

## **PROPOSAL TO CREATE A CLORE LEADERSHIP PROGRAMME FOR THE THIRD SECTOR: A Context Paper commissioned by the Clore Duffield Foundation in spring 2007**

### **EXECUTIVE SUMMARY**

The Clore Duffield Foundation (CDF) is considering developing a leadership development programme for people working in the UK's third sector. The initial proposal is that the programme should be modelled on the successful Clore Leadership Programme for the cultural sector. However, the CDF recognises that there are significant differences between the cultural sector and the wider voluntary sector. It is also the case that a number of initiatives addressing leadership are already in place.

The intention is that any programme supported by the CDF should have the broad support of the third sector, be rooted in its needs and experience, and represent effective partnership working between a range of key stakeholders. Before launching its own proposals for consultation, the CDF commissioned this Context Paper, to function as a 'web appendix' to its Consultation Paper (launched July 2007).

### **SECTION 1: Defining the 'Third Sector'**

**page 10**

The term 'third sector' does not have any legal status. The third sector is a broad and somewhat ambiguous grouping, covering a very wide range of voluntary and charitable organisations. The sector's general features consist of:

- **General charities:** there are 169,000 general charities operating in England, Wales, Scotland and Northern Ireland, with a combined income of £26.3bn.
- **The broader voluntary sector:** was estimated in 1995 to turn over £45bn, and employ 1.5 million FTE (full-time equivalent) workers. This includes another 220,000 organisations.
- **Community-level organisations:** estimates of the number of community-level organisations range from 180,000 to 360,000, which include community self-help and mutual organisations, micro-social enterprises, community businesses, community enterprises, local employment and trading schemes.
- **The overall UK social economy:** has an income of approximately £72bn (1995 figure). In addition to organisations characterised as broader voluntary sector, this group includes co-operative and mutual organisations operating in banking and credit, insurance and pensions, agriculture, wholesale and retail.

- **Social enterprises:** at least 55,000 businesses with employees fit the government's definition of social enterprise (2006 figure).

## **SECTION 2: Key Trends in the Development of the Third Sector** **page 12**

There is no formal body of research examining the third sector as a whole. Our research identifies the following aspects of the third sector:

- A concentration of organisations in London and the South-East
- A proliferation of organisations
- Creative social entrepreneurship
- Founder-leaders
- Many micro-organisations
- Contrasted with a few 'big-hitters', the 290 charities with income over £10m account for 39% of total income, while the top 14 'super-charities' (with income over £100m) account for 10%
- A concentration of resources
- Static or falling incomes

The increased importance of earned income: earned income from trading and contracts, and income from statutory sources for providing have become increasingly important in the funding mix.

## **SECTION 3: Mapping the Third Sector Workforce** **page 15**

- The sector employs at least 608,000 paid staff – of whom 377,000 are full-time and 231,000 part-time (or 488,000 FTE). This number is increasing by 10,000 a year
- Almost a third (32%) of voluntary-sector employees are based in London and the South East
- One-third of employees in the voluntary sector (33.4%) hold a degree or equivalent qualification
- Compared to both the public and private sectors, the voluntary sector employs more women, who account for two-thirds of the total workforce. However, there is a predominance of male directors
- The sector employs more part-time staff than the public or private sectors – part-timers account for 38% of all jobs

- In 2004, an estimated 6.7% of the voluntary sector workforce was non-white
- UK charities and community groups benefit from over 13 million formal volunteers, who supply more than 1.1 million FTEs
- There are over 890,000 trustees

Voluntary sector staff are likely to move in and out of the sector to jobs in both the public and private sectors.

#### **SECTION 4: Key Issues Facing Leaders in the Third Sector** **page 17**

Organisations have very different leadership needs. However, it is possible to identify a number of key issues where the quality of leadership has an important role to play. These can be grouped as long-standing, and new and emerging challenges, to successful organisations.

##### **4.1 Long-standing challenges**

- Lack of resources
- Dependence on project-based working/funding
- A preponderance of small organisations
- The role of a premier league of super-charities
- The mixed role of volunteers, trustees and paid staff
- Governance
- Complex stakeholder accountability
- A glass ceiling: women are failing to fill leadership roles at the top of larger charities
- Diversity: the sector's focus on tackling exclusion and promoting social justice is not reflected in its workforce
- London and the South East represent nearly half of all sector income and attract a third of all paid staff

##### **4.2 New and emerging challenges**

- For many third sector leaders, the biggest challenge is deciding whether or not to engage in the delivery of public services
- A growing number of social programmes have been launched, based on a partnership delivery model

- A new emphasis on community development and regeneration
- Pressure to be entrepreneurial
- An increasing emphasis on the importance of involving service users in defining and delivering services
- Third sector organisations are increasingly required to demonstrate the value of what they do

## **SECTION 5: Current Leadership and Management Skills in the Third Sector** **page 20**

While most people working in the third sector would argue that it does not lack people with leadership skills, research studies have identified skills deficits in areas such as planning and organising, project management and strategic planning.

### **5.1 Investment in staff training and development in the third sector**

The third sector may not be exploiting its leadership potential to its maximum effect, due to inadequate investment in either management or leadership development.

### **5.2 Recruitment and retention of talented staff**

There are concerns over the sector's ability to attract and retain staff with leadership potential. A related problem is the absence of succession planning in the third sector.

## **SECTION 6: Leadership Training in the Third Sector** **page 23**

### **6.1 Existing provision** (see also Appendix 1)

Existing programmes fall into seven categories:

- Programmes aimed at existing leaders
- Programmes to encourage cross-sectoral learning
- Programmes to build the capacity of a specific group of organisations
- Programmes which focus on a particular technique
- Programmes for social entrepreneurs
- 'Show and tell' courses

There are also more generic management development courses.

## **6.2 An increasing interest in leadership training**

Over the past four years, leadership has risen up the third sector agenda. This additional activity is undoubtedly positive: however, commentators have expressed concerns about the ‘scattergun’ nature of the many initiatives. Given the size and breadth of the third sector, some argue that current funding is insufficient to make a real difference – to make an impact there needs to be much, much more.

## **SECTION 7: The Potential for a Contribution from the Clore Duffield Foundation**

page 26

Research suggests that there is a *general* need for more leadership training in the third sector, and that there is the potential for a contribution from the Clore Duffield Foundation, similar to the Clore Leadership Programme for the cultural sector. One current and important gap in the market is investment in ‘growing’ the next generation of third sector leaders. To be successful, this depends on understanding the contextual conditions and having clear objectives.

### **7.1 Contextual conditions**

- Third sector organisations lack time and money
- The non-hierarchical nature of many organisations, and the need to inspire and motivate volunteers, places particular demands
- The need to balance the demands of multiple stakeholders poses a particular challenge
- The relationship between management and trustees can be difficult to manage
- The challenge for third sector leaders of managing a triple bottom line
- The importance of leadership in advocacy and influencing in the third sector
- The greater stress on collaborative initiatives

### **7.2 Objectives**

- To encourage and enable the sector to ‘grow its own’ talent
- To help the sector develop its own view of leadership
- To inspire third sector organisations to improve their employment propositions

- To expand the talent pool by promoting the third sector as an attractive place to work
- To encourage investment in staff training
- To encourage better succession planning to support chairs and other trustees in playing an appropriate leadership role
- To encourage provision that meets the needs of small as well as large organisations
- To create more development opportunities for leaders at all levels in third sector organisations
- To generate greater support for community leadership
- To encourage more support for service users to 'lead' services
- To promote thought leadership, and to support leadership in advocacy and campaigning
- To develop a knowledge base on leadership development and organisational effectiveness
- To increase management competencies alongside leadership skills

### **7.3 Initial conclusions on the proposed leadership programme**

There is significant need for investment in this area, and there are many types of worthwhile activity that might be financed through a CDF-funded programme. However, a tight focus is needed. There is a demonstrable need for a programme aimed at bringing on the next generation of third sector leaders.

Participants need to be provided with free access to the programme and their organisations should be compensated for the time they spend away from their organisations.

The programme should address the following issues:

- leadership without authority/community leadership
- working with boards of trustees
- service-user engagement
- motivating and developing staff and volunteers
- addressing strategic questions

- generating income
- service design or redesign for maximum effectiveness
- getting the skills mix right to secure effective delivery

Furthermore:

- Participants need to be able to deliver some direct benefit back to their organisation
- An element of the programme should include clustering, to enable participants to consider the issues and challenges facing particular third sector sub-sectors
- The programme must have a measurable impact
- The programme needs to look beyond the 'usual suspects', and to promote diversity.

**APPENDIX 1: Significant Leadership Development Initiatives in the Third Sector, page 30**

**APPENDIX 2: Current Thinking on Leadership Development, page 38**

**APPENDIX 3: The Characteristics of Effective Third Sector Leaders, page 41**

**APPENDIX 4: The Clore Leadership Programme for the Cultural Sector, page 42**

## **INTRODUCTION**

The Clore Duffield Foundation (CDF) is considering developing a leadership development programme for people working in the UK's third sector. The initial proposal is that the programme should be modelled on the successful Clore Leadership Programme for the cultural sector, launched in 2003 (see Appendix 4, p. 42). However, the CDF recognises that there are significant differences between the cultural sector, concentrated on the arts, heritage, museums libraries and archives, and the wider voluntary sector, which has a different geography and ecology, and where the challenges to leaders are different. It is also the case that a number of initiatives addressing leadership are already in place.

The intention is that any programme supported by the CDF, as finally developed, should have the broad support of the third sector, be rooted in its needs and experience, and represent effective partnership working between a range of key stakeholders. Before launching its own proposals for consultation, the CDF has commissioned this Context Paper, in order to be able to assess the current issues facing the third sector, and to identify where CDF can make the most effective contribution.

### **The purpose of this paper**

This document is a Context Paper. It:

- reproduces key data on the third sector (Section 1, page 10)
- identifies key trends in the development of the third sector (Section 2, page 12)
- maps the third sector work force (Section 3, page 15)
- considers the long-standing, new and emerging issues facing leaders in the sector (Section 4, page 17)
- assesses current leadership and management skills in the sector (Section 5, page 20)
- surveys relevant existing provision of leadership training (Section 6 and Appendix 1, pages 23 and 30)
- assesses the potential for a contribution from the Clore Duffield Foundation, and outlines the contextual conditions and key objectives of a Clore Leadership Programme for the Third Sector (Section 7, page 26)

- reviews current thinking on leadership development and the characteristics of effective third sector leaders (Appendix 2, Appendix 3, pages 38 and 41)
- outlines the Clore Leadership Programme for the cultural sector (Appendix 4, page 42)

## SECTION 1: DEFINING THE 'THIRD SECTOR'

The term 'third sector' does not have any legal status. It is the term used by the new Office of the Third Sector, established as a government department within the Cabinet Office in May 2006, which defines it as: '*non-governmental organisations which are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives. It includes third sector and community organisations, charities, social enterprises, cooperatives and mutuals*'<sup>1</sup>.

The 'third sector' is therefore a broad and somewhat ambiguous grouping, covering a wide range of organisations. As such, it encompasses different categories of not-for-profit organisations – some of which do have legal status.

1. In its annual 'bible', the *UK Voluntary Sector Almanac*, the National Council for Voluntary Organisations (NCVO) focuses its attention on '**general charities**' – i.e., charities registered with the Charity Commission for England and Wales or other equivalent regulators. This category covers registered charities, *excluding* housing associations, independent schools, government-controlled charities (such as NHS charities and non-departmental public bodies), and organisations whose primary purpose is the promotion of religion. According to the latest *Almanac* there are 169,000 general charities operating in England, Wales, Scotland and Northern Ireland, with a combined income of £26.3bn<sup>2</sup>.
2. In 1995 (the latest estimate available<sup>3</sup>), the broader **voluntary sector** was estimated to turn over £45bn, and to employ 1.5 million FTE (full-time equivalent) workers. This includes another 220,000 organisations – many of them 'exempt and excepted charities' in recreation (170,000 sports and social clubs); 30,000 culture and arts organisations; 7,000 educational organisations (including higher education institutions as well as 1,500 independent schools and 5,000 third sector-aided, grant-maintained and special schools); 2,000 housing associations; and 3,000 trade unions, professional and trade associations. It also includes government-controlled charities (such as NHS charities and non-departmental public bodies), and organisations whose primary purpose is the promotion of religion. This category overlaps with community-level organisations (both sports and social clubs, and organisations whose primary purpose is the promotion of religion, may be community-based).
3. **Community-level organisations** include community self-help and mutual organisations, micro-social enterprises, community businesses, community enterprises and local employment and trading schemes (LETS). These smaller, grassroots organisations often have no paid staff, and many are thought to be 'below the radar' of most statistics. However, a proportion will be registered charities that fall into the category of

general charities. Estimates of the number of community-level organisations range from 180,000 to 360,000.

4. In recent years there has been growing government interest in **social enterprise**, defined as 'a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners'. The government 'believes social enterprise has a key role to play in achieving many of its goals, including overcoming social injustice and exclusion'<sup>4</sup>. At least 55,000 businesses with employees fit the government's definition of social enterprise (2006 figure). This represents about 5% of all businesses with employees, with a combined turnover of about £27bn.
5. The UK **social economy** (a term favoured in the European Union) has an income of approximately £72bn (again, a 1995 figure). In addition to organisations characterised as broader voluntary sector, this group includes co-operative and mutual organisations operating in banking and credit, insurance and pensions, agriculture, wholesale and retail. 'Mutuals' are organised for and by their members, who band together with the common purpose of providing a shared service from which they all benefit. Under the Finance Service and Markets Act 2000, 'mutual societies' include friendly societies, building societies, industrial and provident societies, housing associations and credit unions.

*It is worth noting here that the Clore Leadership Programme for the cultural sector has never sought to formally define the sector in which it operates.*

## SECTION 2: KEY TRENDS IN THE DEVELOPMENT OF THE THIRD SECTOR

There is no formal body of research examining the third sector as a whole. Most of the available research examines charitable organisations – regarded by many as the core of the third sector. NCVO's *UK Voluntary Sector Almanac* (2006) is the main source of statistical information on the charitable sector, and its analysis is based primarily on general charities (i.e. category 1 above). Based on this definition, our research identifies the following broad features in the development of the third sector:

- **Concentration in London and the South East.** Over three-quarters of general charities (132,000) are based in England, while around 25,000 are in Scotland, 8,000 in Wales and 5,000 in Northern Ireland. Just over a quarter of general charities (46,000) are based in London and the South East – a reflection of the fact that so many charities (especially the larger ones) choose to have their head offices in and around the capital. In all, over a third of the sector's income is generated from charities based in London.
- **Proliferation of organisations.** The number of charities (net of closures) has grown by 75% in the past 13 years, and by 20% in the past four. Most of this growth is in the newest, smallest charities – the number of charities with income under £100,000 has grown by 20,000 in the past four years.
- **Social entrepreneurship.** Starting up a new venture – whether third sector or private – requires a very specific set of leadership skills. According to the School for Social Entrepreneurs (SSE), such social entrepreneurs 'build something out of nothing. They are ambitious to achieve. They marshal resources to meet their needs. They are constantly creative. And they are not afraid to make mistakes'.<sup>5</sup> A number of programmes have been set up specifically to support social entrepreneurs, including SSE, Unltd and Community Action Network (see Section 6 and Appendix 1, pages 23 and 30, for more details).
- **Founder-leaders.** The inspirational leader who is highly effective in mobilising local support may not be good at leading the development of the internal management systems needed to underpin growth (or at least s/he may need support in developing these skills).
- **A large number of micro-organisations.** Many of these new charities are very small, and charity incomes are highly concentrated: 56% of general charities (95,000) have income below £10,000 and account for just 1% of sector revenue. Most of these organisations will employ no paid staff. A further 30% (51,000) have incomes of £10,000 to £100,000, accounting for 6.6% of total income. Those managers working in the smallest charities will often be expected to carry out a variety of roles

simultaneously, juggling a series of pressing – and sometimes conflicting – priorities.

- **But a few big-hitters.** At the other end of the scale, the 290 charities with income over £10m account for 39% of total income, while the top 14 ‘super-charities’ (with income over £100m) account for 10%. Arguably, such super-charities have become like private corporations or public authorities in their own right, with a very different culture, structure and operations to their small and mid-sized peers.

**UK General Charities, 2005**

|                             | <b>Under<br/>£10k</b> | <b>£10k to<br/>£100k</b> | <b>£100k to<br/>£1m</b> | <b>£1m to<br/>£10m</b> | <b>Over<br/>£10m</b> | <b>Total</b>       |
|-----------------------------|-----------------------|--------------------------|-------------------------|------------------------|----------------------|--------------------|
| <b>No. of<br/>charities</b> | 95,570<br>(56%)       | 51,394<br>(30%)          | 19,064<br>(11%)         | 2,930<br>(2%)          | 290<br>(0.2%)        | 169,248<br>(100%)  |
| <b>Total<br/>income</b>     | £298m<br>(1%)         | £1,737m<br>(7%)          | £5,883m<br>(22%)        | £8,172m<br>(31%)       | £10,233m<br>(39%)    | £26,323m<br>(100%) |

*Source: UK Voluntary Sector Almanac (2006)*

- **Concentration of resources.** Over the past decade we have seen a concentration of resources into the hands of the largest players. Charities with income over £10m have seen their sector share increase from 25% to 39%; meanwhile, those mid-sized charities with income of £1m to £10m have seen sector share fall back from 37% to 31%. Mid-sized charities are being squeezed, making it hard for them to grow or develop.
- **Static or falling incomes.** Over the past year, whatever their size, average real charity incomes have been at best static, suggesting that individual organisations are struggling to increase revenues beyond the rate of inflation. This tough funding climate is expected to continue, with government funding squeezes, falling Lottery sales and an increasingly bombarded (and perhaps fatigued) donor base. In a static, crowded sector, charities will have to work even harder to prove their case, and to make it heard.
- **Increasing importance of earned income.** Over time, earned income from trading and contracts, and income from statutory sources for providing services (in both fees and grants), has become increasingly important in the funding mix. The share of voluntary income and investment income has declined. The growth in contract income from providing social services to local authorities and government agencies places a new responsibility on leaders to demonstrate the outcomes of their work and prove its value, and also to manage costs efficiently. While trading income is increasing, this is from a relatively low base and work

examining entrepreneurialism in the sector has revealed a large skills gap that needs to be filled.

### SECTION 3: MAPPING THE THIRD SECTOR WORKFORCE

According to the *Labour Force Survey*<sup>6</sup>, the 'voluntary sector'<sup>7</sup> employs at least 608,000 paid staff – of whom 377,000 are full-time and 231,000 part-time (or 488,000 FTE). This number is increasing by 10,000 a year, and now equates to 2.2% of the total national workforce.

- Together, almost a third (32%) of voluntary sector employees are based in London and the South East. It is said that those organisations based outside London and the major conurbations often find it difficult to attract suitable staff.
- According to the *Labour Force Survey*, 16.5% of voluntary sector employees are managers and senior officials, while another 13.1% are in professional occupations. The largest single group is associate professional and technical employees (23.3%) – a category that includes welfare, community and youth workers.
- One-third of employees in the voluntary sector (33.4%) hold a degree or equivalent qualification. This is similar to the public sector (32.7%) and over twice the proportion in the private sector (15.5%). Overall, two-thirds of voluntary sector employees are educated to GCE 'A' level standard or above.
- Compared to both the public and private sectors, the voluntary sector employs more women, who account for two-thirds of the total workforce. However, when it comes to the most senior staff, a rather different picture emerges, with a predominance of male directors.
- The sector also employs more part-time staff than the public or private sectors: part-timers account for 38% of all jobs. Overall, 32% of employees are part-time women workers. Given the short-term nature of funding cycles, many staff are employed on one- to three-year contracts, and around 12% of staff are employed on a temporary basis.
- In 2004 an estimated 6.7% of the voluntary sector workforce was non-white. This figure is in line with both public (7.1%) and private sectors (7%), but a little below the overall mix of the population (with 7.9% of the British population non-white). Non-white employees are also less likely to be in senior management positions.
- According to the Home Office *Citizenship Survey*<sup>8</sup>, UK charities and community groups benefit from more than 13 million formal volunteers, who supply over 1.1 million FTEs. Volunteering is sometimes used as a pathway into paid employment in the third sector, as well as a way of gaining a foothold in the wider job market.

- There are also more than 890,000 trustees, filling around 1 million trusteeships. Of course, there are significant overlaps between the three groups: voluntary sector employees are often trustees in their free time; trustees are often volunteers, and so on. Again, recent research shows that trustees tend to be white, male, middle-class, and older. For example, the latest pay survey of the Association of Chief Executives of Voluntary Organisations (acevo) shows that 94% of trustees are white, 64% are aged 55 or older and only 30% are women<sup>9</sup>.
- The (limited) evidence suggests that the voluntary sector is more porous than the others – i.e., voluntary sector staff are likely to move in and out of the sector to jobs in both the public and private sectors. It is sometimes suggested that this makes it harder to identify, motivate and retain future leaders.

## SECTION 4: KEY ISSUES FACING LEADERS IN THE THIRD SECTOR

The third sector is clearly broader and more diverse than the cultural sector. It comprises hundreds of thousands of organisations that vary widely in size, service area or cause, and funding mix. As in the rest of the public realm, the pace of economic, social and technological change is speeding up. Competition is intensifying. Customers are becoming more demanding – as are activists and watchdogs. Organisational structures are becoming more complex. The higher expectations of workers have revised the ‘psychological contract’ with the employer.

These factors affect not only the overall *quality* of leadership required in the third sector, but also the *mix* of skills and behaviours that leaders need to exhibit. As a 2003 acevo report stated, ‘Tomorrow’s leaders will need to be capable of managing highly decentralised organisations; interpersonally competent, especially sensitive to issues of diversity; and community builders. Above all, they will need to be flexible enough to meet ever-changing situations, as yet unpredicted.’<sup>10</sup>

Organisations can have very different leadership needs depending on their particular circumstances and stage of development. However, it is possible to identify a number of key issues where the quality of leadership has an important role to play. These can be grouped as long-standing, and new and emerging, challenges to successful organisations.

### 4.1 Long-standing challenges

**Lack of resources:** Smaller third sector organisations, in particular, often lack the money and time to dedicate to the recruitment and training of key staff; and sometimes feel reluctant to spend donations away from the cause. They have to manage with fewer resources and are frequently reliant on goodwill and inspiration to get the job done.

**Project-based working/funding:** Many third sector organisations survive and seek to sustain their core through project funding. Often, projects are funded for only one or two years; and sometimes notice of continuation funding – if it is available – comes after the point at which redundancy notices have had to be issued. This has a significant impact on recruitment and retention and on attention to the training and development of staff.

**A preponderance of small organisations:** The majority of CEOs in the sector are running small- or medium-sized organisations. Such organisations present their own leadership challenges: for example, the CEO may not have a management team below him or her and by default has to be Finance, Fundraising and Operations Director rolled into one. They need space to stand back from the day-to-day *melée*, and to see the bigger picture.

**The role of a small but powerful ‘premier league’ of ‘super-charities’:** These are closer in style to corporates or public authorities, employing middle managers with considerable operational responsibility or specialist expertise. Here, the emphasis may be more on liberating these middle managers from the confines of their job description, allowing them to think more broadly, and become more innovative. Leading a long-established charity also brings its own set of challenges, not least reinventing the ‘proposition’ for a 21<sup>st</sup>-century operating environment, and changing habitual cultures to become more adaptable and user-focused.

**The mixed roles of volunteers, trustees and paid staff:** While professionals are essential, third sector activity is driven by unpaid volunteers and trustees, and there are blurred boundaries between the three categories. Leaders need to be skilled in working with both paid and unpaid staff *and* skilled in motivating unpaid staff. Staff tend to be driven by passion for the cause, and have a more ‘democratic’ ethos than in commercial organisations. Organisations perceived as hierarchical may be viewed with scepticism, with leadership being seen as something that should be exhibited by staff at a number of different levels. Many employed staff are working part-time and/or on short term contracts. Leaders need to ensure that the professional development of staff is flexible enough to fit in with fragmented working patterns. A Leadership training programme that only catered to paid staff would be missing a significant element of the sector.

**Governance:** The relationship between trustees and the senior management team can cause confusion and conflict. Both groups may consider that they are leading the organisation.

**Complex stakeholder accountability:** Third sector organisations have to juggle the demands of many different stakeholders, including service users, staff, trustees, funders, government and the wider community. Third sector leaders therefore need both outward-looking leadership skills (the ability to influence) and inward-looking leadership skills (the ability to manage). In the former case they face the challenge of leading without authority.

**A glass ceiling:** The sector employs a high proportion of women. However, women are failing to fill the ‘traditional’ leadership roles at the top of larger charities; some report getting ‘stuck’ running mid-sized organisations, unable to make the leap to larger organisations.

**Diversity issues:** Despite the sector’s focus on tackling exclusion and promoting social justice, this is not reflected in its workforce, particularly at a senior level. As society generally becomes more diverse, third sector organisations are under pressure to provide culturally sensitive services and to recruit and retain a representative workforce. However, many third sector organisations are long-established and traditional in their methods of working. Generally their workforce (particularly if they rely on volunteers) is white and middle class. Such

organisations tend to be resistant to change – presenting a major leadership challenge.

**A London-centric sector:** London and the South East represent nearly half of all sector income and attract a third of all paid staff. This is also where support services such as universities, training providers and conferences are concentrated. It is far more difficult to access support in the rest of the country, especially outside the metropolitan areas.

## 4.2 New and emerging challenges

**The contract culture:** For many third sector leaders, the biggest challenge is deciding whether to engage in the delivery of public services – and, if they do engage, deciding on what terms. Most are concerned with maintaining the distinctiveness of their organisation. They are worried that participation will turn donors off; they are also concerned about mission drift and erosion of organisational ethos.

**Partnership working:** Over the course of the Labour government, a growing number of social programmes have been launched, based on a partnership delivery model. Increasingly, leaders of third sector organisations have been asked to provide their views on the design and delivery of programmes at the national and more local levels. These delivery models are often based on collaborative working with the public and, in some instances, the private sector.

**A new emphasis on community development and regeneration:** For larger national third sector organisations, this means considering how to re-engage with communities and participate in community planning. Likewise, for smaller, local organisations, it means working with a wide range of partners, and leading horizontally across organisational – and often sectoral – boundaries.

**The pressure to be entrepreneurial:** Being entrepreneurial is not the sole purpose of social enterprises. Funding constraints mean that third sector organisations *have* to develop new income streams. And indeed, many are looking to become more entrepreneurial in their culture and organisation – for example, by setting up trading arms or in-house innovation teams.

**The impact of user-led organisations:** There is an increasing emphasis on the importance and value of involving service users in both defining and delivering the services they receive. This poses particular challenges for organisational leaders, and requires a facilitative style and strong interpersonal skills.

**The need to demonstrate value:** Third sector organisations are increasingly required to demonstrate the value of what they do. There is growing funder interest in the development of appropriate outcome and impact measures. Third sector organisations are also expected to sign up to particular quality standards, to develop and promote good practice, and often to innovate – and all this within already tight budgets.

## **SECTION 5: CURRENT LEADERSHIP AND MANAGEMENT SKILLS IN THE SECTOR**

Most people working in the third sector would argue that it does not lack people with leadership skills. A survey by the Hay Group (see Appendix 3, p. 41) indicates that compared to leaders in both the public and private sectors, the best third sector leaders have a rare balance of inward-looking and outward-facing skills. The Hay study suggests that people in leadership positions in the sector need (and often demonstrate) *exceptional* communications skills, networking skills, self-confidence, resilience and emotional attachment<sup>11</sup>.

However, although third sector leaders may have the necessary outward facing influencing skills, they may not be so strong on the management skills needed to follow through on their organisational vision and mission. While in larger organisations, appropriate managerial skills should be represented in the CEO and senior management team, in smaller organisations the CEO will need to diagnose such skills deficits and ensure that they are filled by deploying all the resources available to the organisation to maximum effect – for example, through volunteers and board members, utilising and developing the skills base of existing staff, sharing resources and services with other agencies, and accessing consultants or otherwise buying in the expertise needed.

Two successive research studies by the Voluntary Sector National Training Organisation have identified skills deficits in particular in areas such as planning and organising, project management and strategic planning<sup>12</sup>. The skills expected to become more important in the future are strategic planning, fundraising, strategic IT, negotiations skills and working in partnership, as well as a variety of other management skills and generally working in a more ‘business-like’ manner.

### **5.1 Investment in staff training and development in the third sector**

The third sector may not lack people with innate leadership potential. However, it may not be exploiting this potential to its maximum effect, due to inadequate investment in either management or leadership development. Again, according to the Skills Foresight research, third sector employers identified the most significant obstacles to meeting staff development needs as:

- a lack of financial resources for training (60%)
- the fact that training costs are not covered by project budgets (57%)
- a lack of clarity in the sector about career pathways (54%)

Anecdotal evidence also suggests that some senior managers and trustees begrudge the time taken in management training, either because they see it as deflecting effort from the cause, or because they suspect that once trained, the staff member will leave.

According to Skills Foresight, the *average* third sector organisation spends just £255 on training per person per annum. A Compass Survey in 2000 found that even *large* national third sector organisations spend only 2% of salary costs on training. And, only 70% have a formal policy to encourage training. Indeed, when it comes to existing leaders, the story is no different: training budgets for CEOs are at best 1% of turnover, compared to 3% in the public and private sectors<sup>13</sup>.

## 5.2 Recruitment and retention of talented staff

Many of those interviewed for the 2003 acevo *Leadership, Leadership, Leadership* report expressed concerns over the sector's ability to attract and retain staff with leadership potential<sup>14</sup>. The sector is perceived as offering poor pay and other terms and conditions – for example, inadequate pension provision – and that further it does not promote 'its own' into the most senior posts. Meanwhile, the many positives of working in the sector are not widely recognised: for example, staff generally have greater freedom of operation and more responsibility than peers at a similar stage in their career in either the private or the public sector.

Acevo's 2006/7 remuneration survey highlighted that 31% of the sector's CEOs came from the private sector and over 50% came from various public sector categories<sup>15</sup>. (Indeed 41% of those CEOs entering the sector from outside took a pay cut to do so, citing 'job interest' and 'making a difference' as justification.) Only 19% of CEOs were 'home-grown' candidates from inside the sector. This is in large part believed to be because some boards prefer to recruit senior staff from other sectors, since they place more emphasis on the 'hard' skills needed to run organisations, and believe that 'imports' are more likely to have them. The analysis in the Hay report suggests that this lack of confidence is misplaced<sup>16</sup>. Many sector staff have the soft skills increasingly prized by both the corporate and the public sectors. Many also have the necessary hard skills, or could develop them with the right training and support.

A related problem/issue is the absence of succession planning in the third sector. Of the CEOs questioned by acevo, 74% stated that they do not have a succession plan in place for their senior management team; 71% of CEOs surveyed said they have no 'natural successor' within the organisation. Whether this deficiency is real or perceived, it suggests a serious problem for these organisations' long-term sustainability.

According to Agenda Consulting, labour turnover in the charity sector 2005 was 21% – considerably higher than in the UK economy as a whole (15%)<sup>17</sup>. Furthermore the average length of stay with the same employer (33 months) is shorter than for the UK as a whole (55 months). There is evidence that charities are facing an increasingly competitive labour market for their staff. If third sector organisations are to recruit home-grown CEOs, then they need to attract and retain a strong talent pool. The strong growth in the third and public sectors,

coupled with relatively low unemployment, gives good staff many options these days.

Only 20% of the 136 voluntary and community organisations in Agenda's 2005 benchmarking survey operated a structured approach to career planning. Roger Parry, Director of Agenda, said: 'In the absence of clarity about what future roles may be available, and how they can progress their careers, many employees are concluding that better opportunities lie elsewhere.' He concluded that: 'In an increasingly competitive labour market, the charities that succeed will be those who create a compelling employment proposition that engages their people and provides the development and career opportunities they are looking for.'<sup>18</sup>

## SECTION 6: LEADERSHIP TRAINING IN THE THIRD SECTOR

### 6.1 Existing provision

There are already a number of initiatives and programmes in place to provide enhanced leadership training for the third sector. The most significant are:

- Action Learning Matters
- Acevo
- Ashoka
- Collaborating for Success
- Common Purpose
- Community Action Network
- Council of Ethnic Minority Voluntary Organisations (CEMVO) Capacity Building Programme
- The IMPACT Programme
- Joseph Rowntree Foundation Summer School
- Leaders UK
- The School for Social Entrepreneurs

*Details of these programmes are given in Appendix 1, page 30*

Existing programmes fall into seven categories:

- Programmes aimed at **existing leaders** – in particular, acevo's excellent portfolio of learning options for current and soon-to-be CEOs.
- Programmes to encourage **cross-sectoral learning** – often originating in the public sector, but now extending access to the third sector. Leaders UK is the most ambitious of these programmes, but there are others too.
- Programmes to **build the capacity** of a specific group of organisations – for example:
  - The Impact programme, aimed at managers, volunteers and trustees in the London homelessness sector
  - CEMVO's ambitious MBA programme for black and minority ethnic leaders

- Engage East Midlands' Collaborative Leadership programme, to teach 'animators' how to lead clusters of local organisations working together
- Programmes which focus on a **particular technique** – such as the Action Learning Matters project, which is now expanding to promote all types of experiential and peer learning.
- Programmes for **social entrepreneurs** – in particular the School for Social Entrepreneurs, whose approach is perhaps closest to the proposed CDF approach, albeit it has different objectives. Ashoka and Community Action Network also fall into this category.
- '**Show and tell**' courses – such as the JRF Summer Schools, Common Purpose, and the Prince's Seeing is Believing Programme run by Business in the Community – which expose current and emerging leaders to major social issues, in order to influence their way of thinking.

In addition to the above, there are also **more conventional management development courses** (both intensive and long term) which include an element of leadership training. The prevailing view is that a purely academic approach to leadership development is inappropriate. Some universities are responding to this by creating more flexible, modular courses; the most interesting to CDF are Cass Business School (part of City University), Judge Management Institute (at Cambridge University), and South Bank University.

## 6.2 The increasing interest in Leadership Training

Over the past four years, leadership has risen up the third sector agenda. There are a number of factors behind this growing interest:

Acevo and NCVO have been campaigning for greater support for leadership development in the sector: for example, in 2003 they launched a joint report, *Leadership, Leadership, Leadership – A call for a new initiative to promote leadership development in the voluntary sector*, which received considerable coverage in the specialist media<sup>19</sup>.

- The government-funded ChangeUp Strategy has invested new funds into the sector's human resources through the creation of the Workforce and Governance Hubs.
- A range of regional and local leadership initiatives have been funded through the Workforce Hub – for example, ChangeUp Merseyside (Heartfelt), the Black Country (Right People, Right Skills), and Project North East (Leadership and Governance Programme).
- There is a greater interest in leadership among academic providers, keen to develop provision for the third sector market.

- Last but not least, the formation of the Third Sector Leadership Centre. This was established by the UK Workforce Hub, in partnership with acevo and NCVO, and launched on 31 October 2006. It is hosted by the Henley Management College. The Centre aims to raise awareness of the importance of effective third sector leadership. It will not provide training directly, but will act as a central information point about opportunities and provide some resources for developing leadership and management skills. Current activities include identifying regional leadership champions, establishing a national leadership forum, and developing action learning sets with Action Learning Matters. The Centre is currently compiling a database of the many leadership initiatives taking place across the country, as well as a list of the most appropriate suppliers.

This additional activity is undoubtedly positive. However, some commentators have expressed concerns. Firstly, about the ‘scattergun’ nature of the many initiatives – without a strategic overview, and a framework within which to place initiatives, there is a danger of reinventing the wheel on the one hand, and missing crucial elements on the other.

Secondly, there are concerns that a large injection of government cash into workforce development for a short period of time may distort the market overall – for example, by creating unrealistic expectations of the cost and availability of training programmes. Leadership training is seen as an ongoing need – there will always be new waves of potential leaders rising through the ranks. In order to create a new culture of leadership in the sector, there should be sustained funding over a long period, matched with a recognition *by third sector organisations themselves* of the value of investing in their people.

Finally, given the size and breadth of the third sector, some argue that current funding is insufficient to make a real difference. To make an impact, there needs to be much, much more.

## SECTION 7: THE POTENTIAL FOR A CONTRIBUTION FROM THE CLORE DUFFIELD FOUNDATION

Our research suggests that there is a *general* need for more leadership training in the third sector, together with the potential for a contribution from the Clore Duffield Foundation, similar to its successful Clore Leadership Programme for the cultural sector. One current and important gap in the market is investment in ‘growing’ the next generation of third sector leaders. It is not the purpose of this Context Paper to define what form that contribution should take, but we believe that any Clore Leadership Programme for the third sector should be created in the light of the following conditions (7.1), and have the following primary and secondary objectives (7.2):

### 7.1 Contextual conditions

- Third sector organisations **lack time and money** to devote to recruitment and training
- The democratic, **non-hierarchical** nature of many organisations and the need to **inspire and motivate** volunteers places particular demands on leaders
- The need to balance the demands of **multiple stakeholders** poses a particular challenge
- The **relationship between management and trustees** can be difficult to handle, where both see themselves as ‘leading the organisation’
- The challenge for third sector leaders of managing a **triple bottom line**; Increasingly they are expected to be skilled in making and managing money, to demonstrate a positive social impact and to operate in a socially responsible way
- The importance of leadership in **advocacy and influencing** in the third sector – in issue or cause leadership as opposed to organisational leadership
- The greater stress on **collaborative initiatives**, where leaders lead without authority

### 7.2 Objectives of a new leadership training programme

A successful leadership programme for the third sector would have the following primary and secondary objectives:

- to encourage and enable the sector to ‘**grow its own**’ **talent**, rather than being over-reliant on imported managers from other sectors

- to help the sector develop – and celebrate – its **own unique view of leadership**. The third sector should become regarded as a good career option for the brightest and the best
- to inspire third sector organisations to improve their own employment propositions, by **investing in career planning** for all their staff
- to **expand the talent pool** by promoting the third sector as an attractive place to work
- to encourage **investment in staff training and development** more generally – work is needed to promote a culture in which such investment is taken seriously
- to encourage **better succession planning** – few third sector organisations take this issue seriously, yet it is crucially important to the future health and development of the sector
- to **support chairs and other trustees** in playing an appropriate leadership role
- to encourage provision that meets the needs, and budgets, of **small as well as large organisations**
- to create more development opportunities for leaders working **at all levels** in third sector organisations – particularly new entrants to the sector
- to generate **greater support for community leadership**
- to encourage more **support for service users** to ‘lead’ services, in the sense of helping define and deliver services which best meet their needs
- to **promote thought leadership**, and to support leadership in advocacy and campaigning or issue or cause leadership
- to develop a **knowledge base** on the link between leadership development and organisational effectiveness in the third sector
- to increase **management competencies** in the third sector alongside leadership skills

While a single programme might not be able to address all of these needs head-on, some broader issues should inform its development – for example:

- **promoting careers** in the third sector – publicity about the programme could play an important role in promoting the third sector as an exciting and stimulating place to work

- **governance** – in order to be effective, third sector leaders need to be skilled in working with boards
- **community leadership** – third sector leaders generally need to consider how they relate to and ‘lead’ their ‘community’, whether it be a local community or a community of interest
- **service-user engagement** – by helping participants think through the leadership and management challenges such engagement poses

### 7.3 Initial conclusions on the leadership programme

- There is significant need for investment in this area, and there are many types of worthwhile activity that might be financed through a CDF funded programme. However, a tight focus is needed – it would otherwise be easy to use the resource available without achieving much impact.
- The initial proposition is that the programme be focused on recruiting and developing the skills, experience and confidence of those with the potential to lead third sector organisations (i.e. bringing on the next generation of third sector leaders). Such investment is currently lacking, and there is a demonstrable need for such a programme.
- Participants need to be provided with free access to the programme, and their organisations should be compensated for the time they spend away from their organisations.
- Programme content should address the following issues:
  - leadership without authority/community leadership
  - working with boards of trustees
  - service user engagement
  - motivating and developing staff and volunteers
  - addressing strategic questions – for example, whether or not to engage in the delivery of public services
  - generating income in an increasingly tough funding environment
  - service design or redesign for maximum effectiveness
  - getting the skills-mix right to secure effective delivery
- Participants need to be able to deliver some direct benefit back to their organisation. For example, they might lead an organisational development

project based on a diagnosis of organisational strengths and weaknesses and focusing on a priority issue.

- An element of the programme should include clustering, to enable participants to consider the issues and challenges facing particular third sector sub-sectors – for example, organisations working with older people or children.
- The programme must have a measurable impact, in order to give confidence to funders, individual participants and the organisations that employ them.
- Finally, the programme needs to look beyond the ‘usual suspects’ (well-qualified, white, middle-class males) and promote diversity.

**Margaret Bolton and Meg Abdy**

**Commissioned by the Clore Duffield Foundation Leadership for the Third Sector Steering Group, Spring 2007**

## APPENDIX 1: SIGNIFICANT LEADERSHIP DEVELOPMENT INITIATIVES IN THE THIRD SECTOR

### Action Learning Matters

**Web address:** [www.alm-vol.org.uk](http://www.alm-vol.org.uk)  
**Key contact:** Ruth Townsley  
**Email:** [ruth.townsley@navca.org.uk](mailto:ruth.townsley@navca.org.uk)

**Summary approach:** A national resource for action learning in the voluntary and community sector across England, hosted by NAVCA (National Association for Voluntary and Community Action). The programme aims to promote the concept of action learning; to provide accessible information and resources; and to support local, regional and national infrastructure bodies to spread action learning throughout the voluntary and community sector. It covers a wide variety of management issues, as identified by participants, including 'leadership'. It is currently working with the Third Sector Leadership Centre to develop two regional action learning sets (in NW and East England) for CEOs and other Directors.

**Participants:** Managers, trustees and development workers in local voluntary and community organisations. Several sets of arts development workers have been involved in the programme, and are said to respond well to this approach.

**Partners:** Action Learning Matters grew out of a three-year programme called Action Learning for Managers, developed in conjunction with five third sector networks: BASSAC (British Association of Settlements and Social Action Centres), BTEG (British Training and Enterprise Group), Dial UK (Network of Disability Information and Advice Centres), NACAB (National Association of Citizens Advice Bureaux) and NAVCA (National Association for Voluntary and Community Action). All five organisations still endorse the project.

**Funding:** Action Learning Matters is funded for 16 months, through the UK Workforce Hub as part of the ChangeUp programme. From April 2007 onwards, 50% of funds are expected to come from selling services; by April 2008 the project is expected to be entirely self-financing. Seedcorn money has been given to produce a business plan.

**Activities:** Small groups of (up to six) people meet with a facilitator for at least six sessions over an agreed period. Participants are matched according to their role, or the issues they are facing. Each member can explore work-related issues in a supportive, non-judgemental, confidential environment. Action points are agreed for work between the sets, and the learning is shared between group members. Participants have to ensure the active support of their organisation.

**Follow-up:** 70% of learning sets continue beyond the initial period. Participants who complete a set may themselves be trained to become facilitators, so cascading the experience vertically and horizontally. It is intended to work towards accreditation of the facilitation training programme.

**Future plans:** Action Learning Matters plans to set up regional networks of people involved in 'experiential and peer learning' – including action learning, peer-to-peer

support, mentoring and coaching. The organisation intends to offer a brokering service for regional participants.

**Of note:** Action Learning Matters has compiled a database of trusted action learning facilitators across the country. It has developed a resource pack on action learning, and are experimenting with an e-learning model.

### **Association of Chief Executives of Voluntary Organisations (acevo)**

**Web address:** [www.acevo.org.uk](http://www.acevo.org.uk)  
**Key contact:** Astrid Kirchner, Head of Professional Development  
**Email:** [astrid.kirchner@acevo.org.uk](mailto:astrid.kirchner@acevo.org.uk)

**Summary approach:** acevo promotes support for leadership development, by facilitating mentoring, running courses, and providing networking/mutual learning opportunities for chief executives and next generation chief executives. It has also developed opportunities for members to take part in other leadership programmes.

**Participants:** acevo members – Chief Executives and Next Generation Chief Executives

**Activities:** acevo runs its own short leadership development courses, developed in association with Cass Business School, Cranfield and Ashridge. It can set up tailored in-house leadership programmes for larger organisations. Acevo also provides access to peer learning, 360<sup>0</sup> feedback, executive coaching and mentoring, via a network of trusted suppliers.

In the past, acevo has also secured bursaries for places on a variety of courses, including:

- The Campaign for Leadership's Effective Leadership Programme
- The Leadership Trust Foundation's Leadership in Management Programme
- The Windsor Leadership Trust's programme
- The Civil Service's Top Managers Programme

### **CEMVO's Capacity Building Programme**

**Web address:** [www.cemvo.org.uk](http://www.cemvo.org.uk)  
**Key contact:** Krishna Sarda  
**Email:** [Krishna.Sarda@EMFoundation.org.uk](mailto:Krishna.Sarda@EMFoundation.org.uk)

**Summary approach:** In 2002 CEMVO set up a tailored MBA programme aimed at building leadership capacity in black and ethnic minority communities. The qualification aimed to consolidate students' 'real life' experience and give boards the confidence that they have the necessary 'hard' skills to lead organisations. The programme was run with

the University of East London. The MBA participants were intended to become a future cadre of ethnic minority voluntary and community organisation (EMVCO) leaders.

After completing the year-long academic programme, each student was required to capacity-build 40 EMVCOs over a four-year period (later reduced to three years), using a specially-developed Diagnostic Tool Kit. The University monitored the work of students and issued certificates to the EMVCOs to show that they have been capacity-built to the required standard. The MBA degree is awarded on presentation of a thesis of their fieldwork.

**Participants:** The course was run for two years, involving a total of 60 participants from a range of backgrounds and with 'street' or community skills, including six young people on income support. The first course (15 students) focused on London; the second (45 students) was rolled out across the UK. The second stream finished in July 2006: 52 of the participants now have senior-level positions within EMVCOs, while four are doing further research and policy work with CEMVO.

**Funding:** The programme was funded with £2.5m from the Single Regeneration Budget, as well as substantial funding from the Big Lottery Fund, the Esmée Fairbairn Foundation, and CEMVO itself (20 corporates also supported the project). CEMVO developed partnerships across the country with local authorities, LSCs, Connexions, and local voluntary and community organisations.

**Activities:** The MBA programme was modular, including core modules developed by the University of East London (and others) and four bespoke modules developed by CEMVO. Bespoke elements furthered the understanding of:

- The size and diversity of ethnic minority communities (including faith communities). The topography of the ethnic minority voluntary sector (an estimated 9,500 organisations), including the size, scope and state of the EMVCOs, which service the communities.
- Deprivation within the ethnic minority communities across the main areas of health, housing, education, employment, crime prevention, drug abuse and other relevant social issues/areas.
- Conflict management skills – including negotiating and living with compromise.
- Third sector financial management

**Follow-up:** During the capacity building period, participants met quarterly to share experiences. This learning was captured and fed into the future evaluation (see below).

**Future plans:** Having created a pool of 50 leaders, CEMVO has now moved away from the MBA approach and is developing a programme of community-based activity, designed to create collective leadership at the grassroots level. This will involve working with groups of people (rather than individuals) including all ethnic backgrounds, aiming to build integration and cohesion across deeply divided communities.

**Of note:** CEMVO has commissioned an evaluation of the original Capacity Building Programme (available summer 2007).

### **Collaborating for Success**

**Web address:** [www.vcscollaborate.org](http://www.vcscollaborate.org)  
**Key contacts:** Krista Blair, Engage East Midlands  
**Email:** [KBlair@engage-em.org.uk](mailto:KBlair@engage-em.org.uk)

**Summary approach:** A programme designed by Engage East Midlands to build the capacity of voluntary and community sector organisations involved in collaboration. The programme sets out to develop individuals' skills in influencing and leading across organisations; and to become participatory and visionary leaders – initially called 'animators'. An eight-day training course (spread over a number of months) has been developed with the endorsement of the Institute of Leadership & Management.

**Participants:** There are up to 15 Chief Executives and Senior Managers from the East Midlands voluntary sector on each course – chosen as 'recognised local leaders'.

**Partners:** The original project was backed by EMDA (East Midlands Development Agency).

**Funding:** The initial pilot course was free to participants, and the second was part-funded by participants' organisations. In future, the programme is expected to be self-financing. The current course costs £1,600 per participant.

**Activities:** Each session includes external expert input with discussion, a report from each participant, and an opportunity for peer-group problem-solving. The expert content was developed by an academic institution. The programme is co-ordinated by managing consultants, who also provide moderation and mentoring services.

**Follow-up:** Engage East Midlands would like to set up ongoing Action Learning Sets for participants.

**Future plans:** Engage East Midlands is looking to develop a two-tier course, to include those less senior managers who are also involved in leading collaborations.

**Of note:** An evaluation of the second course was produced, which was generally positive about the outcomes. The 'animator' role was recognised as crucial to the success or failure of a given collaboration – not only facilitating partner organisations, but also leading them.

### **The IMPACT Programme**

**Web address:** [www.lhf.org.uk](http://www.lhf.org.uk)  
**Key contact:** Kevin Ireland  
**Email:** [Kevin.Ireland@lhf.org.uk](mailto:Kevin.Ireland@lhf.org.uk)

**Summary approach:** IMPACT is an integrated programme of training and organisational development for voluntary agencies tackling homelessness in London, run by the London Housing Foundation (LHF). It comprises work on four themes: outcomes assessment; strategy development; leadership; and the sharing of best practice.

**Funding:** Fully funded by the LHF.

**Activities:** The leadership element has two main components:

- Bursaries for international learning – Voluntary agencies tackling homelessness in London are eligible to apply for a bursary of up to £1,000 per person as part of an organised trip to learn from the experience of tackling homelessness overseas. Bursaries can be provided for visits that involve at least two agencies, with two people from each participating agency. Four international visits have taken place involving over 30 people from at least 10 agencies.
- Action learning programme – A series of action learning sets have been established, involving heads of small agencies, HR managers, SMT members and trustees. Action learning sets also identify opportunities for collaboration, whether joint services or sectoral campaigns. For instance, the newly launched Beyond a Helpline service was a direct result of the HR Action Learning Set; the GROW project (training those who have used homelessness services for employment) has now formed its own action learning set for participants.

### **Joseph Rowntree Foundation Summer School**

**Web address:** [www.jrf.org.uk](http://www.jrf.org.uk)  
**Key contact:** Emma Daniels, Marketing & Events Officer  
**Email:** [emma.daniels@jrf.org.uk](mailto:emma.daniels@jrf.org.uk)

**Summary approach:** Biannual week-long summer schools discuss issues of strategic importance to the voluntary sector, as identified by the Joseph Rowntree Foundation. It is hoped that that by informing and influencing future leaders, JRF will shape the strategic agenda.

**Participants:** National voluntary organisations who work with JRF are asked to nominate 'rising stars' or the sector leaders of the future. Thirty people attend each 'school', with an average age of 35+. Most are at Director level within large organisations.

**Funding:** Fully funded by the JRF.

**Activities:** The summer school provides attendees with an opportunity to consider strategic issues, particularly in health and social care. Presentations by leading practitioners promote debate. Visits are made to innovative projects. The summer schools and the follow-up 1 day reunions provide opportunities for networking.

## Similar programmes include:

### **Common Purpose:** [www.commonpurpose.org.uk](http://www.commonpurpose.org.uk)

A registered charity, which aims to help people in leadership and decision-making positions to be more effective in their own organisations, in the community and in society as a whole. Leadership programmes are delivered in the local community, tackling live social issues. Participants within a given town or city visit a range of public and private facilities, such as prisons, housing developments, call centres, hospitals and factories. They tackle live issues with the people who carry real-life responsibility for them. Common Purpose operates across 39 locations – over 17,000 leaders have taken part since 1989.

### **The Prince's Seeing is Believing Programme:** [www.bitc.org.uk](http://www.bitc.org.uk)

The Prince's Seeing is Believing programme was instigated by the Prince of Wales and is run by Business in the Community. Each event involves visits to community projects, schools or prisons, hosted by a senior business leader. The programme introduces private sector participants to places and people whom they would otherwise be very unlikely to visit. It provides a valuable insight into, and a new understanding of, the role of business in society. The programme has worked with over 1,200 community organisations and schools to arrange more than 450 Seeing is Believing visits since 1990.

### **Leaders UK**

**Web address:** [www.leadersuk.org](http://www.leadersuk.org)

**Key contact:** Pauline Dixon, Programme Director, National School of Government, c/o the University of Birmingham

**Summary approach:** The Leaders UK programme aims to develop leadership capacity and a collaborative approach in the delivery of public policy and services across sectors. The programme was launched in 2005 and is open to participants from the public, private, and third sectors.

**Participants:** Middle to senior managers with several years' experience in managing and leading, and the potential to progress further.

**Activities:** The programme includes at least 24 days of core learning over a two-year period, together with a 'personal learning journey', which is flexible and tailored to the needs of the individual. The programme will include facilitated learning exercises, a wide range of high-level speakers, live action projects working with peers from other sectors, reflective time and where possible time spent in another sector. Mentors and learning facilitators are also provided. Leaders UK provides links to the Ashridge Virtual Learning Resource Centre and the MSc in Public Service Management accredited by the University of Birmingham.

**Funding:** The cost of the programme is £12,499 per person.

## The School for Social Entrepreneurs

**Web address:** [www.sse.org.uk](http://www.sse.org.uk)  
**Key contact:** Nick Temple, Network Director  
**Email:** [nick.temple@sse.org.uk](mailto:nick.temple@sse.org.uk)

**Summary approach:** A year-long action programme to help social entrepreneurs tackle growth and replication. There are six schools across the country (London, Belfast, Fife, Restormel (Cornwall), East and West Midlands) run on a franchise basis. The SSE aims to create a culture of enterprise on the ground in specific deprived areas, in order to drive economic and social regeneration.

**Participants:** Each annual intake includes a small group of participants with a demonstrable track record in/ambition for social entrepreneurship. No specific qualifications are required, and the SSE is committed to ensuring a diverse intake – those excluded from more conventional academic courses are encouraged. A ‘social entrepreneur’ is defined as ‘someone who works in an entrepreneurial manner, but for public or social benefit, rather than to make money’. They may work in ethical businesses, the public sector or the voluntary and community sector. Most participants have already set up their own project, and work to develop it during the programme.

**Funding:** Fees of around £5,000 per participant. Assistance is given to students in raising funds. SSE also receives money from funders such as HSBC Holdings plc, the Big Lottery Fund and the Esmée Fairbairn Charitable Trust.

**Activities:** A year-long, one-day-a-week programme of ‘learning through action’, including:

- Small group work about live issues being experienced by participants
- The interrogation of ‘expert witnesses’
- Visits to ‘show-how’ projects
- Training in essential skills such as fundraising, marketing and business planning
- Mentoring and tutoring by SSE staff
- Access to the SSE Learning Web
- Networking events – there are now over 250 SSE Fellows who stay in touch when the main programme is over

**Future plans:** The SSE is looking to double the network of local schools from six to 12.

**Of note:** The SSE has recently commissioned an evaluation from the New Economics Foundation. The executive summary report is generally very positive about the impact made, although the (private) more detailed findings are said to have some useful guidance on how to improve the process.

The Arts Council England Cultural Leadership Programme is currently funding 12 places on a specialist SSE course for cultural social entrepreneurs. The SSE is keen to develop partnerships with like-minded organisations.

The diversity of programme members is crucial to the outcome – it is important to get a good mix of sectors and backgrounds and personalities on each course.

**Other programmes aimed at social entrepreneurs include:**

**Community Action Network ([www.can-online.org.uk](http://www.can-online.org.uk))**

CAN's mission is to effect, through social entrepreneurs, major social change, and to transform the lives of deprived communities in a tangible and measurable way. It operates three main areas of activity:

- CAN 'Mezzanines', which act as incubator units for social enterprises
- Tailored enterprise support including direct investment and leveraging in the skills and money of the corporate sector
- A learning network of social entrepreneurs and enterprises, including specialist groups and clubs

**Of note:** CAN-online gives access to a tailor-made extranet, which includes e-conferencing, electronic noticeboards, and databases of information for social entrepreneurs. CAN members can interact with each other in a virtual space, trading ideas, experience, information and assistance.

**Ashoka ([www.ashoka.org](http://www.ashoka.org))**

Founded in 1980. Ashoka is a global non-profit organisation that invests in social entrepreneurs in more than 65 countries. There are now 1,900 Ashoka Fellows worldwide. Ashoka pioneered the 'social venture capital' approach in international development, providing social innovators with seed financing, professional services (from organisations including McKinsey, Hill & Knowlton and Latham & Watkins) and a global community of peers.

**Of note:** Nominated Ashoka candidates undergo a six-month selection process, including an intensive review (references and background checks, site visits, interviews by a section panel). They are rated on five factors: the strength of the idea; creativity; entrepreneurial quality; social impact of the idea (Ashoka is looking for ideas with significant potential) and 'ethical fibre'. They must commit to working 100% on their project for the first three years, and in return are paid a 'decent' third sector salary.

## APPENDIX 2: CURRENT THINKING ON LEADERSHIP DEVELOPMENT

In academic circles, there are three broad schools of thought on leadership:

- **Personal** – the competencies of an *individual* leader. Prevailing opinion is that many of these competencies can be learned, and honed over time. In other words, leadership can be bred, as well as born.
- **Cultural** – the *interpersonal relationships* within a management team are crucially important. Leadership is not purely about the Chief Executive; it is about the dynamics of senior staff, the staff culture, and the relationship between management and the board. In order to develop an effective culture of leadership, organisational dynamics must be taken into account, and attention paid to developing leadership skills at different levels within the organisation (see the box below).
- **Environmental** – the wider '*marketplace*' that the organisation operates within; the opportunities, pressures and risks that the organisation faces. Environmental theories of leadership suggest that leaders need to act as the situation demands. The most effective leaders possess a repertoire of styles, and can move between them according to circumstances. Thus, the environment an organisation operates in should affect the person selected to lead it and the styles they adopt. Appointment, monitoring, reward and accountability structures all play a part in inhibiting and/or encouraging certain forms of leadership.

### Recent thinking on leadership development

Recent research undertaken in the US by Grantmakers for Effective Organisations (GEO)<sup>20</sup> discusses 'collective' leadership and characterises it as a 'rising' or increasing popular characterisation of effective leadership practice. It is:

*A form of leadership that exists within groups (e.g. work teams, neighbourhoods, communities, fields). In practice, collective leadership involves facilitating participation, understanding divergent perspectives and drawing on the collective wisdom of the group.*

Some theorists are also drawing a distinction between leader development and leadership development, to emphasise the difference between focusing on individual performance and the performance of a group of employees. These new developments in the academic literature chime with changes in the business world. Many businesses are increasingly knowledge-based and aspire to be non-hierarchical and team-orientated in order to derive maximum value from highly skilled employees.

When it comes to personal leadership development, views on best practice have altered over time, driven by changes in the operating environment. The following chart sums up the evolution:

|                         | <b>Past</b>       | <b>Transition</b>  | <b>Future</b>   |
|-------------------------|-------------------|--------------------|-----------------|
| <b>Participants</b>     | Listener          | Student            | Learner         |
| <b>Programme design</b> | Event             | Curriculum         | Ongoing process |
| <b>Purpose</b>          | Knowledge         | Wisdom             | Action          |
| <b>Period</b>           | Past              | Present            | Future          |
| <b>Players</b>          | Specialists       | Generalists        | Partners        |
| <b>Presentations</b>    | Style             | Content            | Process/outcome |
| <b>Place</b>            | University campus | Corporate facility | Anywhere        |

**Source:** 'The evolving paradigm of leadership development', *Organisational Dynamics*, Spring 1997

Today, most commentators agree that effective leadership development has three essential components:

- a curriculum that fosters the development of communication, presentation and interpersonal skills and strategic thinking abilities;
- a programme that provides experience, and opportunities for observation and inner reflection (which can also help to develop attributes like honesty, inspiration, supportiveness, etc.);
- an appropriate organisational environment – for example, an open culture in which growth is fostered, and where recruitment, appraisal and reward systems recognise and value leadership potential and ability.

When it comes to improving the leadership capacity of individuals, traditional teaching time is being condensed in favour of:

- Learning by doing – trying new ways of working, without fear of making mistakes. This may involve role-playing and live case studies.
- A learning *process*, over a period of time, with intervals of reflection in between.
- Understanding one's existing levels of competence through diagnostic 'personality' tests, and feedback from colleagues. Monitoring changes in those competences over time.
- Mutual support from a trusted group of peers, away from colleagues and the usual work environment.
- Learning from people and organisations from very different backgrounds, through organisational visits, shadowing and secondments.

- One-to-one coaching and mentoring.
- Ongoing networking, both physical and virtual.

(For a US perspective on the characteristics of approaches that have the potential to work best in a third sector context, see the box below.)

### **Leadership development programmes in the US**

Grantmakers for Effective Organisations (GEO) in the US has 1,000 members representing more than 500 grant-making organisations. It reports that nearly two-thirds of its members directly support the leadership development of grantees<sup>21</sup>. US foundations are therefore developing a body of knowledge, which GEO is collecting, on approaches to leadership development in the not-for-profit sector.

GEO believes that the concept of collective leadership ‘resonates with many in the non-profit sector. Its emphasis on participation and shared ownership is well suited to organisations that serve the public good and are governed by boards’. It believes that leadership development should be linked to building the capacity of individual organisations. Activities might take the ‘form of job assignments, rotations or action learning (a process of learning and reflection in the workplace)’.

GEO believes that the leadership development approaches which hold most promise to improve organisational performance share three key characteristics, as follows:

**Collective** – programmes designed to nurture collective leadership, either by strengthening the leadership capacity of cross-organisational networks or by working with board and staff teams of specific non-profits.

**Contextual** – embrace an ‘action learning’ or ‘learning by doing’ focus, supporting and creating opportunities for participants to apply acquired knowledge and skills to real challenges faced by their organisations.

**Continuous** – look beyond one-time training, providing ongoing support to non-profit leaders (through coaching, consulting and continuing financial support) to help ensure impact on organisational performance.

### **APPENDIX 3: THE CHARACTERISTICS OF EFFECTIVE THIRD SECTOR LEADERS**

The Hay Group's 2003 project for acevo, *Passionate Leadership*, identified various reported characteristics – or competencies – of the best third sector leaders<sup>22</sup>.

- Emotional attachment – passion for the cause.
- Energy and enthusiasm; integrity and trust.
- Strategic perspective – conceptual and analytical thinking. Keeping up to date with broader issues. Flexible, but mindful of the core purpose.
- Visionary and inspirational communications – both internal and external, one-to-one and public speaking.
- Personal humility – making a difference through others.
- Motivating a team – leading from the front. Making things happen. Understanding work on the ground. Helping staff and volunteers retain their resilience and enthusiasm.
- Networking – maintaining and building relationships, both personal and organisational.
- Influencing – knowing where the power is, and how to influence it.
- Resilience – ability to bounce back after setbacks/criticism.
- Self-confidence – in sometimes highly stressful situations. Courage to take difficult decisions and admit mistakes.
- Customer-service orientation.

Clearly, knowledge of subject matter and technical knowledge must be both sufficient and current. However, Hay believe that this may be learned more easily than behavioural characteristics.

## APPENDIX 4

### **The Clore Leadership Programme for the cultural sector** **[www.cloreleadership.org](http://www.cloreleadership.org)**

The Clore Leadership Programme (CLP) was launched in 2004, following a year of research and development (2002) and a year of recruitment and planning (2003). The Programme provides individually tailored support to develop potential leaders in the cultural sector. It lasts one to two years and is designed to develop the knowledge, skills, networks and experience of potential leaders. It includes:

- two intensive residential leadership courses (each lasting two weeks)
- professional development through mentoring, coaching, tuition and group learning
- time for reflection, research and debate
- secondment to a different organisation

Participants benefit from the development of leadership and other transferable skills, practical work-based experience, research on a specific project of practical value to their area of work, and the development of an invaluable network of contacts. They also have unparalleled access to senior figures in the cultural field. A key element of the Programme is that it is a *fellowship* – Clore Fellows say that they benefit greatly from the support and learning opportunities provided by their peers.

Some Fellows undertake the Programme full-time; others continue in employment but commit to spending substantial periods away from work (for which their employer is compensated). The Programme is funded by the CDF and by a large number of other agencies and foundations (e.g. DCMS, NESTA, Arts Council England, Creative & Cultural Skills, Northern Rock Foundation, Northwest Regional Development Agency, the Linbury Trust, Wellcome Trust).

All of the Programme's operational and administrative costs are funded by the Clore Duffield Foundation, together with a very small number of Fellowships. Other funders contribute on a Fellowship-by-Fellowship basis, providing £35,000 to fund a Specialist Fellowship, such as those (in 2007/8) for Archives, Dance, Learning, Arts & Health, Museums, the North West, Wales, etc. The Arts & Humanities Research Council provides £5,000 per Fellowship to cover the research component.

The programme has now been running for nearly three years, and the way in which the Fellows in each year group have grown – in skills, confidence and experience – has been remarkable. Many of them have already gone on to take up new leadership roles in significant cultural organisations: amongst them, Director of the Manchester Museum; Chief Executive of the BBC Scottish Symphony Orchestra; Director of the Whitworth Art Gallery; Chief Executive of Northern Stage, Newcastle; Executive Director (Arts Strategy) of Arts Council England; Director of Compton Verney Gallery; Chief Executive of The Place; Director of Spitalfields Festival; Artistic Director of Polka Theatre; and Director of the Van Gogh Museum in Amsterdam. Others have brought new energy and vision to their existing roles and organisations. All of them speak of the Clore Programme as having been

transformational in its impact on their life and work.

Although the CDF's third sector leadership initiative is currently focused solely on the Fellowship model, it is worth noting that the CLP has expanded beyond its core Fellowship Programme since 2006. In July of that year the CLP launched a programme of Short Courses based on the highly effective residential element of the Clore Fellowship Programme. Fourteen courses will have been held by April 2008. These intensive two-week residential courses develop and promote the leadership skills of emerging leaders in the cultural sector, and are produced in association with a number of leading universities and business schools across England. The courses have been designed for people in the middle ranks of larger cultural organisations or those at or near the top of smaller ones, and who have a minimum of five years' work experience. The Clore Short Courses emerged from the 2005 decision of the (then) Chancellor of the Exchequer to provide £12m over two years from 2006/7 to help raise management and leadership skills in the cultural sector. This funding will also enable the CLP to launch a governance training programme for the cultural sector in late 2007.

## Notes

1. Definition based on HM Treasury, DTI, Home Office (February 2005) *Exploring the Rise of the Third Sector in Public Service Reform*
2. NCVO (2006) *The UK Voluntary Sector Almanac*
3. Institute for Philanthropy, University College London (2002) *The Organisational and Institutional Landscape of the UK Wider Nonprofit Sector*
4. Cabinet Office (2006) *Social Action Enterprise Plan*
5. School for Social Entrepreneurs [www.sse.org.uk](http://www.sse.org.uk)
6. Based on NCVO's analysis of the *Labour Force Survey 2004/5*, Office of National Statistics
7. Defined in the *Labour Force Survey 2004/5* as 'charity, voluntary organisation or trust'
8. Home Office (2006) *Citizenship Survey*
9. Acevo (2007) *Raising our game: acevo pay survey 2006/7*
10. Bolton, M & Abdy, M. (2003) *Leadership, Leadership, Leadership: A call for a new initiative to promote leadership development in the voluntary sector*, acevo
11. Cormack, J. & Stanton, M. (2003) *Passionate Leadership*, Hay Management Group for acevo
12. Skills Foresight (2002) *Skills Matter*, VSNT0, and Skills Foresight (2002) *Futureskills 2002*, VSNT0
13. Cormack, J. & Stanton, M. (2003) *Passionate Leadership*, Hay Management Group for acevo
14. Bolton, M & Abdy, M. (2003) *Leadership, Leadership, Leadership: A call for a new initiative to promote leadership development in the voluntary sector*, acevo

15. Acevo (2007) *Raising our game: acevo pay survey 2006/7*
16. Cormack, J. & Stanton, M. (2003) *Passionate Leadership*, Hay Management Group for acevo
17. Agenda Consulting (2005) *People Count*
18. Agenda Consulting (2005) *People Count*
19. Bolton, M & Abdy, M. (2003) *Leadership, Leadership, Leadership: A call for a new initiative to promote leadership development in the voluntary sector*, acevo
20. Grantmakers for Effective Organisations (2006) *Investing in Leadership*, vols 1 & 2
21. Grantmakers for Effective Organisations (2006) *Investing in Leadership*, vols 1 & 2
22. Cormack, J. & Stanton, M. (2003) *Passionate Leadership*, Hay Management Group for acevo