working.

Panel members talked about how others misunderstand the sector in terms of what the sector is; what the sector does; and how the sector operates. They spoke about differences between sectors and the challenges of working with those who may not fully understand what they do or how they work. They said that misunderstandings often arise when attempts are made to describe the third sector as a whole, as if it were an homogeneous sector. Moreover, the third sector does not promote its capabilities effectively. These failures in communication do matter; panellists felt misunderstandings and misconceptions had an impact on public policy and funding for the sector.

At the panel meetings, the core of the discussion on these issues was about measuring performance, in order to convey to funders what organisations are able to achieve and also to enable people within an organisation to reflect, plan and develop their activities.

Communication of mission and successes

Panel members thought that the third sector itself is largely to blame for the lack of understanding by others. They talked about the need for the sector to articulate far more clearly its value, impact and distinctive contribution – and base that on solid evidence, not just “*myths*” and “*jingoistic style views*” about the sector. Organisations should consider how they may be perceived and be able to demonstrate what they are doing in terms of their impacts and outcomes. Some pointed out that there is also a need to get better at internal communication, ensuring “*that everyone involved with an organisation becomes familiar with its objectives and mission, and is therefore in a position to promote the organisation*”.

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It was also argued that the sector undersells itself, even when bidding for funding. Getting across a clear message about performance is especially important when seeking funding. Panellists recognised that funders need to know what they are going to get for their money. One panel member said, that nowadays, an organisation should not expect to receive funding simply “because it exists”; the funder wants to know about its performance: “What are its outcomes? What is it generating?” Funders need to know what they are investing in. As another panellist said: “...for funders, it’s incredibly difficult giving out money to organisations that can’t demonstrate that what they are doing has any impact...” The onus is on the organisation, therefore, to demonstrate their worth:

“I think one of the reasons people struggle with getting funding is that they actually say ‘give us some money and we’ll keep doing what we’re doing’, rather than having a kind of vision that they sell, and I think it is a selling thing... local authorities want to be told something’s going to be better because [of the funding].”

Panellists said that in order to increase understanding of what the sector is and does, it needs to work out clear messages to external parties about the capabilities of the third sector. However, this may be difficult and complex for the sector as a whole as it would perpetuate the notion of the sector as homogenous – something that the sector is keen to dispel. So, perhaps what the sector needs to do is communicate its diversity, as well as the valuable activity that organisations undertake.

Measuring performance

Panel members recognised that being able to measure and assess the value of their work is good practice. However, they felt that one of the biggest problems was that many organisations are not very good at measuring what they do. They do not know how to express themselves and give a clear account of their achievements, or present their work with reference to the aims of their funders. In addition, their knowledge and understanding about how to do this can be limited. For example, one panellist said:

“Monitoring is not the same as evaluating and all too often organisations think it is. They count numbers, they count bums on seats, they count turnover. They don’t have any effective impact measurement systems...”

Some panel members were very critical of the third sector because many organisations do not give sufficient priority to performance measurement. One panellist strongly expressed his sense of despair about organisations that do not appreciate the importance of measuring outcomes:

“...people on the whole are not doing stuff like measuring outcomes with the [people] they are working with, and they are not doing it because they don’t think it’s important, it’s nothing to do with the systems, it’s nothing to do with technology, it’s to do with they don’t think it’s important. If you look at it, that is just insane. If we are expecting to get money, whether it’s public money, whether it’s from charitable trusts [and] we say we are doing this work but we’ve no idea really what we’re doing, they’re going to say forget it, we’ll go to the private sector, we’ll go to other people to deliver this... I work in a small voluntary organisation and if we don’t get our act together, and we are not commission ready and we don’t understand about the impact that we make on the lives of [people] that we work with and we don’t produce some evidence that we provide a quality service and that is assured by other people, not just ourselves, we won’t exist in five years. That’s the reality of it.”

While the above quotation suggests a desire to comply with expectations to demonstrate impact and performance, other panellists voiced their wish to resist such demands. For example, some panellists argued that performance measurement is something of a bureaucratic imposition. It was stated that such demands come from the different culture of the public sector and stymies innovation and creativity. On this theme, a panellist commented that *“[there is] pressure on the voluntary sector to consolidate and respond and work to a public sector kind of mandate – which is good and bad on both sides. It’s a bloody nightmare actually”*.

Furthermore, panel members argued that some organisations have neither the time nor the skills to measure what they achieve and evaluate their impact. For smaller organisations, in particular, this was considered to be a real difficulty. However, that view was disputed by other panellists, some of whom felt that organisations simply had to find the capacity to do this work because it is so important. It should not, therefore, be resisted or grudgingly adhered to as an imposed burden. In any case, these panellists argued, measurement and evaluation is a skill that can be learnt and need not

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necessarily involve the installation of complicated systems. Indeed, it was argued that *“sometimes the simplest of systems actually produce the most powerful monitoring information”*.

Some panel members said that they thought the most powerful way to record outcomes was to tell beneficiaries’ stories. But then they have the problem of demonstrating overall impact – how to feed back those stories, which often do not give a balanced view of performance:

“One of the best ways that we record outcomes is through the stories that are told, the narrative. [But] we often don’t have tools to generalise that in a way that we can back it up... What I am worried about is we hit ourselves over the head because we are not demonstrating outcomes, we try to do that all the time... We will then get hammered because we haven’t shown the outcomes... and I think that is a big risk for us.”

As this quotation shows, a great deal of consideration was given by panellists to funders and their requirements with regards to measuring impact. They said that much of the pressure to measure outcomes comes from funders and competition for funding. Funders want delivery and performance: *“...they want to see outcomes: in [my] sector they want to see each employee working with so many [people], achieving so many targets, these soft outcomes, these hard outcomes...”*

However, it was also acknowledged by panellists that effective monitoring and communicating performance can also help to ensure organisational stability and support development. In essence, as one said, *“you’ve got to know what you are doing and communicate that to garner the support”*.

It is apparent to us that the needs of measurement and evaluation can be very different for different types of organisations – but we will have to explore this further in the future through the TS050 so that we can allow for this in the self-evaluation tool we are developing.

In the context of supporting development and the effective use of resources, some panel members questioned the need to continually monitor the same outcomes when they are delivering a service:

“Obviously if you are going for big contracts you need to have the all singing, all dancing monitoring and evaluation but some of the groups, they just want to carry on with what they are doing and I think there’s a lot of emphasis on groups to continually measure themselves, but in actual fact it is a very time-consuming and resource-wasting exercise for not much output... Why on earth do they need to constantly monitor and evaluate, when at the end of the day the service they provide is vital.”

There were complaints that organisations are also subject to funders changing their minds about what is to be measured. *“...often the government will change the goalposts half way through... they don’t tell you there’s any outcomes or outputs... or they spring them on you half way and wonder why you can’t measure...”*

Some funders can be very specific about outcomes. As one panel member explained, sometimes it is difficult to measure social outcomes and there can be a disparity between short-term funding and long-term gain for beneficiaries:

“You know, we can measure customer satisfaction but we can’t necessarily measure the beneficial effects we have on volunteers in terms of their mental health and wellbeing and what they get out of it. It has always been a difficulty – you can measure some stuff better than others.”

“...Many of the funders are... very specific in their requirements... that could be a good thing or a difficult thing, because some of the outcomes are longer term and not easy to track...”

Most panellists understood that the third sector is under increasing pressure to be able to measure their social impact in order to prove their organisational capabilities and provide evidence of the ‘real’ difference that they are making for their beneficiaries. Measuring these values in a consistent way across a sector as diverse as the third sector, most panellists agreed, is just not possible.

A sense of imposition and frustration is apparent from the panellist who complained about funders specifying their evaluation requirements:

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"...the benefits of [our work] have been researched nationally and internationally now for 20 years and there is solid research that says that the impact of [this issue] on children is [this] and that [the work we do] can do [this]. But actually when we come to talk to funders, [they say] 'that's not good enough, so tell me about how it impacts on Stockton or Hartlepool, I don't want national research, I want to know how many local people are [dealing with this issue] and how your project is demonstrating those impacts'..."

The importance of being able to demonstrate impacts came particularly from panel members who felt that the sector needs to be proactive and appreciate the benefits of performance measurement. One said:

"My organisation spent quite a lot of time in the last couple of years... setting targets and measuring things that we haven't had measures for before, because they are too hard to measure... And one of the things that we have found is that, by actually setting quite clear measures and targets, it has really galvanised staff, and volunteers, to be able to see quite clearly where the organisation wants to go..."

Another agreed, and also highlighted the importance of keeping staff informed through appropriate training:

"It's clearly important at different levels... communicating performance outwardly, satisfying funders and others, but it's also about communicating internally, so sharing the performance with the staff and volunteers and often that can be vital to sustaining performance levels. It's about debriefing and sharing experience... So there's all that internal communication which I think is vital and I think training is a vital part of that..."

Panellists recognised that there is both an internal and external requirement for measuring outcomes: to funders for external reporting of impact and to staff for internal communication to maintain performance. The best approach may be to align both internal and external information needs:

"I think [someone else] made the point before that the ultimate goal with performance monitoring is that the requirements of all your outside contractors and funders for monitoring become the same as your own

organisational performance and management monitoring requirements and if you can do that, there's no wasted tick box effort. It is information that you as an organisation think is important and it just so happens that is what you provide to your funders for their monitoring requirements as well; I don't think it's an easy goal to reach..."

It seems that the sector has a long way to go before it reaches this goal, but it is aware of the work that needs to be done to get there, even if there is not necessarily full agreement about some of the methods required.

Summary

These discussions revealed tensions, not least about the independence of organisations in the third sector. Due to TSOs needing external funding, particularly from the public sector, they have to make their case and show results. That can feel like an imposition, especially if they feel they know that what they are doing is effective. The most positive response to this seems to be to accept that there really is a need to measure performance and communicate both internally and externally. The third sector has changed and is continuing to change in terms of how it is managed and how it is accountable to funders and other stakeholders.

Much of the opposition to measuring performance centred on the opportunity costs of investing time in this kind of work. There was also reference to epistemological arguments, stating that much of what they do cannot simply be tracked and measured, particularly longer-term and 'softer' outcomes, such as effects on beneficiaries' wellbeing. Those who felt that evaluation and monitoring were important disagreed with those who continued to resist the demands of funders. Put simply, however, organisations that want public funding do need to respond to funders' requirements.

It is not surprising, in this context, that many organisations use beneficiaries' stories to demonstrate the value of their work. The problem this approach presents is that while the use of such stories can have a powerful impact and influence key stakeholders, it is difficult to generalise from them and establish a larger coherent and credible account of impact.

Currently, there are tensions, even within the public sector around approaches to performance management. The coalition government has indicated that

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it wants to abandon burdensome approaches to performance management in order to help the 'Big Society' flourish. On the other hand, the government will also want to be assured that if they invest in organisations to deliver public services, the expected outcomes and outputs will be achieved. The government has also mooted the possibility of 'payment by results'. As Prime Minister, David Cameron, recently said in a headline speech on the 'Big Society':

*"For a long time the way government has worked – top down, top-heavy, controlling – has frequently had the effect of sapping responsibility, local innovation and civil action... We must push power away from central government to local government – and we shouldn't stop there... We believe in paying public service by results. It encourages value for money and innovation at the same time."*³⁸

We do not know how the measurement of impacts is going to evolve, or what or how organisations will be expected to measure in the future. TSOs need to be ready for these changes and be able to communicate their performances both internally and externally. It could be that a combination of different methods may be the best approach.

However, those with a resistance to measuring and communicating performance may also reflect a value system that is anyway contrary to the idea of delivering public services; some of them simply do not work in that arena. It remains to be seen whether this impacts on the quality of what they do. This will require further exploration in future phases of the research.

38 Cameron (2010).

4 Summary of key findings

This working paper has reported the views and experiences of our Foresight Panels, made up of people closely involved with the third sector in North East England and Cumbria. Earlier research findings have been included to provide context. The panels discussed how the third sector as a whole, its different components, and individual TSOs are adapting to a changing political, economic and social environment.

We found that people in the third sector are struggling with many tensions and dilemmas. Often these hinge on choices between opposites, such as: professional judgement vs. performance management; independence vs. partnership; innovation vs. compliance. It appears that many TSOs find it difficult to handle these tensions. This is not surprising because there are many types of organisations doing many different kinds of things. Also, people in the sector hold a variety of views as to what the third sector is, and what it is for. As we demonstrated in our first working paper from this study, what constitutes the third sector is in the eye of the beholder.

It seems to be generally accepted by our panellists that public spending cuts are going to have a substantial impact on the scale, funding and structure of the third sector. Those impacts are likely to be greater than had been expected as a consequence of the coalition government's plans for even more stringent spending cuts. There is a view that, in recent years, the sector as a whole may have grown beyond the social market's capacity and the changes about to happen may result in contraction of the sector. This may, however, be counterbalanced if the government's 'Big Society' agenda results in demand for expanded third sector activity.

Our Foresight Panels were set up to provide an opportunity for wide-ranging discussions about what the future may hold and how the third sector might respond. We set the scene by asking panellists to complete a questionnaire before the meetings to find out what they felt were the most important issues facing the sector. The discussions which ensued focused on four main areas: funding and resources; governance; partnerships; and, measuring performance and impact. Each of these issues has been explored in depth in this working paper. Emerging from that analysis we find five principal

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themes that run through all of the issues discussed. These themes are:

- Competition for resources amongst TSOs.
- The limits of effective representation of third sector interests.
- The efficacy of partnership relationships within and between sectors.
- The balance between idealism and pragmatism in achieving objectives.
- The balance between professional judgement and measures of performance.

Each of these themes is summarised below. Following this, the final section briefly discusses the consequences of our findings for the final stage of this first phase of our longitudinal research project.

Competition for resources amongst TSOs

There is much uncertainty about future funding and panellists shared the perception that many TSOs are in danger of “*falling off a cliff*” at the end of March 2011 when several funding streams come to an end. Accompanying this is a belief that demand for the services of the third sector will increase significantly due to the impacts of recession and public sector funding cuts.

There has always been competition in the third sector, but panellists felt that competition is now intensifying. They said that this was due to shrinking resources and also because there will be new entrants to the third sector, including social enterprises and employee cooperatives hived off from the public sector. Because such organisations will have long-established relationships and share the same professional discourse as the public sector, they may dominate areas of activity and may squeeze out existing third sector providers, or at least threaten their independence. It remains to be seen how the established third sector will react to and manage these changes.

While we find a sector which adopts something of an ‘abyss mentality’, the majority of TSOs expect to survive in the long-term (89% according to our TSO1000 survey). The subsequent rounds of our TSO50 and TSO1000 surveys will enable us to monitor which organisations do not survive, which maintain a degree of stability and which manage to grow. We will then be able to say something more about what factors help organisations survive and grow.

On the basis of this, we will develop an evidence-based self-assessment tool to help TSOs measure where they are, what they want to do, and how best they might marshal their resources to achieve their objectives.

Panellists gave the impression that the sector seeks equality and fairness, particularly in terms of funding, decision making and consultation. The reality is that, in a finite social market, this is not possible. The calls for fairness from the sector, often described as 'a level playing field', are often underscored by contradictory ideas. For example, in a sector which claims to recognise its diversity, there seems to be a tendency to make demands for equal access to funding opportunities when it is self-evident that many organisations are neither interested in, nor do they have the capability to undertake such work. Inevitably, this is leading us to speculate further about the usefulness of describing the third sector as an holistic entity.

The limits of effective representation of third sector interests

The third sector is diverse in its values, interests and objectives, fragmented in its structure and varied in its levels of capability and capacity. It is not, therefore, realistic to consider it as an homogenous entity. As a consequence, representation of third sector interests as a whole will always be difficult.

But there are common threads of values and beliefs in the sector. Most importantly, we find a third sector where the delivery of good quality services to beneficiaries is considered to be of paramount importance. However, we also find much disagreement and competition over how such services should be delivered and by which kinds of organisation. A belief in independence seems to sit at the core of the third sector.

Representation of sector-wide interests could become even more of a challenge in the future. Changes stemming from the government's Comprehensive Spending Review, at the end of October, may make it even more necessary to act collaboratively to ensure that the sector has a voice when and where it is needed. That is likely to be more difficult when there is less investment in capacity building and in supporting the sector's representative organisations.

4

The efficacy of partnership relationships within and between sectors

While third sector organisations may be keen to maintain their independence and values, many are to some extent dependent on public sector funders and have to meet their requirements. That can produce tensions.

Organisations' endeavours to remain independent are understandable. It is not just a matter of an organisation's own concerns but it also about external perceptions. Research by the Charity Commission (2010b: 2) found that *"the ability of charities to make independent decisions to further their cause is closely associated with overall trust"* by the public.

Partnerships between service users and TSOs, between organisations within the third sector, or between organisations across sectors are quite often not equal in practice. Unequal partnerships can and do work and many people make the choice to enter into them voluntarily. The key factor is the quality of relationships. As we have found elsewhere, notably in the TS050 study, there is much good partnership working which is based on the nurturing of inter-personal and inter-institutional relationships.

Inevitably complaints about unequal relationships, of un-level playing fields and so on will continue, especially in arenas of public debate such as the Foresight Panels we have hosted. Members of the third sector struggle with the tension between independence and dependence, perhaps especially within partnerships, but rather than trying to overcome this tension – philosophically or in practice – we come to the view that it is something that must be accepted as part of the third sector dynamic.

Interestingly, there was no explicit mention of the Compact in our Foresight Panel meetings. This clearly raises questions about the perceived value and efficacy of the Compact – which still seems to be regarded as worthwhile. The coalition government has said that the Compact is an *"important framework for the relationship between the state and the sector"* (Hurd, 2010).³⁹ It will be important for us to return to this issue in the next round of Foresight Panels.

The panel discussions (as in the TS050) revealed few examples of the third sector working in partnership with the private sector. We will be exploring

³⁹ Nick Hurd MP, Minister for Civil Society, during Cabinet Office questions on Wednesday 9 June 2010. www.thecompact.org.uk/information/100019/141276/thecompacthasanimportantparttoplay/

these relationships, or potential relationships, in our next round of data collection.

Balancing idealism and pragmatism in the governance of organisations

The Foresight Panel discussions revealed that many organisations in the third sector would like to achieve the ‘ideal’ balance of trustees in terms of their mix of skills, expertise and experience. Some organisations find it useful to aim for such an ideal; others may find it less helpful. Smaller organisations, for example, may feel it is simply unrealistic, since they struggle to recruit new trustees to their boards.

In terms of the objectives of governance, we feel that organisations have to adopt a practical outlook about what is desirable and achievable when assessing their own situation. There is a fundamental belief in much of the third sector that maintaining strong links with the ‘grass-roots’ and service users is an essential aspect of good governance. At the same time, however, the professionalisation of the governance of TSOs requires skills and expertise that are less connected with the grass-roots. TSOs have to be realistic and achieve a balance between the desire to be ‘professional in practice’ and wanting to be an inclusive organisation that values the views of all trustees equally.

We do not know whether difficulties surrounding board recruitment will intensify or diminish over the next few years in response to changing political, economic and social circumstances; this is a matter we expect to explore over time. Nor do we know what the impact may be on an organisation’s fortunes if it takes a more ‘professional’ or ‘businesslike’ approach to governance at, perhaps, the expense of an objective of inclusivity.

The balance between professional judgement and measures of performance

TSOs are increasingly being expected to demonstrate that what they do is effective and show how they make an impact in communities and on the lives of beneficiaries. They need to be able to communicate their performance both internally and externally.

4

Many panellists recognised the need to measure impact and performance, and the benefits of doing so. But others did not share this view. For some organisations, measurement can feel like an imposition, especially if they believe that what they are doing is valuable and effective. Moreover, according to our panellists, some TSOs have real problems measuring their value and impact. What is clear is that different organisations have different performance measurement needs.

There is no simple solution to the problem of measuring impact and performance. Organisations depend upon a range of funding types, which in turn requires them to appraise their success in different ways. This applies equally to those organisations that are dependent upon earned income from the services or products they sell; they still need to know which parts of their activity are viable. Uncomfortable though it may be for the sector, a degree of ‘mixing and matching’ of performance measurement and impact evaluation seems to be inevitable.

There may be dangers ahead for those organisations that choose to rely solely on their own judgement of the quality and efficacy of the work they do. Most obviously, such a position may rule them out from some opportunities to which they might otherwise be well suited. We will explore further, in future phases of the research, the benefits to organisations of different approaches to performance measurement.

Does the sector have sufficient foresight?

People in our three Foresight Panels are keenly observing the changing environment in which the third sector operates. We find that they are very aware of the many opportunities and threats that may face the sector in the coming months and are looking at how the third sector might respond.

The fact that we also find disagreements amongst panellists on what should be done, or who should do what, does not surprise us. We have sought to unravel some of the reasons why disagreements on threats, priorities and possibilities occur, and have considered how these might shape future research questions.

This paper is published at a pivotal point as it precedes the government’s publication of its Public Sector Spending Review on 20 October by only a

few days. Our panellists are nervous about what the future holds. According to them, however, this is a sector in which many organisations are able to anticipate change and are flexible enough to deal with it. Our companion report on the TSO1000 survey provides much more data on how the third sector as a whole is going about that preparation.

In the Foresight Panels we have observed that the third sector has high ambitions for itself and has a strongly developed value system which champions its independence and its eagerness to pursue the causes it believes in. Sometimes this can produce claims about the third sector's ambitions which are idealistic in the sense that standards are set which are not always achievable. It can also lead to the communication of demands to those who fund aspects of the third sector's needs which are not achievable and are sometimes unpalatable. We have tried to disentangle elements of idealism (important though they are in terms of the ethos of the third sector) from pragmatism in discussing the scope for resolving problems.

Our panellists showed us that they have a good deal of foresight. But there is much that is unclear and uncertain. We have cleared the ground and learned *what the sector needs to know* and identified *things it can do something about*.

Our ambitions for the next phase of our work include:

- undertake a second wave of study with the Foresight Panels (following the Public Sector Spending Review and its aftermath);
- do a repeat study of the TSO50 where we assess how well individual TSOs have fared over the last two years and can measure what has contributed to their successes;
- repeat the TSO1000 survey which will assess the wellbeing of the sector in a period of significant change.

Then we will be in a position to explain what works well for different kinds of organisations. Following that, we will pilot a simple to use, self-assessment tool to help TSOs to balance the relationship between their mission, their objectives, their practices and their capability to meet the needs of their beneficiaries.

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Appendix one: Number of panel members

	Number invited	Number on mailing list	Questionnaires completed	Attendance on day
Tees Valley and County Durham	60	38	29	16
Tyne and Wear and Northumberland	58	35	32	23
Cumbria	62	42	29	19
Total	180	115	90	58

Appendix two: The questionnaire

The first few questions are about you and the organisation/s you are involved with.

Please fill in both sides of the questionnaire as appropriate.

Tell us a bit about yourself

Main employment role (if applicable)	Main volunteer role (if applicable)
1.1 What is the main organisation that you work for? (please state only the main one if more than one)	1.2 What is the main organisation that you volunteer for? (please state only the main one if more than one)
2.1 What type of organisation is it? Private sector <input type="checkbox"/> Public sector <input type="checkbox"/> Third sector <input type="checkbox"/> Faith <input type="checkbox"/> Other – please specify <input type="checkbox"/>	2.2 What type of organisation is it? Private sector <input type="checkbox"/> Public sector <input type="checkbox"/> Third sector <input type="checkbox"/> Faith <input type="checkbox"/> Other – please specify <input type="checkbox"/>
3.1 What does it do?	3.2 What does it do?
4.1 How long have you worked there? Less than 1 year <input type="checkbox"/> 1-2 years <input type="checkbox"/> 2-5 years <input type="checkbox"/> 5-7 years <input type="checkbox"/> 7-10 years <input type="checkbox"/> Over 10 years <input type="checkbox"/>	4.2 How long have you volunteered there? Less than 1 year <input type="checkbox"/> 1-2 years <input type="checkbox"/> 2-5 years <input type="checkbox"/> 5-7 years <input type="checkbox"/> 7-10 years <input type="checkbox"/> Over 10 years <input type="checkbox"/>
5.1 Why did you decide to work in this sector? (please tick one only) It was a coincidence <input type="checkbox"/> Encouraged by others to do so <input type="checkbox"/> Attracted by the post <input type="checkbox"/> Wanted to work in this sector <input type="checkbox"/> This job requires me to work in this sector <input type="checkbox"/> Personal influence/situation <input type="checkbox"/> Other – please specify <input type="checkbox"/>	5.2 Why did you decide to volunteer in this sector? (please tick one only) It was a coincidence <input type="checkbox"/> Encouraged by others to do so <input type="checkbox"/> Attracted by the post <input type="checkbox"/> Wanted to volunteer in this sector <input type="checkbox"/> This job requires me to volunteer in this sector <input type="checkbox"/> Personal influence/situation <input type="checkbox"/> Other – please specify <input type="checkbox"/>

<p>6.1 What is your main role? (please tick one only)</p> <p>Chief executive/director <input type="checkbox"/></p> <p>Management/senior official <input type="checkbox"/></p> <p>Associate professional/technical <input type="checkbox"/></p> <p>Administrative and secretarial <input type="checkbox"/></p> <p>Skilled trade <input type="checkbox"/></p> <p>Personal service <input type="checkbox"/></p> <p>Sales and customer service <input type="checkbox"/></p> <p>Process, plant and machine operative <input type="checkbox"/></p> <p>Retired <input type="checkbox"/></p> <p>Homemaker <input type="checkbox"/></p> <p>Student <input type="checkbox"/></p> <p>Other – please specify <input type="checkbox"/></p>	<p>6.2 What is your main role? (please tick one only)</p> <p>Trustee/director <input type="checkbox"/></p> <p>Management/senior official <input type="checkbox"/></p> <p>Technical advisor/consultancy <input type="checkbox"/></p> <p>Activity/group leader <input type="checkbox"/></p> <p>Project co-ordinator <input type="checkbox"/></p> <p>Project worker <input type="checkbox"/></p> <p>Advice and guidance/mentor <input type="checkbox"/></p> <p>Campaigning <input type="checkbox"/></p> <p>Administrative and secretarial <input type="checkbox"/></p> <p>Fundraising <input type="checkbox"/></p> <p>Research <input type="checkbox"/></p> <p>Trainer <input type="checkbox"/></p> <p>Other – please specify <input type="checkbox"/></p>
<p>7.1 Briefly describe your job role</p>	<p>7.2 Briefly describe your job role</p>
<p>8.1 Across your career to date which sectors have you worked in? (tick all that apply)</p> <p>Private sector <input type="checkbox"/></p> <p>Public sector <input type="checkbox"/></p> <p>Third sector <input type="checkbox"/></p> <p>Faith <input type="checkbox"/></p> <p>Other – please specify <input type="checkbox"/></p>	<p>8.2 Which sectors have you volunteered in? (tick all that apply)</p> <p>Private sector <input type="checkbox"/></p> <p>Public sector <input type="checkbox"/></p> <p>Third sector <input type="checkbox"/></p> <p>Faith <input type="checkbox"/></p> <p>Other – please specify <input type="checkbox"/></p>

We will now ask you some general questions about the third sector. Your responses will help us to plan the agenda for the Foresight Panel discussions.

9. What do you think are the main strengths of the third sector?

(Please rank 1=most important to 5=least important)

	Most important				Least important
	1	2	3	4	5
Ability to produce innovative solutions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Good practice	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Being enterprising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Organisational professionalism	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Willingness to engage in partnership working	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reaching into communities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Flexibility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Involvement of beneficiaries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Commitment of individuals involved in the sector	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ability to meet objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Operate with different values to other sectors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Effective leadership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other – please specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10. What do you think are the main *external* challenges facing the sector now?

(Please rank 1=most important to 5=least important)

	Most important				Least important
	1	2	3	4	5
A possible change in government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changes in funding environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Competition for resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delivery of public services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pressures to work in partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pressures to merge with other organisations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Misunderstood by other sectors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Effective partnership working	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
People are less willing to volunteer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
People have less time to volunteer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compulsory volunteering	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Technological change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other – please specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11. What do you think are the main challenges *within* the third sector now?

(Please rank 1=most important to 5=least important)

	Most important				Least important
	1	2	3	4	5
Securing funding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Effective governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Maintaining organisational stability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ability to meet objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pressure to deliver public services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pressures to work in partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Involvement of beneficiaries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of trust between organisations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monitoring and communicating performance effectively	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Effective partnership working	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fewer grants available than previously	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Competition for resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Appointing trustees with appropriate skills and experience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Appropriately skilled staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Volunteers with appropriate skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other – please specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12. Please use the box below to add any further comments you would like to make.

Many thanks for filling in this questionnaire.

Please email it back to Victoria Bell at Victoria.Bell@tees.ac.uk by Monday 8 February.

Appendix three: Foresight Panel topics for discussion

Durham and Tees Valley

External challenges	Internal challenges	Top 6 strengths
<ul style="list-style-type: none"> ■ Misunderstood by other sectors ■ Effective partnership working ■ Delivery of public services 	<ul style="list-style-type: none"> ■ Securing funding ■ Competition for resources ■ Effective partnership working 	<ol style="list-style-type: none"> 1. Reaching into communities 2. Flexibility 3. Commitment of individuals involved in the sector 4. Able to produce innovative solutions 5. Operate with different values to other sectors 6. Involvement of beneficiaries
<ul style="list-style-type: none"> ■ Changes in funding environment ■ Competition for resources ■ A possible change in government 	<ul style="list-style-type: none"> ■ Appointing trustees with appropriate skills and experience ■ Effective governance ■ Monitoring and communicating performance effectively 	

Tyne and Wear and Northumberland

External challenges	Internal challenges	Top 6 strengths
<ul style="list-style-type: none"> ■ Changes in funding environment ■ Competition for resources ■ A possible change in government 	<ul style="list-style-type: none"> ■ Maintaining organisational stability ■ Effective governance ■ Monitoring and communicating performance effectively 	<ol style="list-style-type: none"> 1. Reaching into communities 2. Commitment of individuals involved in the sector 3. Able to produce innovative solutions 4. Involvement of beneficiaries 5. Flexibility 6. Willingness to engage in partnership working
<ul style="list-style-type: none"> ■ Misunderstood by other sectors ■ Effective partnership working ■ Delivery of public services 	<ul style="list-style-type: none"> ■ Securing funding ■ Competition for resources ■ Fewer grants available than previously 	

Cumbria

External challenges	Internal challenges	Top 6 strengths
<ul style="list-style-type: none"> ■ Effective partnership working ■ Pressures to work in partnership ■ Pressures to merge with other organisations 	<ul style="list-style-type: none"> ■ Securing funding ■ Competition for resources ■ Fewer grants available than previously 	<ol style="list-style-type: none"> 1. Reaching into communities 2. Commitment of individuals involved in the sector 3. Involvement of beneficiaries 4. Being enterprising 5. Willingness to engage in partnership working 6. Able to produce innovative solutions
<ul style="list-style-type: none"> ■ Changes in funding environment ■ Competition for resources ■ Delivery of public services 	<ul style="list-style-type: none"> ■ Maintaining organisational stability ■ Monitoring and communicating performance effectively ■ Appointing trustees and with appropriate skills and experience 	



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