

# **The Nature of Highly Effective Community and Voluntary Organisations: Elements that Drive Development**

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## Summary

### **Resource Paper**

Prepared as a resource for the Carmichael Centre's Annual Conference in Dublin, Ireland, this paper stems from the author's experience, learning and PhD research; also from work by many others in the CVS (Community & Voluntary Sector) and other sectors - especially business.

- It examines the nature of highly effective CVOs (Community & Voluntary Organisations). Six main elements are identified that are central to driving the development of highly effective CVOs. The diagram below captures these. A brief explanation about each element then follows.
- The author has worked on the paper with Stella Smith<sup>2</sup>. He is indebted to Caroline Copeman, Centre for Charity Effectiveness, Cass Business School plus other colleagues there, and at Concern Universal, for their very helpful perspectives and encouragement.
- There are many formulas for attaining organisational effectiveness, though less in the CVS compared to other sectors. Given this, it is with humility that the author has distilled thoughts in the summary below. However, the main text on the paper goes on to capture the findings of people from (i) other sectors, (ii) the CVS in particular and (iii) the Irish CVS.

### **The CVS Strategic Management Wheel** (reference diagram overleaf)

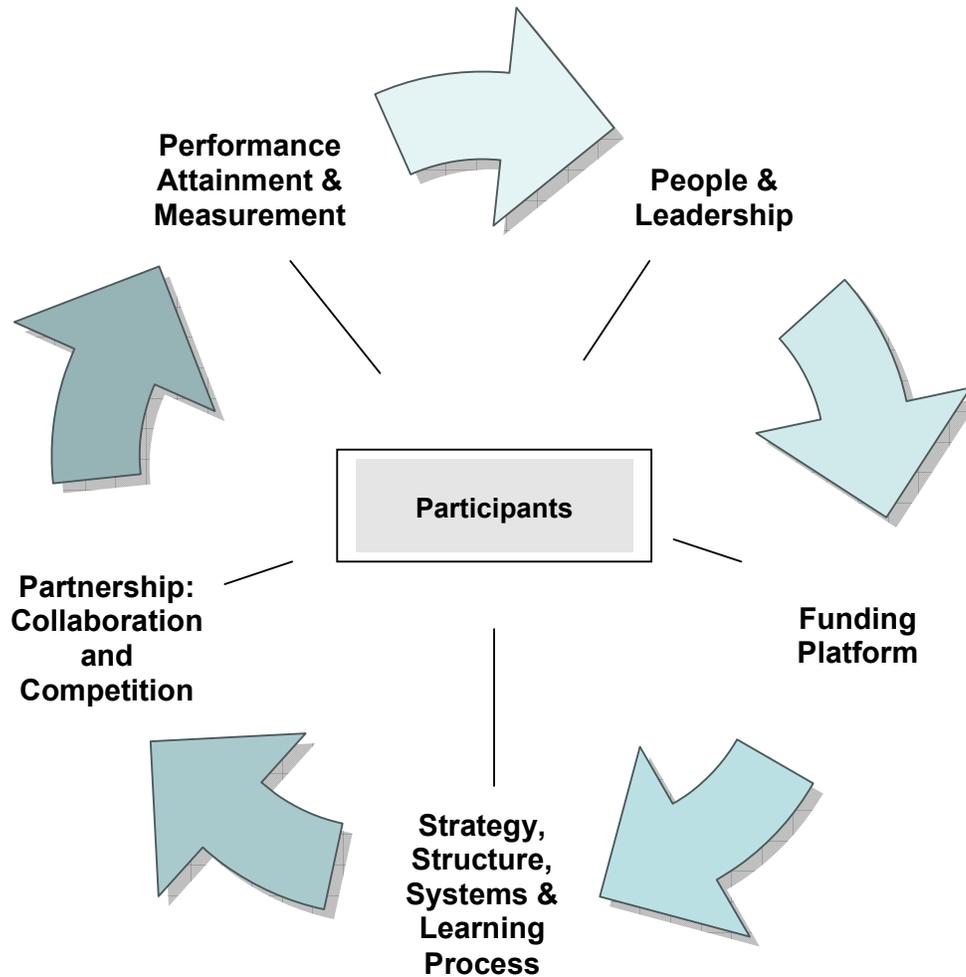
*Participants!* The diagram puts 'Participants' (or users, clients, beneficiaries, etc) at the hub of what is described as a 'strategic management wheel'<sup>3</sup>.

- *The wheel starts rolling because of People:* So whilst 'Participants' in the CVOs activities are the founding and ongoing inspiration of the organisation, and whilst each spoke of the wheel requires attention simultaneously during a CVOs lifecycle, the first priority and task to succeed in (in organisational building terms) is 'People and Leadership'; 'Funding Platform' and 'Strategy, Systems and Learning Process' follow hot on the heels.
- *Momentum:* As a wheel can pick up speed and roll faster and faster, a CVO that succeeds will similarly build momentum and grow in impact, influence, scale and scope of operation over time.
- *Strategic Renewal:* In a highly competitive marketplace, CVOs that become, and then sustain, being substantial in size are successful in renewing themselves strategically;

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<sup>2</sup> **Stella Smith:** is a UK CVS consultant with extensive relevant practitioner and academic experience. Stella has worked, for instance, with major CVOs such as the RNIB and Centrepoint in key positions as well as with small and medium sized CVOs. She is an Associate Consultant at the Centre for Charity Effectiveness, Cass Business School. Following on from her MBA, her academic interests centre on change leadership and management in the CVS.

<sup>3</sup> **'Strategic Management'** as explained by Moore (2002) in *Writers on Strategy and Strategic Management*: 'No sector within the extensive field of business literature has received more attention in recent times than what has come to be called strategic management. And few have seen so many changes – even name, during so short a period. But, whether it has been termed general management, business policy, corporate strategy, long-range planning or corporate management, the sector has always addressed the same issue: *the determination of how an organisation in its entirety can best be directed in a changing world*



- *Funding*: Highly effective CVOs are adept at overcoming the pivotal practical challenge of establishing and growing a sufficient 'Funding Platform'; a platform that enables investment in areas that are frequently under-resourced (compared with resources that are directed to service delivery, etc): notably (i) 'Fundraising' itself, (ii) the 'Strategy, Structure, Systems & Learning Process' plus (iii) 'Performance (or Impact) measurement'.

### (1) Participants

Any CVO should start with, and then continue to have, the people it exists to serve, the 'Participants' (or beneficiaries, users, clients, etc), at the hub, centre or heart of its organisational focus.

- *Participants at the hub of the wheel!* In tune with a marketing approach, the needs of these people should be paramount in understanding, driving and shaping CVO decisions about strategy, leadership, management, when and how to collaborate and compete and so on. This is fundamental. Methods ensuring that this 'voice' (i.e. participants needs & views) are in the

bloodstream of operational and strategic decisions need to be developed. As Charles Handy (2006) argues: 'It is only common sense that people are more likely to be committed to a cause if they have had a hand in shaping it'.

- *Recruitment of staff and volunteers:* Key to deciding which people to recruit (as trustees and staff) and who to select as partners will be their orientation in relation to the CVOs 'Participants': are potential trustees, staff or partners more (or indeed mostly!) concerned with themselves (e.g. their career or survival) or are they intent on wanting to be part of the organisation because of the 'cause' and the needs of the people that the CVO exists to serve? CVOs are quintessentially about positive societal change. Real and sustained change is much more likely to occur if a CVO can develop a solid and growing core of trustees, staff and partners that are passionate and committed, skilled and talented, plus appropriately motivated by, and focused on, what matters most: the CVOs Participants (beneficiaries, clients, users, etc).
- *Competition & Collaboration:* CVOs often feel uncomfortable about competition. They are also frequently unsure about when and how to collaborate. This is notwithstanding that they compete and collaborate all the time! CVOs will be more comfortable about when and how to compete and collaborate if they think through the implications for Participants; if they see and make decisions from the perspective of Participants: e.g. how will this or that decision to compete or collaborate influence, impact and benefit on Participants (i.e. users / clients/ beneficiaries, etc)?

## (2) People and Leadership.

In tune with the comments above, the first priority and task to succeed in is to recruit and then retain and develop key people and leaders at staff (volunteers and paid) and trustee levels. CVOs need to recruit people who are generally positive and optimistic in their outlook, who have integrity; who are humble, sensitive to the needs of others and adopt a participatory approach; who are keen to listen, learn and progress; who have energy, common sense and 'fire in their belly' for the cause.

- *The CVO 'team' is more than direct trustees and staff:* Given that a CVO is a web of relationships with different stakeholders, it is pivotal to select appropriate people and nurture relationships with these stakeholders, including partners.
- *Leadership by facilitation:* People make things happen in any walk of life. However, in a CVO - effectively a human change organisation - having appropriate people is essential to simply getting the enterprise off the ground and to keeping it running. Different skills and outlooks are needed at different points in an organisation's lifecycle. However - bottom line - no grand vision, mission and strategy, great ideas and/or contacts will count for anything, unless the right people are put in place to make things happen. In this respect, leadership characteristics are integral to peoples' roles at many levels in CVOs. Leadership needs to be recruited for and imbibed throughout its structure. After all, by definition, CVO people need to listen, learn, influence, persuade and inspire; to change heart and mindsets - to lead. Those responsible for others need to be able to encourage oftentimes highly talented, committed and spirited individuals, yet have the humility, interpersonal skills and sensitivity to ensure that teams work effectively together - that the 'we' of leadership dominates (not the 'I'): as such it is necessary to recruit for leaders that can facilitate; that can enable people to work to their full potential in the service of others.

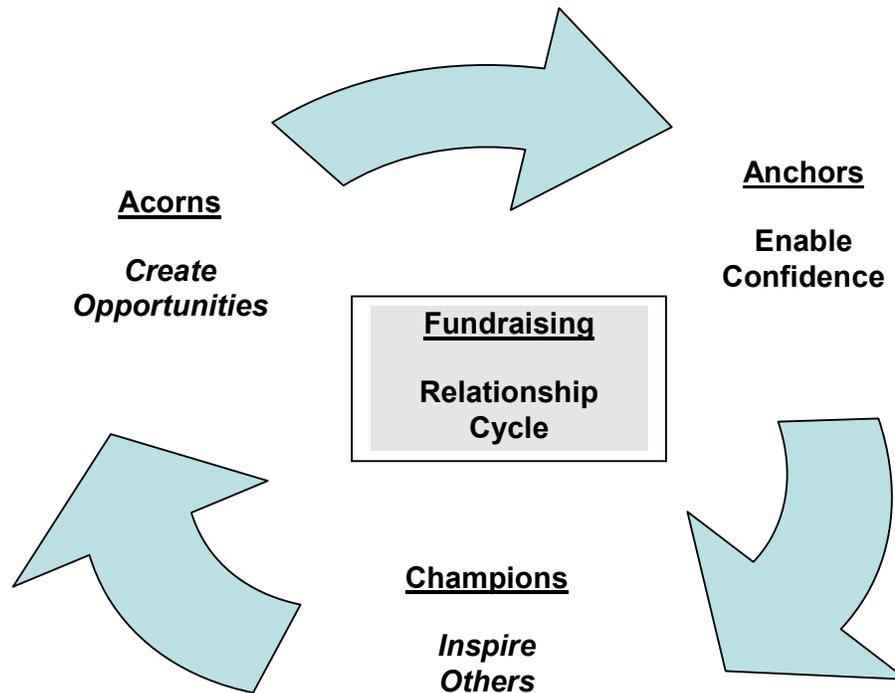
- *Leadership and management development:* It is not a luxury to develop leadership and management skills in CVOs, it is an imperative. However, given that resources will normally be limited, creative, relatively low cost, yet effective ways, need to be instigated and encouraged (e.g. shadowing, mentoring, exchange visits, job exchange experiences and so on); to complement this, bursaries for courses and/or schemes with specialist training organisations can be put in place to provide people with opportunities (if successful, more of these opportunities emerge as a CVO matures).
- *Exits from CVOs:* Early on a CVO needs to ensure that proactive systems - and the discipline to implement them - is introduced for parting company with inappropriate people in a professional, decent and fair way: dealing with poor performing people is often a stumbling block for CVOs, especially leaders past their 'sell by date'.

### (3) Funding Platform

It might be nice to think that funding would not be such a primary and priority task to deal with. However, people (volunteers and/or staff) need resources to give life to any dreams that exist or may emerge in the early and ongoing existence of a CVO.

- *Social Entrepreneurs:* In the early months and years, CVOs need to be masters at making something out of nothing – of alchemy. This is in every facet of the CVOs work, including Funding. People with sparkle in the eye, that enjoy this challenge need to be recruited: creative people that can spot an opportunity; that can attract and nurture a growing resource base; who are good at initiating and developing relationships with potential funding bodies and who do not find such a task constantly frustrating and getting in the way of 'real work' with Implementing Partners and Participants in the CVOs programmes. Growing a resource base is real work, whatever the sector. Yes, people who are experts in service delivery, campaigning etc are required; this goes without saying, but allied to this entrepreneurs are needed that can secure resources and develop a Funding Platform.
- *Funding and the wider trustee and staff body:* In the same way that leadership needs to be imbibed throughout the structure if it is to be sustained beyond a charismatic founder or leader, so too does an entrepreneurial outlook and commitment to generate funds (restricted and unrestricted funds). It is not just the task of a key trustee or specialist person/team of people recruited to 'do fundraising'.
- *Funding and Structure:* The more that a CVO can adopt a decentralised model where different teams (volunteers or staff) locally determine their strategy and response, the more likely the CVO is to succeed in the ever more competitive environment where understanding and being in tune with donors and supporters on the one hand and community needs and issues on the other hand is key to securing resources. This is an advantage of small and medium sized CVOs. However, at the same time, many funding bodies also wish to see scale of operation and, in many respects, a more centralised approach! This is an advantage of larger CVOs. In response to this small and medium sized CVOs can ensure (i) sufficient scale and scope of operation, and (ii) harmony of approach between decentralised teams, by developing partnerships with other CVOs and/or making sure there is organisational agreement between decentralised teams on what needs to be done centrally (in terms of structure, systems, strategy, etc); this will help impart confidence externally, whilst still maximising flexibility and freedom of response internally.

- *Metamorphosis of Individuals and/or organisations supporting a CVOs cause.* Some useful fundraising concepts exist. These are sometimes presented via the form of a 'triangle' or 'ladder' for instance. They explain the transformation (or metamorphosis) that is desirable as people and/or organisations progress from first supporting a CVO to then pledging higher and higher levels of support. Ultimately these fundraising concepts are better utilised if understood through the wider lens of marketing models and approaches, particularly those adapted for the non profit sector - re Bruce's (2005) excellent work on *Charity Marketing* for instance. Regardless of whatever specific concept a CVO chooses to adopt, it is important that it has a grasp of the underlying (and common sense) principles; i.e. that the CVO has put in place a proactive process - with good systems to back it up – to: (i) create new relationships (i.e. to widen and diversify the supporter base); to next (ii) deepen these relationships with supporters (so that their commitment to the CVO grows); to also (iii) look out for and encourage those precious individual/organisational supporters that will help inspire others to support the CVO. As such there are three key phases, which the author has presented in the form of a cycle.
  - Firstly, it is important to encourage new people and/or organisations to initially support the CVO - oftentimes on a one off or occasional basis to start with. Such people and/or organisations could be termed '**acorns**' in so far as they represent a key opportunity for growth; the relationship with the organisations and/or individuals can be nurtured so that they transcend to the next phase in the cycle. CVOs need to consider what existing or new initiatives they have in place to bring in such supporters and how efficient these are (e.g. people might first support a CVO by participating in a Community Fundraising Event; in such cases, the opportunity needs to be taken [wherever possible/appropriate] to invite people to provide contact details so that there is a practical means to follow up and deepen the relationship).
  - Secondly, the CVO takes these people and/or organisations on a journey (through to the next phase in the cycle) so that they become regular committed contributors to the CVO in one form or another (e.g. an individual donates Euro X per month; an organisation commits to multi-annual support of Euro X per year). Such people and/or organisations could be termed '**anchors**'. This is insofar as the income and support from these can be relied upon more. They enable the CVO to plan and to operate with greater confidence. Some fundraising initiatives 'force the pace' and focus on bringing people straight in at this point (e.g. arguably 'direct dialogue' initiatives are like this – Face to Face [F2F] and Door to Door [D2D]).
  - Thirdly, the CVO desires a further transformation to occur whereby some individuals and/or organisations become '**champions**'; these 'champions' (sometimes called 'advocates') are highly valuable to the CVO (though much fewer in number than those at other levels) insofar as they encourage (or inspire) new people to join the CVO (probably at either a 'acorn' or 'anchor' level). They might run Community Fundraising Events, volunteer in various ways, ultimately leave a legacy perhaps, and so on. Again various forms of fundraising can 'force the pace' and bring people straight in at this level (e.g. international events for international development organisations whereby people experience first hand the work and issues faced and are then oftentimes inspired, as a result, to be proactive catalysts for the NGO; to convince others of the need to engage with the cause).



#### (4) Strategy, Structure, Systems and Learning Process:

Like planting seeds in a garden, a CVO needs to establish and nurture a Process for developing its Strategy Structure, Systems and Learning. The process must not just keep up: in an increasingly demanding external environment, where the bar rises higher and higher, it must keep up and be ahead of need (e.g. re contract management, stakeholder expectations on accountability and so on).

- *VMV and Strategy*: CVOs need a strategy process to establish and (over time) renew a compelling Vision, Mission and Values (VMV) and Strategy in light of the organisational and societal challenges and opportunities faced.
- *Strategy Process*: A specific challenge for the CVS is to establish and renew VMV and strategy in an incisive, participatory and inclusive process given the multiple constituencies or stakeholders normally faced. In a CVO this *process* is as important as the *content* of the strategy. CVO people have to feel engagement and ownership. CVOs and their leaders have to listen to different voices so that they are heard, respected and taken into account. A method, or forum, to enable this process needs to be created and adapted over time.
- *In the CVS, VMV needs to be part of the strategy process, not separate to it*: Again in line with a marketing approach, a CVO must look at the whole organisation from the point of view of its final result, the 'Participants'. Key learning, perspectives and views will emerge from participants during the strategy process; these need to be taken into account in shaping VMV over the longer term, hence the process of determining VMV is not separate.
- *Living Strategy!* Whilst CVOs strategic plans have become more common over the past 10-20 years, these are not yet universal. However, the bigger challenge now is that the CVS sector needs to have methods to make these

plans live and pulse in the bloodstream of organisational life (and certainly not get left on a shelf until the next one is due). Moreover a more flexible approach is needed: strategies need to adapt and develop accordingly to key issues and opportunities that emerge. CVOs need to have greater confidence and not stick too rigidly to Strategic Plans devised at a point in time. If at first it doesn't succeed, try again. If it continues not to work - change it!

- *Structure*: Given the importance of People to a CVO (trustees, staff and the wider stakeholders in its web of relationships) renewing Structure is as important as Strategy. This can be done during each strategy cycle. Henry Mintzberg likens it to a person walking: one step forward is taken (Strategy renewal) and then another (Structure Renewal) – this provides balance.
- *KISS Systems that don't swamp!* As the organisation grows, its systems need to keep up and ahead of need. Financial, administrative and other systems need to be kept as clear and as simple as possible – KISS, Keep it simple stupid as the acronym runs. Accordingly people involved with the governance and management of the organisation will then be able to glean pertinent information quickly and accurately, hopefully without getting lost in technical jargon. Also it is helpful to distil and make clear to people in a pivotal leadership or management position those systems that everyone (especially in federal type structures) needs to abide by – Charles Handy calls this 'common law'. Finally, systems need to liberate not swamp the creativity and willingness of CVOs to take risks as necessary to achieve their mission. Given the rise of the role of 'Risk Management' in the CVS there is a danger that CVOs - that by definition oftentimes need to take risks (i.e. to create and sustain positive societal change) - become too risk averse.
- *Learning*: Without learning at different levels in a CVO there is no innovation, change and growth in impact, influence, scale and scope of operation. Questioning and improving how a CVO learns needs to be continually advanced and specifically included in the organisation's strategy.

#### (5) Partnership: Collaboration and Competition

In implementing its programmes, or in securing its funding, CVOs need to be adept in understanding and employing its principles and in demonstrating its skills in relation to collaborating and competing with other CVOs and/or with business or governmental organisations: firstly, because many stakeholders (members of the public, users of services, audiences which the CVO is seeking to advocate to, funding bodies and so on) demand greater collaboration; secondly, because the environment is becoming more & more intensely competitive.

- *'Partnership'*: The notion of being a 'Partner' is considered a preferential description to other terms – it conjures up ideas of sharing, of working 'shoulder to shoulder' with others, of working together *deeply* on something.
- *Partnership Guide*: CVOs should articulate and regularly renew (as part of the strategic cycle) their principles and modus operandi of 'Partnership'. This process will help shape decisions about when and how to collaborate and compete and provide useful guidance and reference to people joining.
- *Leadership and Management Guide*: In a similar vein CVOs need to think through how any such Partnership Guide links to the principles and modus operandi for the leadership and management of the organisation overall; thus ensuring that appropriate and customised Leadership and Management Guidance is in place also. In the 21<sup>st</sup> Century, issues of collaboration and competition are so central to the CVS that it is essential to think through

*internal* perspectives on leadership and management in the context of *external* perspectives on how the CVO will collaborate and compete.

- *Collaborating to Compete*: CVOs (along with other CVOs, business or governmental partners) can usefully think through the opportunities and practicalities of *collaborating in order to compete*. This can give organisations (small, medium or large) a real edge, and help them feel more comfortable with the issue of competing.

**(6) Performance Attainment and Measurement:**

Ultimately it is critical to know that the CVOs work counts: that real and lasting impact and positive change has been achieved with the 'Participants' of the organisation's programmes at the front line: this may be audiences that the CVO is advocating to; alternatively clients or users that access services, etc. There will be direct and indirect beneficiaries; there will be short, medium and long term results; there will be internal and external monitoring and evaluation and there will be multiple groups to consider in terms of accountabilities (because there usually are in the life of a CVO).

- *Picking the appropriate tool or approach*: Against this background, there are libraries full of toolkits and prescriptions for assessing impact. Each has its advantages and disadvantages. The main thing is to ensure awareness across the CVO of the types available; then to select appropriate ones for different circumstances; ones that really count from the standpoint of the people that count most - the Participants of programmes and from the partners and teams involved with Participants at the front line (as this is where key learning, innovation and improvement will take place in the future); however, also from the perspective of the funding bodies of the programme so that they receive the information needed that will give confidence to approve more funding in the future. Finally, good, objectively generated, clear information can provide a well spring of information for advocacy.
- *Driving the impact process from the bottom up*: Any impact measurement process within a CVO at specific 'business' unit or whole organisational level is best kept as real as possible by being driven from the bottom up; this is in terms of coherently taking into account progress against internal strategic intentions from lower to increasingly higher levels. All this needs to be considered in the context of key external realities and how they have affected the CVOs progress.

**Questions**

1. Do you think the concept of a wheel is helpful in capturing the overall strategic management process?
2. What would you add or subtract to the six elements listed?
3. What do you feel are the greatest priorities in attaining organisational effectiveness?

**Exercise: So What, Now What – Act on it!**

1. *So What!* ...Using the strategic management wheel and six elements above, take what is useful and ignore parts you don't agree with. Think about how the CVO (or CVOs) that you are involved with is (or are) making progress in relation to the strategic management wheel and six elements.
2. *Now What!* ...Identify priority areas for attention. Think about improvements that could be made.
3. *Act on it!* ...Take forward your ideas with colleagues, make changes to bring about improvements.

## 1.0 Introduction

### 1.1 *Purpose and Structure*

This resource paper was prepared for a presentation at an Annual Irish CVS Conference, organised by the Carmichael Centre (February 1<sup>st</sup> 2007).

It serves as a resource for those who did not attend the Conference or for those who did and would like to delve deeper.

Whilst the summary may be of wider interest, the information in the main text is targeted at people who are particularly interested in exploring some of the background thought and evolution of the relevant arguments.

Isaac Newton famously said about his scientific accomplishments: 'if I have seen further, it is by standing on shoulders of giants'. This is very relevant to anyone writing a paper on the nature of highly effective CVOs.

#### Why?

Because huge attention has been given to the nature of highly effective organisations and to claim something new would be rash and lacking humility, notwithstanding that research into CVO effectiveness is the 'poor relation' internationally, especially compared to the business sector. However, it is possible to stand on the shoulders of giants; to see how the different ingredients that have been identified previously can be mixed together to meet current and anticipated challenges of CVOs in their journey towards greater effectiveness. For instance, this author has been inspired by a number of people: including, for instance, Professor Ian Bruce regarding the integration of marketing approaches in a CVS context and so on.

Against this background, the characteristics of highly effective CVOs are examined and distilled. To do this the paper is divided into three:

- Firstly, the key ingredients that constitute highly effective organisations in general will be scrutinised (i.e. whether governmental, business or CVS);
- Secondly, factors that lead to the achievement of high levels of effectiveness in CVOs will be explored;
- Thirdly, specific considerations relevant to CVO effectiveness in the Irish CVS will be considered.

To add an extra dimension there is also a commentary in section 3.1 on approaches to helping build effectiveness in the CVS - however, this focuses on the UK CVS.

### 1.2 *Terminology*

#### *Why the word effectiveness?*

No particular reason – 'high performing' or 'highly successful' would suffice also. Defining 'effectiveness' (or for that matter high 'performing' or highly 'successful') can get very involved in CVOs as in other sectors; however, it can become particularly

complicated in CVOs as there is - as Drucker (1990) put it – ‘no bottom line’<sup>4</sup>. In essence, strategic management is designed to make organisations become more ‘effective’ (Courtney, 2002) and an understanding is taken in this paper (in line with a goal achievement approach) whereby the more that an organisation achieves its overall strategy (embracing Vision, Mission and Values), and the strategies of its specific units, plus delivers on its objectives at a programme/project level, the more that it is effective. In the commercial sector the term Strategic Business Unit (SBU) was developed and this is what is meant here by ‘specific units’<sup>5</sup>. This understanding of the term effectiveness also assumes that ‘effectiveness’ embraces the leadership and management priorities of doing the right thing (sometimes labelled being ‘effective’) and doing things well (sometimes distilled to ‘efficiency’)<sup>6</sup>. Finally, it assumes that the organisations strategy and operational approach is robust enough to embrace the views of key stakeholders, especially participants in its programmes.

**Why CVS, rather than Non Profit Sector, Third Sector or Voluntary and Community Sector, etc:** Again no particular reason and notwithstanding the important and long standing debate around these terms, the author will not engage with this here<sup>7</sup>.

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<sup>4</sup> **CVS Effectiveness:** This is not to reason, of course, that there is a single bottom line concerning effectiveness in business or other sectors: reference all the debate about businesses having a triple bottom line in the past ten years or so (economic, social and environmental), the work to develop a ‘balanced scorecard’ taking into account financial and non financial considerations and so on. However, it is to reason that non-profits almost always face greater complexity. A good orientation on the matter, from a strategic management perspective, can be found in Courtney’s (2002) *Strategic Management for Voluntary Nonprofit Organisations* where he considers effectiveness from various standpoints: achieving goals, value for money, economy, equity, compliance with values, resource acquisition, stakeholders, multiple constituencies, political, contingency, social constructionist, balanced scorecard and European Excellence model. In doing so he explores rational goal based approaches: input, process and output models that emphasise economy, effectiveness and equity; and resource acquisition approaches and their limitations. Also some alternative perspectives which recognise that effectiveness is defined by different stakeholders in different ways according to their own interests, meanings and values. Finally, some overarching models which try to accommodate the other approaches.

<sup>5</sup> **SBU:** ‘a SBU is part of an organisation for which there is a distinct external market for goods or services that is different from another SBU’. Johnson, Scholes & Whittington (2006):

<sup>6</sup> Ref Warren Bennis’s aphorism: **‘Managers do things right. Leaders do the right thing’.**

<sup>7</sup> **Nomenclature – Irish Perspectives:** The terms CVS and CVOs are adopted here. In *The Hidden Landscape: First Forays into Mapping Non-Profit Organisations in Ireland* the authors opt for the term ‘non-profit’ and explain that: ‘despite its inelegance, the term’s value lies in its high degree of definition, its embracing nature, its low degree of value expression and its international recognition’. However, within this excellent piece of research it was noted that amongst respondents the term ‘community organisation’ was the most popular, followed by ‘voluntary organisation’; with the former being the main choice of younger organisations, the latter the predominant choice of older organisations’ (Donoghue, Prizeman, O’Regan and Noel, 2006). The debate can (and does) go on endlessly internationally and in different countries. As a practicing manager in the sector (albeit not in Ireland), the author would tend to agree with respondents about the terms ‘Community’ and/or ‘Voluntary’ and has done the usual thing of linking the two together. Furthermore, the author appreciates the inconsistency in the ordering of the key terms in Ireland: i.e. ‘Community and Voluntary Sector’ (CVS) appears most common as opposed to ‘Voluntary and Community Sector’ (VCS) - also used, but less so in recent years (the latter way around is most frequently used in the UK – i.e. VCS not CVS). The inconsistency in terminology happens in Ireland, UK & elsewhere.

### 1.3 *What's really important?*

When embarking on writing this paper, the phrase 'It's the economy stupid' sprang to mind. For those who run CVOs, or who interact with people who do, it is clear that their most pressing concern is oftentimes how to secure income in order to survive and grow in an increasingly competitive environment. In one word, the practical priority is: *funding!* There is nothing new or specific to the CVS about the bottom line need to win resources to simply exist: as Drucker (1954) pointed out, 'the first duty of an organisation is to survive'. Accordingly, on the one hand this paper is committed to not losing touch with the pragmatic realities of funding, plus other acute concerns that shape CVO leaders and managers' thoughts day to day: organisations have to survive! However, on the other hand, there is of course a great deal more to being a highly effective CVO than increasing funding levels and dealing with other pressing issues! For instance, higher levels of funding may mean that a CVOs fundraising operation is doing well, but it does not equate with greater effectiveness overall. Indeed there is something fundamentally misplaced about a CVO, or indeed any organisation, being unduly concerned about its own survival<sup>8</sup>. For CVOs the primary and paramount duty is to put first the people that the organisation exists to serve - only second the CVOs need to survive. In light of this, a balance will be struck throughout the paper between the more obvious practical drivers (like funding) which are undoubtedly important and feature highly day to day in the life of a CVO and the less obvious principles and strategic ingredients that can lead to achieving and sustaining high levels of effectiveness.

### 1.4 *Approach Taken – Not to reinvent the wheel and common sense!*

Also this paper will strive to not 'reinvent the wheel' or to lead the reader to be seduced by the dazzle of a latest leadership or management fad<sup>9</sup>. Rather it will trace the development of thinking in the three respective sections set out above

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<sup>8</sup> By way of illustration, and building on this train of thought, Charles Handy (2006) has commented that: 'Organisations often seem more interested in their own survival than in pursuing the real reason for their existence. That is not necessarily the fault of those who work in them, many of whom are dedicated people who give their lives to serve their god and fellow beings. Organisations may be necessary, but too many of them can be prisons and their warders more concerned with their own welfare than that of those in their care'. Turning specifically to CVOs and beyond the survival agenda, though keeping to finances and on to profits Handy (2006) reasons... 'Who says charitable organisations don't need profits? It's just that they call them operating surpluses and put them in reserves. However, maximising these surpluses is definitely not what they are there for'.

<sup>9</sup> For instance, in the UK CVS at present there is significant attention focused on performance measurement and achievement: reference, for instance, this being profiled at an Acevo conference (November 2006) where recent research on the subject was launched – '*Doing Good and Doing Well - Defining and Measuring Success in the Third Sector*' (Acevo, 2006). In this ten recommendations were made for developing a sound performance monitoring and management system: (i) Keep it Simple, performance management systems can be too complex, generating information that is neither usable nor valuable – whatever you do keep it simple; (ii) Choose a few indicators on which progress would really make a difference; (iii) Involve and motivate staff; (iv) Involve service users; (v) Negotiate with funding bodies regarding their requirements; (vi) Integrate the performance management process into the regular planning process; (vii) Think about appropriate systems for external verification; (viii) Benchmark – a valuable way to promote peer learning and identifying issues that need attention (ix) Find the resources to do the job (x) Finally, know what's going on – vision must be accompanied by practical understanding. Don't chase abstract goals or have your heads in the clouds as you must know what is going on at the front line.

(organisations generally, CVOs, Irish CVOs) and then offer a common sense synthesis and fresh perspective (as set out in the Summary). This approach would be in line with Mintzberg, Ahlstrand and Lampel's (1998) reasoning as explained in their classic text, *Strategy Safari*:

'There is a terrible bias in today's management literature toward the current, the latest, the 'hottest'. This does a disservice, not only to all those wonderful old writers, but especially to the readers who are all too frequently offered the trivial new instead of the significant old'.

Mintzberg, Ahlstrand and Lampel (1998)

Also the sensible views of Charles Handy who comments that:

'My belief is that most people have a fundamental understanding of what makes organisations work. They just need to be reminded of it and encouraged to apply their understanding to their own work. The late Sumantra Goshal once described Peter Drucker as practising the scholarship of common sense. I would like that said of me.'

Handy (2006)

Similarly this paper strives to remind, encourage and share common sense, practical perspectives. The somewhat academic delivery will hopefully reinforce the robustness of the case and serve to meet the interests of the envisaged audience.

#### **Questions**

1. Do you think that the structure of this paper makes sense? Or is it fundamentally flawed? For instance, in the sense that CVOs, and in turn Irish CVOs, should be considered a special standalone case – i.e. and not considered in the context of effectiveness in organisations more generally?
2. Do you agree with the understanding of the term 'effectiveness'? How would you understand this term?
3. Funding has been given a high profile in the introduction. Does this match with your understanding of realities and priorities in the life of CVOs?

## 2.0 Highly Effective Organisations

### **Key Points**

1. 90% plus of things about the leadership and management of highly effective CVOs is the same as in organisations in other sectors.
2. There is no shortage of formulas on how an organisation becomes highly effective. Whilst many are highly thought provoking and useful, others strive to be different and new though often add very little.
3. To be effective as individuals and organisations is no longer optional in today's world – it's a price of entry to the playing field.
4. People make things happen! There are few great themes of management just as there are few great plots of fiction. Probably the richest vein is the human side of management and what motivates people to strive for greater levels of personal and organisational effectiveness. This is fundamental to the CVS where attention is focused on what will create positive societal change via attitudinal and behavioural change at all levels.

'There are of course differences in management between different organisations – missions define strategy after all and strategy defines structure. But the differences between managing a chain of retail stores and managing a Roman Catholic Diocese are amazingly fewer than retail executives or bishops realise. The differences are mainly in the application rather than the principles. The executives of all these organisations spend, for instance, the same amount of time on people problems – and the people problems are almost always the same. Whether you are managing a software company, a hospital, a bank or a Boy Scout organisation, the differences apply to only about 10 per cent of your work. This 10 per cent is determined by the organisation's specific mission, its specific culture, its specific history, and its specific vocabulary. The rest is pretty much interchangeable'.

Drucker (1999) *Management Challenges for the 21<sup>st</sup> Century*

In his typically incisive way the late Peter Drucker (1999) makes the point that there is much in common: it is easy to extrapolate from this that the ingredients which make organisations highly effective in, for instance, the business sector (where by far the greatest body of literature exists), will be the same or similar to those in the CVS. Accordingly, this section will try to distil some of the most prominent and best cross sector perspectives regarding the much examined theme of 'what makes organisations highly effective'. However, let's not forget that Drucker (1990) also made time to write an outstanding text on '*Managing Non Profit Organisations*'; in the next section CVS perspectives on the topic of highly effective organisations will be homed in on.

So, regardless of sector, is there a formula for achieving high levels of effectiveness? What do organisations need to do?

Nohria, Joyce and Robertson (2003) examined more than 200 well-established management practices as they were utilised over a 10 year period by 160 organisations to determine which management practices produced superior results. Their conclusion was the organisations that outperformed their peers excelled at 4 management practices:

- Strategy: Devise and maintain a clearly stated, focused strategy.
- Execution: Develop and maintain a flawless operation execution.

- Culture: Develop and maintain a performance-orientated culture
- Structure: Build and maintain a fast, flexible, flat organisation.

In an ongoing study by Accenture, now entering its fourth year, Breene and Nunes (2006) have analysed more than 6,000 businesses that have met criteria established for being considered as 'high performing'<sup>10</sup>. In summary, they have found that such organisations get three things right:

- Market Focus and Position: these organisations maximise results by targeting the right place at the right time. Market focus and position are the 'where' and the 'how' of strategy. The best organisations have remarkable clarity when it comes to setting strategic direction: they are always found where the market action is at - when one matures, they are ready with the next big thing.
- Distinctive Capabilities: The best organisations develop a formula for running their organisation at the most relevant levels (e.g. specific unit or enterprise levels). They are accordingly customer focused to create a unique business. The research has identified the importance of creating variety to satisfy the demands of today's more sophisticated and global customers, while at the same time it has found the need to manage the inherent complexity in this. The organisational skill arising is described as achieving 'differentiation on the outside and simplicity on the inside.'
- Performance Anatomy: at the level of execution of strategies and plans, the best organisations out-perform through consistent, competitive mindsets.

Why start with the above summaries? Simply to illustrate - straight away - that substantial, recent and relevant pieces of research have been undertaken - albeit oftentimes focused on business. Unfortunately, the frequent claim to a new formula, or the re-cycling of an old one, has left many people somewhat jaded by the whole enterprise. However, there are real nuggets 'out there'. This paper will endeavour to draw attention to some of these. Additionally, from a research standpoint, the focus is often on examining the most effective organisations rather than a wider cross section (i.e. including less effective organisations); this leads people to question the link to reality in such studies. Covey (2004), for instance, cites a sobering investigation by 'Harris Interactive'. This unfortunately revealed a largely negative view prevailing from around 23,000 US employees about issues concerning the effectiveness of the wide variety organisations that they worked for. For example: only 37% said they had a clear understanding of what their organisation was trying to achieve and why; only 1 in 5 was enthusiastic about their team's and organisation's goals; only 1 in 5 had a clear line of sight between their tasks and their team's and organisation's goals; only half were satisfied with the work they had accomplished at the end of a week; only 13% had high trust, highly co-operative working relationships with other groups or departments; only 20% trusted the organisation that they worked for; only 15% felt that their organisation fully enabled them to executive key goals; only 17% felt their organisation fostered open communication that is respectful of differing ideas and that results in new and better ideas... Oh dear!

However, let us turn to a more popular – and definitely more upbeat - starting point! This would be 1982 with the publishing of Peters and Waterman's '*In Search of Excellence*'. This more typically investigates excellent organisations, reveals their secrets and articulates these in a sparkling and motivational, 'can do' narrative. Carol

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<sup>10</sup> Accenture defines high performance businesses as: ones that effectively balance current needs and future opportunities whereby (i) peers are consistently out-performed in revenue growth, profitability and total return to shareholders and (ii) superiority is sustained across time, business cycles, industry disruptions and changes in leadership (Breene and Nunes, 2006).

Kennedy (2002) states that this 'is by far the world's best-selling business book' which still 'endlessly reprints in paperback form'; this is 'despite the fact that two-thirds of its excellent companies have since faded in performance'; also despite the fact that Peter's began his 1987 book *Thriving on Chaos* with the bold words that 'there are no excellent companies'. Furthermore Kennedy (2002) reasoned that its iconic status was even unlikely to be affected by Peters' confession in 2001 that Waterman and himself had 'faked the data and that the book was as 'flawed as hell'! She reasons that whilst these quotes seemingly highly damaging they should not be taken out of context.

So what was this remarkable book all about? In essence, Peters and Waterman had previously developed the famous *McKinsey* 'Seven S' formula to analyse organisations: structure, strategy, systems, style of management, skills, staff and shared values. They then applied this framework to the 43 organisations in their research to identify the eight characteristics shared by all:

- A bias for action: getting on with it
- Close to the customer: learning from the people they serve
- Autonomy and entrepreneurship: fostering innovation and nurturing champions
- Productivity through people: treating the 'rank and file' as a source of quality
- Hands-on, values-driven: management showing its commitment
- Stick to the knitting: stay with the business you know
- Simple form, lean staff: some of the best organisations have a minimum headquarters staff
- Simultaneous loose-tight properties: autonomy in shop floor activities plus centralised values.

Peters and Waterman (1982) *In Search of Excellence*

Later on in the 1980s, Waterman (1987) had recast his prescriptions for renewing vitality and effectiveness within organisations. The following eight factors emerged:

- Informed opportunism: effective organisations treat information as their main strategic advantage, and flexibility as their main strategic weapon.
- Direction and empowerment: effective organisations treat everyone as a source of creative input. Their managers define the boundaries and their people figure out the best way of doing the job within these boundaries.
- Friendly facts, congenial controls: effective organisations treat facts as friends and financial controls as liberating.
- A different mirror: ability to step outside the organisation and look at it from a different perspective.
- Teamwork, trust, politics and power: the first two are common to all effective organisations, the last two are never found
- Causes and commitment: commitment results from management's ability to turn grand causes into small actions so everyone can contribute.
- Attitudes and attention: visible management attention, rather than exhortation, gets things done.
- Stability in motion: effective organisations have a habit of habit breaking.

Waterman (1987) *The Renewal Factor*

Confused? Enlightened? At this stage hopefully readers will begin to get the picture: i.e. there is no shortage of formulas on how an organisation becomes highly effective - indeed many are highly thought provoking and useful. However, many formulas strive to be different and new whilst actually adding very little. Also sometimes high profile authors claim - arguably a little disingenuously at times - to have discovered

some new 'Road to Damascus' insight when it is difficult to distinguish the added value from previous texts of theirs. Perhaps the need to grab attention on the crowded business shelves or on the competitive conference circuit can lead to an impression of superficiality even if, to be fair in many instances, this isn't the case.<sup>11</sup> It is against this background that Kennedy (2002) sensibly concludes that:

'The world is a different place from what it was 20 years ago when management gurus were born as a species in the wake of Peters' and Waterman's *In Search of Excellence* with its confident analysis of great performance and eight enduring principles to achieve it. The gurus of the 1980s issued confident prescriptions for keeping ahead of the competition; those of the 1990s urged the need for radical change and reinvention to capture new markets. The dotcom crash of early 2001 showed that the most inventive business model cannot substitute for the tested principles of good management....Any new generation of gurus, therefore need to be wary of the ten steps to heaven prescriptions, these, along with the lure of the big idea have tended to fade away since the last major management fad, re-engineering, backfired on many... Nevertheless there are still some interesting thinkers looking at long term organisational development, the ongoing effects of technology on change and the underlying tides of emotion that govern human behaviour in the workplace and elsewhere.

Carol Kennedy (2002) *Guide to Management Gurus*

So what is relevant since that was published in 2002? Doubtless many things! However, the focus here is on 'effectiveness' and what the prominent writers are postulating specifically regarding this. There are few more famous in this respect than Stephen Covey; his 'seven habits'<sup>12</sup> became eight in 2004 with the publishing of '*The 8<sup>th</sup> Habit: from Effectiveness to Greatness*'.<sup>13</sup> He sets the scene by advising that the seven habits remain relevant; moreover that 'the greater the change the more difficult the challenges, the more relevant they become' because they 'represent a complete framework of universal, timeless principles of character and human effectiveness'. However, he goes on to argue the following which is relevant here:

'Being effective as individuals and organisations is no longer optional in today's world – it's a price of entry to the playing field. But surviving, thriving, innovating, excelling and leading in this new reality will require us to build and reach beyond effectiveness. The call and need of a new era is for greatness...

The 8<sup>th</sup> Habit, then, is not about adding one more habit to the 7 – one that somehow got forgotten. It's about seeing and harnessing the power of a third dimension to the 7 habits that meets the central challenge of the new

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<sup>11</sup> Albeit that they are not subtle examples, perhaps the title to Peter's 1994 popular publication - *The Pursuit of Wow!* and a seminar title he used - *Crazy Times Call for Crazy Organisations*' in the same year help explain this point!

<sup>12</sup> In headline terms, Covey's (2004) seven previous habits were to: 'be proactive; begin with the end in mind; put first things first; think win-win; seek first to understand then to be understood; synergise; sharpen the saw'.

<sup>13</sup> This is pertinent to Collins' (2006) work, explored in the next section, about 'Good' organisations becoming 'Great' organisations in a business and CVS context

Knowledge Worker Age<sup>14</sup>. This 8<sup>th</sup> habit is to *Find Your Voice and Inspire Others to Find Theirs*'.

Covey (2004)

Ultimately in a CVS context this would certainly *not* be focused on finding one's voice and inspiring others find theirs simply to satisfy individual aspirations/need (or worse greed) - especially in a materialistic, self serving, or over-indulgent sense - as Helder Cameron famously said, in the context of fighting for greater justice and equality in society: *'enough for everyone's need, not for everyone's greed!*' Covey's (2004) book colourfully explores the 8 habits for those interested to learn more. However, in making the bridge to the next section about CVO effectiveness it is useful to now consider the recent thoughts of two outstanding management thinkers, Charles Handy and Rosabeth Moss Kanter: both pick up on 'softer' value and people centred ideas that chime in readily with CVS principles.

In characteristically pragmatic and wise terms Handy (2006) highlights key points on an organisation's journey towards becoming effective; here follows some recent thoughts:

- *Participation*: 'It is only common sense that people are more likely to be committed to a cause if they have had a hand in shaping it'
- *Teams*: 'Groups are likely to produce better result than the same individuals working on their own, though teams of all-stars are not always or even often the best teams. The egos get in the way of the sharing'.
- *Trust*: 'Above all people know instinctively that there has to be trust if any organisation is going to work. Elaborate research studies are not needed to demonstrate such a basic truth. Yet organisations need trust if they are not going to clutter themselves up with rules, checks and checkers. Too much time is spent in organisations making sure that what should have happened is happening. If people know what they have to do and are competent to do it, they should be left alone to get on with it'.
- *Structure*: 'We don't have to reinvent a theory of organisations. As more and more organisations are dependent on the skills of their people, they are treating those people, even at the lower end of the organisation as professionals, people with recognised skills and talents. We should therefore look at the way we have traditionally run professional organisations to see what messages we can learn from these century old institutions.
- *Innovation*: 'Doughnuts, too, I tell my puzzled audiences, can hold the key to designing an effective organisation. The jam in any job, the bit in the centre of the doughnut, represents the tasks that have to be done, the dough the space for new initiatives'.
- *Growth*: 'I developed the theory of the sigmoid (or S shaped) curves to explain how an organisation grows. Basically this shows that the best time to start a new venture is before the current one is at its peak and begins to fall in performance'.

Charles Handy (2006) *Myself and Other More Important Matters*

Moss Kanter provides a particularly intriguing link to the CVS with many of her people and value centred ideas seeming almost tailor made for it. More widely, 'some of Moss Kanter's ideas, once viewed as unrealistic, have now been absorbed into general management wisdom: these include empowerment, participative

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<sup>14</sup> Typically years ahead, Drucker first coined the term 'knowledge worker' in 1969 (Kennedy, 2002)

management, and employee involvement' (Heller, 2004). According to Moss Kanter (2004) in one of her recent works, leaders of effective organisations need to put in place three cornerstones to attain increased effectiveness: they need - 'to ensure accountability, cultivate collaboration and encourage initiative'.

- *In summary*: 'Accountability keeps organisations focused on details of execution. Collaboration on real and important tasks leads to greater effectiveness. Initiative keeps an organisation's head above the fray and enables it to make effective decisions and search for new ways to create the future' (Kanter).
- *Accountability*: 'In terms of individual and system accountability within organisations this involves: fostering straight talk, communicating expectations clearly and making information transparent and accessible'.
- *Collaboration*: 'In relation to cultivating collaboration this requires: structuring collaborative conversations, reinforcing respect and inclusion, defining joint goals and collective definitions of success'.
- *Initiative*: 'With respect to encouraging initiative, imagination and innovation, this involves: opening channels for new ideas, treating people as experts in their own work and encouraging small wins and grassroots innovations'<sup>15</sup>.

Rosabeth Moss Kanter (2004) *Confidence*

For the purposes of not making an endless series of lists of various peoples' views on what constitutes highly effective organisations', this section of the paper ends with arguably the greatest and most enduring management thinker of the past 60 years, Drucker.

In many cases it can be argued that Drucker was years, sometimes decades, ahead of his time: for instance, reference points made about marketing and strategy in his influential 1946 book '*The Concept of the Corporation*' that did not become mainstream until twenty to thirty years later (and arguably, regarding marketing, are still not in the CVS).

Drucker (1998) identified seven key elements in post war management development and, whilst no one person really has the answers, it could be contested that any formula that does not make some sort of reference or inclusion to such basic and durable elements is likely to be ill founded:

- Scientific management of work as the key to *productivity*
- *Decentralisation* as a basic principle of organisation
- *Personnel management* as the orderly way of fitting people into organisational structures
- *Manager development* to provide for the needs of tomorrow
- *Managerial accounting* – use of analysis and information as the foundation for firm decision making
- *Marketing*, which he defined as 'seeing the whole organisation from the point of view of its final result: the customer'

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<sup>15</sup> This latter point builds on previous work: in *The Change Masters*, Moss Kanter (1983) advocates for participation management as a means to greater empowerment and reasons that competitive and effective organisations are innovative and the people in these organisations act entrepreneurially and take initiative. Such organisations: operate at the edge of their competence, focusing on exploring the unknown rather than on controlling the known and they measure themselves by future-focused visions (how far they have to go) rather than past standards (how far they have come)

- Balance between long-term *strategy* and short term performance

Ultimately, as Kennedy (2002) explains, 'there are few great themes of management, just as there are few great plots in fiction'<sup>16</sup> and that probably 'the richest vein, and the one that has attracted the most theorists over the years, is the human side of management and what motivates people' to strive for greater levels of personal and organisational effectiveness. It is wrestling with this issue - at individual, organisational and societal levels - that is arguably an appropriate focus of recent contributions from Covey (2004). It is fundamental to the CVS where attention is focused on what will create positive societal change via attitudinal and behavioural change at all levels - thus we turn to the next section!

### **Questions**

1. Which formula outlined above most appeals to you and why?
2. From your own experience and/or reading what do you think is missing from this section on effective organisations?
3. Would you agree that any robust formula about organisations becoming highly effective should embrace Drucker's (1998) seven key elements in some form or another? If not what would you add or remove?

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<sup>16</sup> Linking with the previous paragraph, in *Makers of Management* Clutterbuck and Crainer (1990) similarly record how genuinely new thinking on the perennial problems of management is rare and illustrate by explaining how Tom Peters admitted that much of what was articulated within *In Search of Excellence* could be found in Drucker's (1954) classic *The Practice of Management*.

### 3.0 Highly Effective Community and Voluntary Organisations

#### **Key Points**

1. Differences between sectors are presented. For instance, Collins (2006) reasons there are 5 issues that separate CVOs from businesses: Defining greatness and calibrating success without business metrics; having outstanding leadership and getting things done within the diffuse power structure of CVOs; building a first class team and getting the right people on the bus within CVS constraints and opportunities; working out how to increase and secure the flow of resources to the CVO without a profit motive; building momentum by building the brand reputation of the CVO.
2. The CVS is still lagging behind and importing models from other sectors - primarily business. However, models of how to increase CVO effectiveness and assessments of key issues affecting the CVS exist. Some are included below - notwithstanding these are less numerous than in other sectors.
4. There is little information about what works and what does not in building organisational capacity in CVOs. This is largely due to the CVS's inattention to capacity building, which has not been adequately supported by funding bodies and has been of secondary importance to CVO managers trying to deliver programmes and services to people who need them.

Having considered in section one the arguments about what makes an organisation highly effective, regardless of sector type (i.e. business, CVS or governmental), the paper now turns to examine what specific factors make CVOs highly effective. Handy (1988) orientated the debate provocatively when he stated many years ago:

'Voluntary organisations are going to be more important to society and to individuals in the years ahead. Organisations need to see in this challenge the opportunity to create new ways of organising. The danger must be that, without better models, they remain the organisations that have sometimes failed us in the past. In this combination of danger and opportunity lies the forthcoming crisis for the voluntary world'.

Handy (1988)

How has the CVS responded to Handy's (1988) challenge? Has it developed a clear understanding of what makes a CVO highly effective and models for how to achieve this? In essence, the author believes that the CVS has not yet responded to this challenge adequately; that it is still lagging behind and importing unduly (in the sense of oftentimes wholesale adoption) models from other sectors, primarily business. However, there has been notable progress. For instance, back in the mid 1990s, Mike Hudson (1995) set out characteristics for successful CVOs in the future:

- A clear vision of what they want to achieve;
- A sense of mission that pervades all parts of the organisation;
- Concise objectives and clear strategies for achieving each objective;
- Imagination and the entrepreneurial skills needed in a competitive era;
- A strong board that governs the organisation and lets management manage;
- A charismatic chief executive who is able to provide leadership to the organisation;
- A group of senior managers who work as a team and are skilled at directing the organisation;
- Management processes that knit all parts of the organisation together;

- Flexible management structures that change quickly to respond to new circumstances;
- Managers who strive to develop the people who work for them;
- Income sources that are suitable for the types of activities the organisation pursues;
- Two-way communication between the field and the headquarters’.

Recognising this was an ‘ambitious list’ he nevertheless reasoned that ‘most third sector organisations want to make a significant impact in the world we live in’ and that accordingly ‘to achieve that ambition would require excellence in all aspects of management’ (Hudson, 1995).<sup>17</sup> Hudson (1995) highlighted that greatly increased effort would need to be put into management development, with training courses, mentoring, shadowing and coaching all playing greater roles in the daily lives of CVO managers; as such CVOs would have to respond by making increased time and resources available for learning and development<sup>18</sup>.

McKinsey & Company (2001) carried out a study in the US in which they found that building capacity was vital the long term health and effectiveness of CVOs. They identified seven key areas of focus as follows and introduced a diagnostic tool to measure strength in each element:

- Aspirations: a CVOs vision, mission and overarching goals which collectively articulate its common sense of purpose and direction.

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<sup>17</sup> Hudson’s focus on excellence is in line with Peters and Waterman’s (1982) earlier focus of the notion of excellence in organisations, as explored in section one of this paper

<sup>18</sup> In a second edition (Hudson, 2002) refined the presentation of his book about ‘the essential elements of management needed to make organisations more successful - these were based on the following propositions’

- Boards need to take responsibility for governing organisations. They need to delegate management to CEOs and paid staff.
- The process of strategic management is a powerful way of focusing the diverse constituencies on their purpose.
- Managing performance is now a critical ingredient of an effective organisation.
- Management structures need to become increasingly flexible responding with frequent small adjustments rather than once in a lifetime reviews.
- Improvements in management skills are critical to enable organisations to grow and develop.
- CEOs have both to manage their organisations and provide them with leadership – creating a sense of mission, inspiring people and focusing on the achievement of ambitious objectives.
- Managers have to manage their boss, work as part of a team, and learn the subtle skills of delegating work and empowering people.
- Organisations need to use every available opportunity to maximise learning.

Drawing on research in the US, in *Managing at the Leading Edge*, Hudson (2003) reasoned that CVOs needed to: strengthen their own capacity; manage performance; create strategic alliances, exploit changing patterns of funding; be led with integrity and continuously strengthen their governance. He argued that ‘together these propositions added up to a new agenda that is about paying much greater attention to outcomes and focusing the whole organisation on achieving them’.

Many of the excellent points made by Hudson in his various texts are - along with pertinent points by other writers (e.g. Moss Kanter) - woven into the summary at the start of this paper.

- Strategy: the coherent set of actions and programmes aimed at fulfilling the CVOs overarching goals
- Organisational skills: the sum of the CVO's capabilities, including such things (among others) as performance measurement, planning, resource management and external relationship building
- Human Resources: the collective capabilities, experiences, potential and commitment of the CVOs board, management team, staff and volunteers
- Systems and Infrastructure: the CVOs planning, decision making, knowledge management, and administrative systems, as well as the physical and technological assets that support the CVO.
- Organisational Structure: the combination of governance, organisational design, inter-functional co-ordination, and individual job descriptions that shapes the CVOs legal and management structure.
- Culture: the connective tissue that binds together the CVO, including shared values and practices, behaviour norms, and most important, the CVOs orientation towards performance.

McKinsey and Company (2001) contested that CVOs had 'an obligation to seek new and ever more effective ways of making tangible progress towards their missions which required building their capacity' and making progress in the seven key areas. Furthermore that:

'As CVOs play increasingly important roles in our society, it becomes even more critical for them to perform effectively. In response CVO managers have demonstrated a growing interest in management practices and principles that will help them build high performing organisations, rather than just strong programmes. Despite this new emphasis on the importance of CVO capacity building the sector lacks a widely shared definition of the term. There is also precious little information about what works and what does not in building organisational capacity in CVOs. This is largely due to the sector's inattention to capacity building, which has not been adequately supported by funders and has been of secondary importance to CVO managers trying to deliver programmes and services to people who need them.'

McKinsey and Company (2001)

The important issue of capacity building efforts to increase effectiveness will be returned to later on.

More recently again, following a major pertinent text in 1995 on '*The Governance and Management of Charities*', Andrew Hind (2006), as Chief Executive of the Charity Commission in England and Wales, has summarised that the skill of responding successfully to current strategic management challenges lies in 'maintaining awareness and understanding the environment' plus 'applying knowledge of the environment to the particular CVO in order to best meet the needs of its beneficiaries'. More specifically he reasoned that to be more effective CVOs and the CVS as a whole needed to:

- Improve Governance: through initiatives such as ensuring trustees are effectively recruited, supported and developed; also understanding the complimentary nature of executive and non executive roles.
- Maintain Independence
- Promote Public Trust and Confidence: stressing here the importance of CVOs never losing their passion for achieving change and delivering results on behalf of beneficiaries

- Have more collaborative working: arguing that all boards had a responsibility to review opportunities for collaboration notwithstanding that in the UK only 22% of CVOs had recently recorded any collaborative working.

In research carried out for the 2007-2008 edition of the UK's Voluntary Sector Strategic Analysis (an annual overview of the operating environment and strategic drivers for the UK VCS), Griffith (2006) reported that 6 aspects of the external environment to be explored would be: Funding; the configuration of Public Services; Local Governance; prevailing Public Attitudes; Globalisation; the Environment.

Not surprisingly, Funding received the most votes, confirming once again the view that this is often, in practical terms, a paramount issue for CVOs.

It is interesting to note the rise of concern about globalisation and international issues: oftentimes, the UK CVS, as in other countries, is quite inward looking - including on how issues about attaining effectiveness and building capacity are dealt with. This is notwithstanding that there is much merit in having greater appreciation of the similarities and differences between various countries; also a rising need for this in light of the increasing international challenges and opportunities facing CVOs – Acevo, in the UK, have made solid efforts to create and nurture greater links for UK leaders regarding international issues – this is very welcome and timely.

Hudson (1995, 2002, 2003), McKinsey (2001), Hind (2006) and Griffith's (2006) work aside, in other examples, detailed reconsideration and adaptation of business sector concepts have taken place so that models emerge that are tailored to the CVS.

Notably, Collins (2006) reasons in 'Good to Great in the Social Sector' that any organization – small, medium or large, business or CVO - can be a great organization or, in the context of this paper, a highly effective organisation. He reasons that the critical distinction is 'not between business and social, but between great and good' and that it is necessary 'to reject the naïve imposition of the language of business on social sectors and instead embrace a language of greatness'. He goes on to contest that the Good to Great principles articulated in his best selling and thoroughly researched business book do apply to CVOs, 'perhaps better than expected'. Notwithstanding this, there are five distinguishing issues that Collins (2006) has repeatedly found separate CVOs from businesses:

- Defining greatness and calibrating success without business metrics;
- Having outstanding leadership and getting things done within the diffuse power structure of CVOs;
- Building a first class team and 'getting the right people on the bus' within CVS constraints and opportunities
- Working out how to increase and secure the flow of resources to the CVO without a profit motive
- Building momentum by building the brand reputation of the CVO

The Good to Great generic framework is outlined in annex 1 (Collins, 2006).

In thinking back to the challenge posed by Handy (1999), there remain relatively few home grown CVO models or concepts. Even most of the more 'nuts and bolts' tools are imported from the business sector; in this regard probably by far the best CVO toolkit relevant to this paper, and the quest for greater CVO effectiveness, is Copeman *et al's* (2004) *Tools for Tomorrow*.

Notwithstanding this, there are pearls of wisdom that help us navigate through the growing maze of information available; these help to distinguish more clearly what the particular needs of CVOs are. In this vein - and to compliment some of the points already made above – it is useful to consider some of the prescient thoughts of Drucker (1990) captured in Annex 2.

In short, Drucker (1990) highlights differences and differences in emphasis that are pivotal to CVOs becoming effective - as distinct to governmental or business organisations. These revolve around: vision, mission, constituency/stakeholder complexity, strategy, marketing, innovation, leadership, people, team working, development of people, governance, learning, performance measurement and management.

Like Hind (2006) above Drucker (1990) considered major strategic challenges facing CVOs and emphasised two: the first was to 'convert donors into contributors'; this was 'more than just getting more money to do vital work'. Rather it was about CVOs jointly 'delivering on the one mission that they all share' with respect to people in society, that of providing people with the need for self realisation, for living out their ideals, their beliefs and their best opinions of themselves – to contribute rather than just donate. Secondly, he believed that the second major challenge for CVOs was to give community and common purpose (which is not new in the sense of tracing the role of the sector in the US or other countries historically). Writing about societal trends in the United States, many of which – particularly around communities no longer being so strong as previously - would be argued to exist by commentators in Europe, he reasoned that CVOs 'are the American Community'<sup>19</sup>.

'The CVS still represents the same proportion of America's Gross National Product as it did forty years ago. But its meaning has changed profoundly. We now realise that it is central to the quality of life in America, central to citizenship, and indeed carries the values of American society and of the American tradition'

Drucker (1990)

### Questions

1. What do you think of the five distinguishing issues that Collins identified that repeatedly separate business from CVOs?
2. What do you think is different (if anything) about leading and managing CVOs as distinct to business or governmental organisations?
3. Which of the formula's presented about achieving high levels of effectiveness in CVOs most appealed to you and why?

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<sup>19</sup> In the next section attention focuses on the Irish CVS and the Taoiseach's appointment of a Taskforce on Active Citizenship. It is interesting to consider Drucker's comments in this context.

### **Section 3.1 Commentary on Current Approaches to Help Build Effectiveness in Community and Voluntary Organisations**

#### **1. Introduction**

This section summarises just some of the themes and approaches in the debate around effectiveness in the UK CVS over the past 15 years.

It does not set out to give a comprehensive commentary on the subject but is intended to highlight some of the tensions, issues and perspectives. It has been written to compliment section 3 of the paper for people who would like more background.

The discussion around UK CVS effectiveness is not new but in recent years the debate has widened across the sector.

Despite this, there is still a sense we have some way to go in terms of demonstrating our effectiveness as the comments made by Hamish Davidson of Rockpools in the Guardian on 29<sup>th</sup> November 2006 reflect: 'Being the voluntary sector is no excuse for not being business-like, for not being professional, for not being accountable, and for not being grown up – particularly if you want access to public funds'

Few would disagree with the underlying sentiment. The question is not whether CVOs should be accountable and effective, but how do we do it. This brief paper reflects on how, in recent years, the CVS has tried to address these issues.

#### **2. Competing for Contracts**

Whilst to varying degrees CVOs have always been concerned in ensuring that resources are used to achieve the greatest impact, the concern with CVS effectiveness was highlighted as being of particular public concern in the 1980s and 1990s.

The UK government, keen to reduce state provision of public services, realised the potential of the CVS in providing what had previously been public services. To win contracts, CVOs were required to demonstrate efficiency and effectiveness, a move which brought them into competition with private organisations and each other.<sup>20</sup>

In their efforts to demonstrate their professionalism, CVOs looked to how the public sector approached developing and evidencing organisational effectiveness.

This introduced the CVS to the Charter Mark award scheme and Best Value reviews. Introduced by the government, Best Value reviews required local authorities to review their services using four activities:

- challenge whether services were needed
- compare themselves with other providers
- consult local taxpayers and service users about service levels and performance targets

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<sup>20</sup> William Plowden, Next Steps in Voluntary Action, 2001

- use competition as a means of ensuring efficient and effective services<sup>21</sup>

### **3. The Independence of the Sector**

However, this outsourcing of public services to the CVS and the subsequent imitation of public sector approaches to effectiveness generated unease. As the UK government became a major funder of the CVS this sparked questions as to how independent the sector could be and whether it could honestly fulfil its role of championing service users perspectives and, if necessary, challenging government policy. As the interest in Best Value, Charter Mark and other public sector approaches to quality demonstrated, there was concern over the extent to which government was shaping the CVS and consequently influencing its approaches to effectiveness.

In 1996 the Independent Commission on the Future of the Voluntary Sector, chaired by Professor Nicholas Deakin, published its report, *Meeting the challenge of change: Voluntary action into the 21st century* ('the Deakin report'). One of the key recommendations of this Commission was the needs for CVOs to be explicit about their standards and how they were measuring quality. This led to the setting up of a Quality Standards Task Group, the role of which was to help CVOs increase their effectiveness by raising awareness of quality systems.

### **4. Developing Our Approach to Quality**

Since the Deakin report, CVOs have increasingly taking up on a range of schemes and initiatives. Amongst these are Investors in People (IiP), a standard which aims to improve organisational performance through focusing on people. By directly linking organisational objectives to individual objectives and development, IiP encourages investment in training and support for staff and volunteers as a means to improving effectiveness.

The ISO group of standards, which focus on how things are done proposed that organisational effectiveness was primarily rooted in processes. The EFQM Excellence Model took an overarching view of organisations and focused on 9 areas of activity: Leadership, Policy and Strategy, Partnership and Resources, People, Processes, Customer Results, Society Results, People Results, Key Performance Results. A detailed self assessment in all these areas helps organisations identify strengths and areas for improvement. PQASSO (Practical Quality Assurance System for Small Organisations) was developed specifically for smaller voluntary organisations providing a systematic approach to identifying understanding issues of quality across a range of areas.

Whilst these initiatives provided structured frameworks for understanding and assessing organisational effectiveness, there was some unease as to how different quality systems were being employed. There was concern that CVOs were becoming overly focused on collecting badges, on acquiring accreditation and quality marks without consideration as to whether these schemes actually contributed to overall organisational effectiveness.

As Stuart Etherington commented in his Charity Talk in 1997, it was questionable ".....the extent to which accreditation is driven purely by funders or whether standards should actually be about a broader view of the organisation".

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<sup>21</sup> Approaching Quality (2000) NCVO

## 5. Professionalising Management

In recent years, there has been increased interest in developing the professional management skills of the CVS. The Centre for Charity Effectiveness at Cass Business School, along with other colleges, universities and training providers have developed programmes and courses specifically developed for the sector and strengthening skills and widening awareness of approaches such as strategic planning, business planning and performance management.

But as a sector, we still woefully under-invest in staff and training development. Many CVS managers did not join their organisation to become professional managers and the sector still has some way to go before we are expert in management techniques.

## 6. Final Thoughts

In his book 'Understanding Organisations', Charles Handy suggests there are over sixty different variables which are likely to affect organisational effectiveness including motivation, relationships, leader, systems, structure, technological environment and individuals' ability. He warns against the temptation of focusing on one group of variables suggesting that 'selective focusing, if done by habit, also unfocuses a lot of other variables. ....'Reductionism' as it also called, the disentangling of each variable in turn, may suit some academics and analysts but will not do for the manager who has to put the lot together and make it work: beware the manager who hawks one patent cure'.

The history of developing approaches to organisational effectiveness in the UK voluntary sector perhaps demonstrates the fact that there is no easy answer. The complex web of stakeholder interests in any CVO make it particularly difficult to disentangle and proclaim one fix all approach.

In addition, perhaps one reason the CVS effectiveness debate is so problematical is because some aspects of what makes a CVO effective are intangible and so very difficult to define. For example, what makes a CVO effective might be the way they give comfort or how they give advice or their skill in developing and communicating a campaign. These and other aspects of CVO effectiveness are especially challenging to measure and manage.

However, we must continue to debate and explore the issue. As a sector it is important to try and understand our effectiveness if we are to reassure and give confidence to our staff, volunteers, funders, partners and most importantly our beneficiaries that we are truly acting in good faith and doing the best possible job we can with the resources we have.

#### 4.0 Highly Effective Irish Community and Voluntary Organisations

##### **Key Points**

1. Despite the long history of the CVS in Ireland research into the Sector is relatively recent.
2. Based on international comparisons, the Irish CVS is strong, thriving and vibrant.
3. The evolving nature of the sector in Ireland over the past 200 years would have posed different challenges and opportunities at different times for those seeking to establish and run highly effective CVOs
4. The nature and requirements of being a highly effective Irish CVO are based on some universal, timeless and guiding principles about leadership and management - along with the specific circumstances facing an individual organisation - on the one hand. However, will be influenced to some degree, on the other hand, to the contextual issues facing Irish CVOs prevalent in 2007 and how these are anticipated to change in coming years. This does not mean that there is any special recipe required to being an effective Irish CVO, just that some of the contextual issues will have an influence.
5. Regarding Irish CVOs in recent years it has been argued that priority capacity building challenges for attention include, for instance: training and technical support for people in CVOs and the development of CVO leaders; tackling resource vulnerability and survival challenges, especially in small and medium sized CVOs; improving governance, human resource and financial management plus operational and activity reporting skills.
6. Regarding opportunities, highly effective Irish CVOs of the future will, for instance, become adept at working in partnership with the new and growing stock of Irish Philanthropists.
7. For the Irish CVS as a whole three main demands have been identified: the need for CVOs to provide a quality service to all stakeholders; to encourage active citizenship through supporting volunteers; to promote transparency and accountability in an era of increased regulatory compliance.
8. Notwithstanding the above, it is hard to contest there is any special recipe for becoming a highly effective Irish CVO, as distinct to becoming a highly effective CVO elsewhere. Yes, some of the challenges and opportunities are particularly prominent and pertinent in an Irish context, but these are ultimately similar to those faced by CVOs in other countries – albeit that the emphasis might be different.
9. Against this background, the Carmichael Conference in February 2007 will specifically address this question

#### 4.1 *Introduction – what’s the right question?*

Are there any distinct ingredients that are necessary to becoming a highly effective Irish CVO now and in the future<sup>22</sup>? Also, given the historical evolution and current

<sup>22</sup> As set out in the introduction, the author will not dive into the controversy over definitions (existing in Ireland as elsewhere). The following is harnessed as a definition in this paper to determine who CVOs are (notwithstanding that the order ‘Voluntary & Community Sector’ rather than ‘Community & Voluntary Sector’ was used in this definition):

...there is no common agreement on what organisations and activities would be included in this sub-sector. However, for the purpose of this chapter the Voluntary and Community Sector includes all organisations meeting the same structural-

landscape of the sector, is there anything that might have been relevant to being an effective Irish CVO in the past that is now irrelevant?

More generally, does any of this matter! Is the recipe for becoming a highly effective Irish CVO the same as becoming a highly effective CVO in any other country?

In order to address these points, the history, landscape and key challenges and opportunities facing Irish CVS will firstly be explored and conclusions then drawn.

#### **4.2 The history of the Irish CVS**

The CVS has a long history in Ireland. For instance, a pivotal recent report, *'The Hidden Landscape: First Forays into Mapping Nonprofit Organisation's in Ireland'* found that whilst many organisations had been established in recent decades, some could trace origins back to the twelfth century (Donaghue, Prizeman, O'Regan and Noel, 2006)! Notwithstanding this, the historical and policy context for the CVS in Ireland appears to be most commonly commented on from the late 1700s to early 1800s: specifically, in the period prior to the Catholic Emancipation Act of 1829, a significant Protestant and Quaker presence existed and attended to medical and other needs of the poor; after this an expansive set of health, education and social welfare services were established by Catholic religious orders (Donaghue, Anheier and Salamon, 1999). However, despite the long history of the CVS in Ireland - elements of which are seen today in terms of the sector's size and composition - research into the Sector is relatively recent (Donaghue, Anheier and Salamon, 1999)

In general terms, Freda Donaghue (1998a) has identified that the Irish CVS has developed over the past 150 years from one where there was a predominance of religious bodies that 'focused on charity to a present situation where a concern with self help and community empowerment is manifest'; in more recent years she comments there has been a fall of in the importance of religious organisations (notwithstanding that their presence is still indisputable) and a rise of community and independent CVOs organised around issues such as social and economic marginalisation; furthermore she reasons that more recent CVOs tend to be more critical of the state and structural causes.

Putting more flesh on the bones regarding this evolution it can be contested that the strong tradition of self help and local initiative came to the fore in Ireland in the founding of *Muintir na Tire* (People of the Land) in the 1930s which is believed to have exemplified this characteristic; *Muintir* focused on the revival of community spirit through co-operative efforts and was a major force in rural life in Ireland until the 1960s (Donaghue, 1998a). After this, the introduction of a new educational system in the 1960s led to a significant rise in the level of CVS engagement and there was also increased citizen involvement and community activism on the part of community and advocacy groups from the 1970s and 1980s (e.g. Womens and Trade Union Movements), the implications of which are summarised below:

'While self help and a tradition of co-operation can be seen to influence contemporary community action, developments in the 1970s and 1980s have

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operational criteria as the non-profit organisations, but excludes hospitals, hospices, primary and secondary schools and higher education establishments that are not usually perceived in Ireland to be community-based'.

Donoghue Anheier and Salamon (1999)

been far more crucial. What now became important guiding principles were the right to consultation and direct democratic participation. The ideology of empowerment, participation, social inclusion and voluntary action helped shift the emphasis from charity as a basis of self help towards a focus on the rights of disadvantaged people. From this time campaigning and advocacy were to become increasingly important. Self help, as a consequence was now combined with the concepts of social justice, solidarity and empowerment. Solidarity rather than charity began to become important and the paternalistic notion of duty towards the poor was jettisoned in favour of being in solidarity with them’.

*The Politicisation of Disadvantage in the Republic of Ireland: the role played by the third sector.* Freda Donaghue (1998b).

#### **4.3 By way of perspective: how has Ireland compared with the CVS elsewhere?**

The Irish CVS has been viewed as ‘a thriving, vibrant entity’ insofar as it was found to be sizable in its own right and compared favourably with other countries; paid employment was second largest (after The Netherlands) and well above the European average; when volunteers were included it remained in second place; expenditure of the Irish CVS was above both the EU and international averages<sup>23</sup>; levels of individual giving compared favourably, especially taking into account the higher level of incentives in other countries (e.g. US and UK) to encourage different forms of private giving (Donoghue, Anheier & Salamon, 1999)

More recently, in its *International Comparisons of Charitable Giving* research, CAF (Charities Aid Foundation) (Clegg and Pharoah, 2006) has ranked the Republic of Ireland 6<sup>th</sup> as a % of GDP (at 0.47%) after the US (1.67%), UK (0.73%), Canada, Australia, and South Africa respectively. It was ahead of the Netherlands, Singapore, New Zealand, Turkey, Germany and finally France (at 0.14%). In a European context, giving levels were found to be highest in the UK, which included Northern Ireland in the survey, but this did not make UK the most generous: ‘in fact, when the much higher personal taxation levels of the Netherlands, France and Germany are taken into account, it appears that overall the UK could afford to donate even more of its income to CVOs - particularly given that it clearly has the most generous system of charitable tax-breaks and is high on the scale of personal wealth’.

#### **4.4 Challenges and Opportunities faced by the Irish VCS**

Homing in on issues of CVO effectiveness, the White Paper ‘Supporting Voluntary Activity’ (Department of Social Community and Family Affairs, 2000) highlighted - amongst other important policy areas - the need for CVOs to have access to training and technical support, representation and networking. Related to this, for instance, The Wheel commissioned the first study of its kind in early 2005 and its report - ‘*Training Solutions for the Community and Voluntary Sector*’ - found along with other points that there was a significant deficiency in the development of CVO leaders; a pilot project ‘Sector Skills’ has since been launched including a web based information initiative, a training networks programme (‘Training Links’) and a Leadership Development programme (‘Stronger Leaders’ which is being implemented by the Carmichael Centre).

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<sup>23</sup> At that stage it was estimated that around 8.0% of GNP was spent by the Irish Non Profit Sector whilst more recent research cited in this paper reveals lower yet still significant levels – 0.47% of GDP and 3.84% of GNP

In an increasingly diverse society where there are now approximately 160 different nationalities, and in which new challenges are coming to the fore, the Taoiseach's appointment of a Taskforce on Active Citizenship points to the importance which the Government places on having a thriving CVS and having high levels of participation in society. It recognises the need to: 'identify and understand how public policy helps and hinders active engagement...to identify practical steps to encourage more of our people become involved and stay involved in the life of their own community (Taoiseach, Bertie Ahern TD, April 2006). At the same time, recognising the constraints of the current regulatory environment (which has often, for instance, been reasoned to be behind the UK - including with respect to the lack of a body such as the Charity Commission) the Government has been advancing the new Charities Bill that contains legislation and a regulatory framework for the first time since the foundation of the State.

Reflecting the growing complexities related to globalisation and other challenges of the 21<sup>st</sup> Century, the Irish citizens, international development CVOs and the Government have been striving to respond generously and highly effectively<sup>24</sup>. As a pivotal sign of very positive progress, the Government launched its White Paper on Irish Aid. Speaking at the launch the Taoiseach commented:

'Ireland today is a wealthy and developed country. The last UN Human Development Report ranked us 8<sup>th</sup> out of 177 countries in terms of human development. In addition, per capita, we are ranked second in the world of GDP. These are no small achievements and we can be rightfully proud of the social economic success achieved over the last decade. The same human development report should, however, give all Governments and the international community cause for deep and serious reflection. Its message is stark: every hour more than 1,200 children die away from the glare of media attention; that's the equivalent of three tsunamis a month, every month, hitting the world's most vulnerable citizens. We are all diminished by the human realities behind these statistics. We have a responsibility to do what we can to address them. The fate of others is more than a matter of concern to us; it reflects on and affects us all. More than ever before, we in Ireland can live up to this responsibility because we now have the resources on a scale to make a difference. And this is precisely what we, in Government, have pledged to do. We have set the target of spending 0.7% of our GNP on official aid. We will do this by 2012, well ahead of the EU target date of 2015...I believe our aid programme is a practical expression of the values that help define what it means to be Irish at the beginning of the 21<sup>st</sup> Century. It represents our sense of broader social concern and our obligation to those with whom we share our humanity.'

(Taoiseach, Bertie Ahern TD, September 18, 2006)

#### **4.5 *Linking to questions about being an effective Irish CVO: what does all this mean and what is the current landscape of the Irish CVS?***

Against the background above, it can be reasoned that the evolving nature of the sector in Ireland over the past 200 years would have posed different challenges and

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<sup>24</sup> The reputation of people in Ireland towards international causes has for a long period been one of generosity: for instance, on July 13<sup>th</sup> 1985, 'at a time when Ireland had the highest debt per head globally, Irish people gave more aid per person to Live Aid than any other nation'. (Dermot, Ahern TD, Speech at launch of White Paper on Irish Aid, 18<sup>th</sup> September, 2006)

opportunities at different times for those seeking to establish and run highly effective CVOs.

Thus the argument runs that the nature and requirements of being a highly effective Irish CVO are based on:

- Some universal, timeless and guiding principles about leadership and management along with the specific circumstances facing an individual organisation on the one hand.
- However, will be influenced to some degree, on the other hand, to the contextual issues facing Irish CVOs prevalent in 2007 and how these are anticipated to change in coming years.

This does not mean that there is any special recipe required to being an effective Irish CVO - just that some of the contextual issues will have an influence.

This echoes in with Drucker's (1999) point (cited at the beginning of section 2) - i.e. that around 90% of factors key to being highly effective are common to any organisation; however, the other 10% are specific to a particular organisation and its distinct context.

So, taking into account the background history above, and notwithstanding that much of the remaining 10% comes down to the specific organisation, what, if anything, would have a crucial influence re the current Irish CVS context? To address this it is important to assess in more depth the current situation facing Irish CVOs. The following summarises recent findings about the landscape of the Irish CVS<sup>25</sup>:

- The majority of organisations were young with half established since the mid 1980s indicating a high degree of activity in the sector.
- A quarter of the organisations were based in Dublin with Cork, Galway, Limerick and Kerry also registering significant number.
- A total of 1.5 million volunteers were reported which means that one in three Irish people were engaged. Organisations reported that volunteer numbers had increased in the past 3 years. Male volunteers outnumbered female volunteers by a ration of 3:1 whilst women outnumbered men among all types of employee by a ration of 2:1
- When asked about roles and values in the sector, respondents saw the 'community building role' the 'expressive role', the 'innovation role' and the advocacy of values role' as much more important than the 'services role'. Similarly the 'community value' was identified as the most important value followed by the 'humanitarian value' and then the 'environmental' and 'cultural values'. This unpacks the assumptions about the sector in recent decades and chimes in the analysis about the sector's wider history (given earlier in this section) 'insofar as it has been assumed that the service role is the most important role played by the sector and that this is the basis for their long and strong relationship with the State' Moreover, in relation to the Taoiseach's Taskforce on Active Citizenship, 'there is much in the report that is helpful to this process given the importance emerging of the community building role and 'expressive role'.

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<sup>25</sup> In March 2005 over 24,000 detailed questionnaires were mailed to CVOs throughout Ireland for this pioneering study. A 21% response rate with a wide geographical spread was achieved. On its publication in mid 2006, It was stated: 'the report provides us for the first time with a clear picture of the field of non-profit organisations in Ireland' *Dr Hegarty, Provost of Trinity College, Dublin, 2006*

- Projecting that the non-profit sector accounts for 3.84% of GNP in 2003 in Ireland, it was found that most organisations were small with half having an income of less than Euro 40,000 and an annual expenditure of less than Euro 39,000. Moreover 90% earned less than the mean income of Euro 738,205. There were a small number of very large organisations. 60% of income came from the State with only 10.5% of income from private donations which 'again belies expectations'; in fact the details of this revealed that certain areas are dominant with 25% of all donations going to international development and 20% going to social services.
- Resource vulnerability and survival challenges featured prominently with Environmental, Arts and Culture plus Heritage organisations demonstrating significant deficits. International Development and Religious groups were more secure but still showed deficits. The most secure groups were Philanthropy, Trade Unions, Sports and Recreation, Advocacy, Law and Politics, Community Development plus Housing.
- Many respondents expressed ambiguity about their own legal definition and status; a high degree of informality existed with only 33% being incorporated as companies limited by guarantee and 41% having a Charity or CHY Number. As such the report underscored the need for a legal infrastructure and pointed to the propriety of the Charities Regulation Bill.
- It was stated that the report was published at a time of great change in the environment in which CVOs operate; that these changes were social, economic, demographic, cultural and, if the proposed regulation of charities came into force, legal; that due to this Irish CVOs had therefore reached 'a stage in their history at which it may be opportune for them to ask questions about their futures'

*'The Hidden Landscape: First Forays into Mapping Nonprofit Organisation's in Ireland'* Donaghue, Prizeman, O'Regan & Noel (2006)

#### **4.6 What then, out of the above, is particularly distinctive - if anything - to the landscape of Irish CVOs striving to become highly effective?**

Initially, the most important thing from the author's perspective, seems to be the same faced by CVOs the world over: i.e. resonating with the phrase 'it's the economy stupid' (cited in the introduction), the issue of resource vulnerability and survival challenges leaps to the fore in practical terms.

By way of further illustration about its pertinence in Ireland, in a recent submission by the Carmichael Centre<sup>26</sup> to the Taskforce on Active Citizenship (O'Sullivan and Ruane, 2006) suggestions were made to the Government; these were based on the Centre's experience along with collated views of member organisations. For instance, when members were asked 'How can the state support and encourage community and voluntary organisations' funding related challenges were highlighted in 5 of the 9 overall points articulated in the report. In a similar vein, when asked 'what are the main challenges in establishing and running a community or voluntary organisation in Ireland today?' matters concerning funding again dominated (main points as follows):

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<sup>26</sup> Founded in 1988, The Carmichael Centre's objective is to nurture and support the development of small and medium sized CVOs. It is the largest and busiest shared centre for CVOs in Ireland. The Centre and its 48 members exemplify active citizenship and its worth is demonstrated to the 10% of the Irish population who are supported by these organisations (O'Sullivan and Ruane, 2006)

- ‘Cumbersome legal structures - totally unsuited; general lack of resources, totally opaque funding procedures;
- Constant need for funds;
- Volunteers - getting them and keeping them;
- Insurance; cost of premises; public support lacking sometimes;
- Establishing - funding, tricky legislations that need translation into simple English;
- Funding applications - unless you know how the system works, it’s next to impossible;
- Running & getting ongoing funding – it’s impossible to provide an ongoing service with the uncertainty of once off grants;
- Getting collaboration with all stakeholders;
- Finances & resources, volunteer input. Project related funding, not running costs. Compliance with regulatory environment’  
*Submission to Taskforce on Active Citizenship, O’Sullivan & Ruane (2006)*

#### **4.7 Returning to Challenges, what’s paramount?**

The ‘constant struggle’ faced by small and medium sized Irish CVOs to obtain a supportive environment – including ‘affordable office space, administrative services, management training, ICT support and assistance with specific developmental and operational issues’ - is referenced in the Carmichael’s Strategic Plan for the period 2006-2011 (O’Sullivan, K and O’Connor, M, 2006). This also reasons that whilst exciting and challenging times lie ahead and the Irish CVS plays a crucial role in society’s response to a wide range of human need, many organisations with the sector are small groups surviving on limited resources. It predicts that against the backdrop of the external environment becoming more complex and ever more regulated, the need for organisational support will grow in areas such as governance, human resource management and finance. Furthermore that increased competencies will be required; in particular around the requirements for all organisations to improve financial management, operational and activity reporting skills and to respond to greater scrutiny at leadership and governance levels. Pulling these threads together, the Strategic Plan summarises three main demands faced by the Irish CVS:

- ‘The need for organisations to provide a quality service to all stakeholders;
- To encourage active citizenship through supporting their volunteers and
- To promote transparency and accountability in an era of increased regulatory compliance’.

O’Sullivan and O’Connor (2006)

#### **4.8 Returning to Opportunities, what’s paramount?**

In terms of opportunities, particularly in connection with funding, the Strategic Plan comments on the greater promotion of philanthropy in Ireland in recent years and states that ‘as Ireland becomes wealthier it can be reasonably assumed that philanthropic resources will increase giving more variety to possible sources of investment in the work of the CVO.

At one level, this rhymes in well with Handy and Handy’s (2006) recent publication ‘*The New Philanthropists*’. In this it is argued that ‘generosity is fashionable again’; focusing on the increased giving habits of successful business entrepreneurs and professionals it states that this welcome trend is not confined to North America. Picking up that in Europe ‘people have often traditionally preferred to give their time

rather than their money' it highlights the growing contribution of the new givers to creating positive societal change but highlights that these givers 'are different; they want to be involved, to initiate and not just respond – high engagement is the fashionable phrase'. CVOs need to respond to the challenge of working with these new breed of givers by recognising the significance of the three words Handy and Handy (2006) believe are common to all: 'passion, permanence and partnership'. In short the new philanthropists believe that

- No new venture will succeed without a large injection of energy, personal commitment and *passion* and they are prepared to invest in this respect.
- They can look at their philanthropic projects in a businesslike way and see their interventions as an initial investment of money, time and energy but they are clear that their projects have to be self sustaining in the long run. In the end their initiatives have to stand on their own and that to make a real difference it needs to last beyond their own graves – it has to have a *permanent* impact
- They appreciate that sustainability however, ultimately depends on *partnership* of one sort or another, including that others must have a continuing interest in the projects or else they will tend to die when the original sponsor and investor moves on.

Individual case studies are given in the book, including that of Niall Mellon, a successful Irish businessman. In an interview about his substantial philanthropic activities, Niall Mellon stated:

'Ireland has benefited enormously from the Celtic Tiger economy. Some have not prospered but many are now millionaires. There is a new generation growing up who have no memory of recession or difficult times. We have to demonstrate to those countries that have not yet got as far as Ireland that one of the key parameters of success is giving something back to people who need our help'

Niall Mellon in Handy and Handy's (2006) *The New Philanthropists*

Apparently Niall had been concerned that 'Ireland was becoming a selfish country, but his experience with his philanthropic endeavours (that has involved many volunteers) has changed that view. Given Ireland's international reputation for generosity, its growing number of millionaires and the need to harness greater engagement to enable increased levels of societal change activity, it is possible to reason that the highly effective Irish CVOs of the future will be those particularly adept at working in partnership with the new stock of Irish Philanthropists. However, like Handy and Handy (2006), most of whose examples were from the UK, the author would underscore that this important opportunity is not restricted to Ireland: it is simply to state that it is particularly relevant in Ireland.

#### **4.9 So, is there a special recipe for becoming a highly successful Irish CVO?**

Whilst it would be appealing in some respects, it seems hard - having delved into relevant texts, and having quizzed a number of people - to argue that there is any special recipe or path for becoming a highly effective Irish CVO, as distinct to becoming a highly effective CVO elsewhere. Yes, some challenges and opportunities are prominent and pertinent in an Irish context, but these are ultimately similar to the challenges and opportunities faced by CVOs in other countries - albeit that the emphasis might be different. The author appreciates that he might bring a bias to

such a statement, given the international/UK orientated nature of his practical and academic experience which is believed to be both a hindrance and a help. Against this background, at the February 2007 Conference there will be time devoted to brainstorming this matter and unpacking with Irish CVO representatives what is pertinent to this question.

Also, as normal in a paper like this, the predictable punch line is that in depth research work on the matter could be usefully carried out. And this would best be done in the context of international comparisons (i.e. to have validity and most value). This need not be viewed cynically as 'just another academic exercise'. Far from it! The degree of research work in the Irish CVS is relatively limited compared with some other countries. Also if investigations are carried out about what constitutes and leads to CVO effectiveness then it can be contested that it would be 'penny wise and pound' foolish not to do so. A relatively small sum invested - if it led to practical and useful guidance for Irish CVOs, especially when presented in a compelling and succinct way - could make a huge difference!

Finally, it is useful to reflect on the great importance of CVOs in Ireland and therefore the need to help make these organisations as strong as possible by building their capacity. In this regard, McKinsey (2001) identified three general lessons about capacity building that are useful to highlight here:

- The act of resetting *aspirations and strategy* is often the first step in dramatically improving an organisation's capacity.
- The importance of *good management* is pivotal and CVOs need people in key positions who are committed to taking the initiative to make capacity building happen through the organisation: progress in effectively resetting aspirations and strategy institutionalising sound management processes and improving systems to work at scale requires managerial ability as well as good leadership. What CVOs often need is a CEO that is a trained professional manager who can ensure that the organisation functions efficiently and effectively.
- *Patience* is required as almost everything about building capacity in CVOs takes longer and is more complicated than one would expect – building capacity can feel like a never ending process because improvements in one area have a way of placing unexpected new demands on other areas, which in turn trigger new needs. There are few quick fixes.

#### Questions

1. What do you believe are the main challenges and opportunities facing CVOs in Ireland?
2. Do you agree with the notion that: the nature and requirements of being a highly effective Irish CVO are based on some universal, timeless and guiding principles about leadership and management - along with the specific circumstances facing an individual organisation - on the one hand; however, will be influenced to some degree, on the other hand, to the contextual issues facing Irish CVOs prevalent in 2007 and how these are anticipated to change in coming years? Furthermore that this does not necessarily mean that there is any special recipe required to being an effective Irish CVO - just that some of the contextual issues will have an influence'?
3. In conclusion...What is your view: Is there a particular path to becoming a highly effective Irish CVO (i.e. that is distinct to becoming a highly effective CVO in other countries?)

**Annex 1: Concept Summary - Good to Great Framework, Jim Collins (2006)**

The Good to Great research shows that building a great organization proceeds in four basic stages; each stage consists of two fundamental principles:

***Disciplined People***

- Level 5 leadership: Level 5 leaders are ambitious first and foremost for the cause, the organization, work – not themselves – and they have a fierce resolve to do whatever it takes to make good on that ambition. A Level 5 leader displays a paradoxical blend of personal humility and professional will.
- First Who... Then What. Those who build great organizations make sure they have the right people on the bus, the wrong people off the bus and the right people in the key seats before they figure out where to drive the bus. They always think first about who and then about what

***Disciplined Thought***

- Confront the brutal facts: Retain unwavering faith that you can and will prevail in the end, regardless of the difficulties, and at the same time have the discipline to confront the most brutal facts of your current reality, whatever they might be.
- The Hedgehog Concept: Greatness comes about by a series of good decisions consistent with a simple, coherent concept – a hedgehog concept. The Hedgehog concept is an operating model that reflects understanding of three intersecting circles: what you believe you can be best in the world at, what you are deeply passionate about and what best drives your resource engine.

***Disciplined Action***

- Culture of Discipline: Disciplined people who engage in disciplined thought and who take disciplined action – operating with freedom within a framework of responsibilities – this is the cornerstone of a culture that creates greatness. In a culture of discipline, people do not have jobs, they have responsibilities.
- The Flywheel: In building greatness, there is no single defining action, no grand programme, no one killer innovation, no solitary lucky break, no miracle moment. Rather, the process resembles relentlessly pushing a giant, heavy flywheel in one direction, turn upon turn, building momentum until and point of breakthrough and beyond.

***Building Greatness to Last***

- Clock Building, Not Time Telling: Truly great organizations prosper through multiple generations of leaders, the exact opposite of being built around a single great leader, great idea of specific programme. Leaders in great organizations build catalytic mechanisms to stimulate progress, and do not depend upon having a charismatic personality to get things done; indeed, many had a charisma bypass.
- Preserve the Core and Stimulate Progress: Enduring great organizations are characterized by a fundamental duality On the one hand; they have a set of timeless core values and a core reason for being that remain constant over long periods of time. On the other hand, they have a relentless drive for change and progress – a creative compulsion that often manifests itself in 'big hairy audacious goals'. Great organizations keep clear the difference between their core values (which never change) and operating strategies and cultural practices (which endlessly adapt to a changing world).

## Annex 2: Drucker on CVO Effectiveness

The following is a distillation a pertinent comments made by Drucker (1990) in *Managing the Non Profit Organisation*

### 1. **Ok, so what does a CVO need to become highly effective?**

'Napoleon said that there were three things needed to fight a war. The first is money. The second is money. And the third is money. That may be true for war, but it's not true for the non profit organisation. There you need four things. You need a plan. You need marketing. You need people and you need money'.

### 2. **A CVO needs a vision:**

Highly effective CVOs 'start by defining the fundamental change that it wants to make in society and in human beings'.

### 3. **A CVO needs a mission:**

CVOs 'exist for the sake of their mission. They exist to make a difference in society and in the life of an individual. They exist for the sake of their mission and this must never be forgotten. The first task of the leader is to make sure that everybody sees the mission, hears it and lives it.

### 4. **If it's so important, what are the ingredients of a successful mission?**

'There are three musts of a successful CVO mission: opportunities, competence and commitment. Look outside at the opportunities, the needs. Where can we, with the limited resources we have – and I don't just mean people and money, but also competence - really make a difference, really set a new standard? One sets the standard by doing something and doing it well. You create a new dimension of performance. The next thing to look at is what we really believe in. A mission is not, in that sense, impersonal. I have never seen anything done well unless people were committed'.

### 5. **A CVO has to deal with multiple constituencies and agree long term objectives.**

'CVOs deal with a greater variety of stakeholders and constituencies than the average business. One of the basic differences between businesses and CVOs is that CVOs always have a multitude of constituencies. It used to be that a business could plan in terms of one constituency. This has changed...and it is the reason why many business executives feel the world is coming to an end. But in the CVO there have always been a multitude of groups, each with a veto power... The first - and also the toughest – task...is to get all of these constituencies to agree on what the long term objectives of the CVO are.

### 6. **A CVO needs a strategy and to understand how marketing fits in:**

'Strategy converts a CVOs mission and objectives into performance. Despite its importance, however, many CVOs tend to slight strategy. It seems so obvious to most of them that they are satisfying a need, so clear that everybody who has that need must want the service that the CVO has to offer. One central problem is that too many CVO managers confuse strategy with a selling effort. Strategy ends with selling efforts. It begins with knowing the market – who the customer is, who the customer should be and who the customer might be. Marketing is fundamental to all this: it is the whole business seen from the point of view of the final result – the customer.

### 7. **Ok, so how should strategies develop and what about innovation?**

An effective CVO needs strategies to improve all the time and to innovate. Usually there is no lack of ideas in CVOs. What more often lacking is the willingness and the

ability to convert these ideas into effective results. What is needed is an innovative strategy. The successful CVO is organised for the new – organised to perceive opportunities. One strategy is practically infallible: refocus and change the organisation when you are successful and when everything is going beautifully. When everyone says “don’t rock the boat” and “if it aint broke don’t fix it”. At that point let’s hope that you have some character in the CVO who is willing to be unpopular by saying “let’s improve it”. If you don’t improve it, you will go downhill pretty fast. The best rule for improvement strategies is to put your efforts into your successes. Improve the areas of success, and change them’.

**8. A CVO needs effective leadership.**

‘I’ve seen a lot of businesses and all of us have seen lots of governments survive with mediocre leaders for quite a long time. In a CVO, mediocrity in leadership shows up almost immediately. You can’t be satisfied in a CVO with doing adequately as a leader. You have to do exceptionally well, because your CVO is committed to a cause. You want people as leaders who take a view of the CVOs functions, people who take their roles seriously – not themselves seriously.

Anybody in that leadership position who thinks he’s a great man or a great woman will kill himself and the CVO.... The leaders who work most effectively, it seems to me, never say “I”, don’t think “I”. They think “we”, they think “team”. They understand their job is to make the team function....The most critical people decision, and the one that is hardest to undo, is the succession at the top. It’s the most difficult because every decision is really a gamble. The only test of performance in the top position is performance in the top position – and there is very little preparation for it’.

**9. CVO’s need the right people and they need good teamwork:**

In the end what decides whether a CVO succeeds or fails is its ability to attract and hold committed people. Once it loses that capacity, its downhill for the CVO and this is terribly hard to reverse. Are we attracting the right people? Are we holding the right people? Are we developing them? I think you want to ask all three questions about a CVOs people decisions.... In fact CVOs most often fumble and lose their way despite great ability at the top and a dedicated staff because they fail to build teams. A brilliant man or woman at the top working with “helpers” functions only to a very limited extent; the CVO outgrows what one person can do. Yet teams do not develop themselves, they need systematic hard work.

**10. CVOs need to develop its people:**

You cannot allow a lack of resources, of money, of people, and of time (always the scarcest) to overwhelm you and become the excuse for shoddy work. Paying serious attention to self development – your own and that of everyone in the organisation – is not a luxury for CVOs’

**11. CVOs need to maximise the contribution of their boards:**

The CVO board plays a very different role from a business board. It is more active and, at the same time, more of a resource if managed properly – and more of a problem if not managed properly.

**12. CVOs need to be learning organisations:**

CVOs need to be information based. It must be structured around information that flows up from the individuals doing the work to the people at the top and on around information flowing down too. The flow of information is essential because a CVO has to be a learning organisation. People throughout the CVO need to ask: “what do I have to learn?” “What does this CVO have to learn?” Not in five years – but now, over the next few months.

**13. CVOs need to give priority to performance and results:**

CVOs tend not to give priority to performance and results. Yet performance and results are far more important – and far more difficult to measure and control – in CVOs than in a business. It is necessary to ask: “how is performance for this CVO to be defined?” Performance is the ultimate test of an organisation. Every CVO exists for the sake of performance in changing people and society. The ultimate question which I think everyone in the CVO should ask again and again and again, both of themselves and the organisation is: “what should I hold myself accountable for by way of contribution and results?” And of the CVO: “what should this organisation hold itself accountable for by way of contribution and results?”

**14. CVOs need to manage effectively and efficiently:**

‘Forty years ago management was a very bad word in CVOs. It meant business to them and the one thing they were not was a business. Indeed most of them believed that they did not need anything that might be called management. After all they did not have a bottom line.

But today CVOs themselves know that they need management all the more because they do not have a conventional bottom line. They know that they need to learn how to use management lest they be overwhelmed by it. Yet little so far available to the CVOs to help with their leadership and management has been specifically designed for them. Most of it was originally designed for the needs of business.

Little of it pays any attention to the distinct characteristics of the CVOs or to their specific central needs:

- to their mission which distinguishes them so sharply from business and government;
- to what are results in CVO work;
- to the strategies required to market their services and obtain the money they need to do their job;
- or to the challenge of introducing innovation and change in organisations that depend on volunteers and therefore cannot command.

Even less do the available materials focus on the specific human and organisational realities of CVOs;

- on the very different role that the board plays;
- on the need to attract volunteers, to develop them and to manage them for performance;
- on relationships with a diversity of constituencies;
- on fundraising and fund development; or on the problem of individual burnout, which is so acute in CVOs precisely because the individual commitment to them tends to be so intense.

There is a thus a real need among the CVOs for materials that are specifically developed out of their experience and focused on their realities and concerns’.

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