

# A year of challenges

What are the crucial issues we will face in 2005? **John Plummer** talks to Mike Hudson, founder of the Compass Partnership, and four other major players give their opinions

**W**ith charities facing a growing number of challenges from on and off the radar, it's difficult for managers to decide what they need to focus on most in 2005.

The Government's increased interest in the role of the voluntary sector has forced bosses to spend a lot of time thinking about issues such as the delivery of public services, long-term funding and covering core costs. According to voluntary sector strategic planning expert Mike Hudson, however, the main challenge lurks closer to home.

Hudson, founder of management consultancy the Compass Partnership and author of *Managing Without Profit*, has identified the three issues he thinks should top charity managers' to-do lists in 2005. First up is something surprisingly basic.

"The ability to describe their performance and shout about their achievements is what charities should address in the year ahead," he says.

The many new initiatives, such as the Guidestar website, which will reveal details of charities' accounts and activities, and the Futurebuilders fund, mean that charities need to take stock now more than ever. With the voluntary sector growing, and the line separating it from the public sector more blurred, the public needs to know precisely what charities do and stand for. Those that end up chasing growth at all costs could store up trouble.

"There is a danger of charities being seduced by money," says Hudson. "There are some big fat contracts out there. Charities should deliver public services, but they have to be bold and avoid being seduced by the rapid growth in public service delivery by checking potential contracts against their mission."

Hudson suspects the high level of trust in charities has bred complacency. "Charities are not as transparent or accountable as they sometimes claim to be," he says. "They are more trusted than other organisations, but they could be trusted even more. There is a lot of cynicism about too much money being spent on administration and fundraising. Charities have relatively low costs in these areas but are reticent about them."

This reticence is partly to preserve the blissful ignorance of those donors who think all their money goes to the cause. "In the short term there might be a bit of a backlash," says Hudson. "But it would be much better in the long term for the sector to be more honest about costs."

The need for greater transparency requires organisations to invest more time in measuring the effectiveness of their work, Hudson argues. He cites Marie Curie Cancer Care and the RNID, which recently produced an impact report outlining its accomplishments over the past year, as forerunners in this area. But, he says, even they don't go far enough.

"The RNID's impact report is a great step forward," he says, "but it doesn't really describe what it did for deaf people." He suggests each



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**Mike Hudson**, founder, the Compass Partnership

charity should have a document that describes in 10 lines how it has made the world better for its beneficiaries. This, he says, should be available through a link from its website home page.

He says impact reporting in the voluntary sector compares unfavourably with that in the private sector, which seems ironic given the level of criticism many companies' corporate social responsibility reports receive from voluntary organisations. "It's very dangerous for charities to do that," he says. "If I was in the private sector I would pick out the 10 best reports from businesses and the 10 best from charities and compare them, because charities don't come close."

Hudson cites tackling the "looseness" in managing people as the second biggest challenge confronting charity leaders. "There is a lot of evidence to show the voluntary sector is not as good in this area as it should be," he says, referring to high levels of staff turnover and incidence of industrial tribunals. "Charities need to get better so people are praised for their achievements and held accountable when they don't come up to standard."

He blames the sector's amateur past and "fuzzy performance measures", adding that staff need to know more clearly what is expected. He says charities whose staff share the organisation's vision tend to be better motivated and clearer about what is expected of them. "Much more can be achieved when people are focused on achieving the charity's

overall objectives," says Hudson.

Leadership is Hudson's third key challenge for 2005. A great deal has been written about the voluntary sector's failure to invest in the people that shape it, and consequently their tendency to defect to other sectors.

"The sector hasn't invested enough in leadership skills," he says. "It's expensive and it takes time to see the results."

Hudson supports chief executives' body Acevo's attempts to open a voluntary sector leadership centre, but he also talks about managers taking responsibility for their own performance and understanding what good leadership is about. "It is a very subtle skill," he says. "It's not just about championing a cause. The most important skill is the quiet ability to build a team and to motivate and support people."

So how should charities address these issues? Hudson advises them to adopt a strategic approach rather than attempt to tackle each individually. The process involves three stages: stepping back and considering what the charity does and how the world is changing, identifying the critical issues that need resolving, and finding a way to make them happen.

"When I began looking at strategic planning in the sector 20 years ago, it wasn't well understood or widely used," he says. "Today, charities are increasingly finding it a powerful tool." *More from Hudson, p8*