The Third or Voluntary Sector:
Is There a Panacea for Mastering Change?

By Philip Atkinson and Daniel Burger.

In this age of turbulence, uncertainty and complexity, organisations, in whichever sector, have to act strategically and position themselves to anticipate and drive home change. Whether you lead or manage a profit or not for profit organisation, you must take the strategic management of change seriously, or you can join the line of businesses and organisations which no longer exist. In this article, the authors focus specifically on the voluntary or third sector and maintain that too many of these organisations prevaricate and delay making decisions about how to structure themselves for change and improvement. They maintain that there are some trusted commercial remedies for resolving severe organisational threat that can be easily replicated, and if accepted, rather than resisted, can develop a much stronger and more resilient organisation.

Voluntary or third sector probably has more scope, and can reap enormous benefits, if they start acting more like for profit businesses.' That is an interesting and challenging idea to express at the beginning of any article. We did not say take on the extremes of capitalist values and principles but rather adopt a mindset of curiosity and innovation, and look at how better to organise themselves based on common sense in commercial practice. What fascinates us, as we have both worked in a variety of commercial organisations before expanding our experience into the 'not for profit' sector, and then more specifically into the 'voluntary' or 'third sector' is the easy and 'knee jerk' rejection of commercial principles as being directly running against and anathema to the ethos and core values of third sector organisations.

Are voluntary organisations businesses?

And this is where the problem really starts. Many voluntary sector organisations do not see themselves as a business, despite them having to resolve the same problems as those in the private and public sector. It is our desire to explore the thinking that serious research from the commercial sector can positively benefit and aid organisations in other sectors, no matter their purpose,

"Definition of panacea – a cure or solution all for all organisational or corporate ills. (Panakeia was a goddess of universal remedies)."

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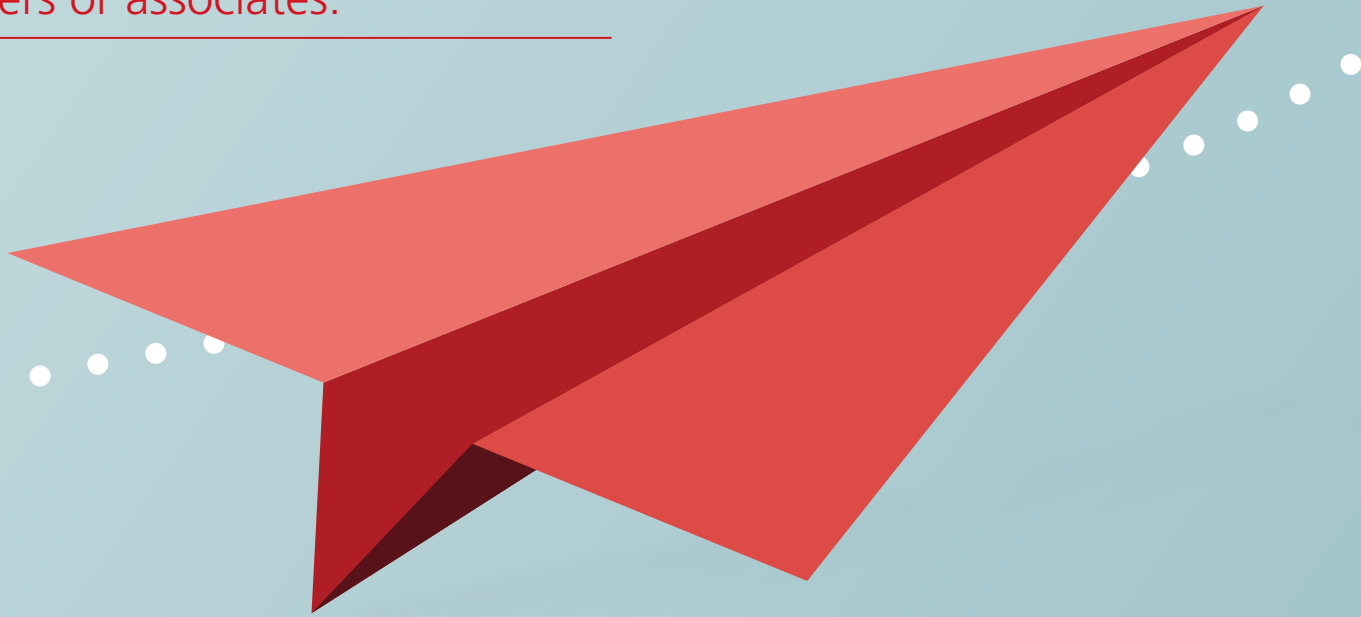
origin, history or ethos. We have five organisational change 'themes' that 'almost' fit with the ideal concept of a 'panacea' – that there is a cure all. There is not a solution for every organisational malady – but there are five central themes or memes that will significantly improve the performance and culture of the organisation.

What unites us is our interest in equipping third sector or voluntary organisations to be able to directly transfer learning from the commercial world to their own. Management teams can operate very different business models to achieve their third sector aims if they have the will and the competence. Our contention is many commercial principles would bestow enormous (commercial) benefits to third sector organisations and with that in mind we explore the contribution that can be made.

## Commonality and shared understanding of the need to change
Organisations need to develop foolproof strategies for anticipating and influencing how they can improve their future operational effectiveness. The alternative is not an option – and that would be to let the environment and other dominant forces, such as other third sector organisations, competing for and winning the attention of key benefactors, donors and funders. Given the choice, most voluntary organisations would choose to influence how their own futures evolve. Our initial research indicates this is not always the case however.

Resistant to change
In this instance, one of the authors consulted with a large conservation charity which was reluctant to follow best practice (considered sharp practice) in commercial operations. It just so happened that donor or membership income was falling from the annual £90 million per annum – yet little research had been undertaken to understand why, and what to do to remedy the matter.

This, like many voluntary sector organisations had neither resources to fall back on, nor investments, shareholders, joint venture partners, city institutions or benefactors with large and deep pockets. To survive, and retain and build their membership base, they had to change focus and develop strategic marketing, or alternatively deal with the consequences of falling revenues. What research did discover for this organisation was that current members and donors, although still emotionally loyal to the cause and organisation, were now prioritising and diverting their monies to other (worthier) causes, such as victims of calamities throughout the world including wars, famines, forced migration, tsunamis, tornadoes, drought, etc. In this instance the charity's markets, members and donors had changed their mindset and 'buying behaviour'. It was clear the charity had to adapt to those changes and anticipate future trends and habits, and develop strategies to win them back as well as find new supporters.

Here the commercial reality hit home, and strategic marketing delivered substantial and positive delivery for the charity. In this and many other cases, strategies and tactics that evolved in the commercial world did have substantial benefits when tailored and introduced into third sector organisations.
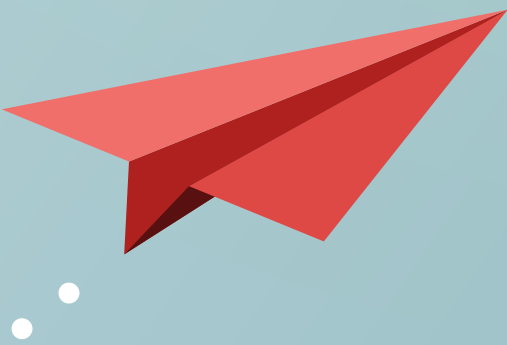
Risk and change aversion

Too many organisations in the third sector appear to be risk averse and are what we call 'change followers' rather than 'change leaders'. Further, it's not the fact that managing change is 'risky', rather, many voluntary organisations do not know how to appraise, action and implement a change initiative. Further, they may not have the will or the competency to start applying solutions that emanate from the commercial world. This is also commonplace in the wider not for profit or public sector.

Public sector

Currently, many organisations that fall within the wider Welfare State must make serious decisions about how they continue to operate despite radical budgets reduction. Senior management teams do not have a choice, yet despite the pressure upon them, some choose to prevaricate rather than taking purposeful action. Change speeds up and requires thoughtful decision-making coupled with precise implementation before the next change comes along.

Currently, approximately five million people are employed in the wider Welfare State which takes up approximately two thirds of Government spending. Many in these organisations are still waiting for guidance from their leaders. There is no meaningful improvement without leadership. We would suggest leaders adopt a commercial mindset and may find that there are alternative, and maybe even better, business models for providing welfare at the point of most need.

Third sector needs to assess their strengths and limitations

If one believed that organisations function rationally, it would suggest that any organisation would focus energies on scanning the environment to assess trends and patterns and anticipate, change and adapt. Further, they would undertake their own SWOT or strategic analysis and assess their current strengths and weaknesses, rise to the challenges of any opportunities, and develop ways to overcome any threats from 'new entries' and competitors. Further, they should develop strategies to ensure that the business is able to function, evolve, grow and compete successfully in the longer term.

Pressures for change

Genuinely, our conclusions are that this is often not the case. Too many voluntary sector businesses fail to commit to any sort of decision to manage change beyond the tactical manoeuvre of 'what if' scenarios, for instance 'if they do that – we will do this'. This is fine as a local tactical manoeuvre in the short-term, but this strategy will never create a leader in any industry – and in the 'not for profit sector' this will certainly not create 'best value'. It is doubtful whether people in such organisations are making decisions fast enough to anticipate how things are changing, making decisions and implementing those decisions is vital in order to protect the future of the organisation.

Our experience tells us that:
- Leadership teams are not scanning the environment specifically enough to predict how their current market conditions will evolve and how they can intervene for the better.
- For those that do commit to a formal strategic analysis, too many are not making decisions fast enough to implement solutions to stave off problems, thus putting their organisation vulnerable and at severe risk.
- Change management is not an exact science. Politics, personal agenda, turf wars and bad behaviour gets in the way of sound change implementation.
- Many strategies required to solve problems have yet to be explored and rigorously tested. The reality is that, currently, the many problems that organisations' experience simply do not have off the shelf solutions and most never will.
- Perhaps the most obvious factor is that change is here to stay, and the pace of change is accelerating. Sitting still is no longer an option.

Mindset changes for third sector businesses

Energies need to be focused on differentiating what it is that makes a difference to those who consume or use the services provide by the third sector.

Generally, there are three types of organisation in the third sector.
1. Membership Organisations – that cater directly to members interests (Alcoholics Anonymous, Multiple Sclerosis, MGB car owners, Cycling clubs).
2. Service Organisations – that provide a service specifically to improve social, societal or human good (Barnados, RSPCA, RNIB, Mountain Rescue).
3. Specific Interest Groups –These could be campaigning for legislative or Political change (SNP, CND).

You may find that many voluntary organisations are an amalgam of all three types.

The donor, user, citizen, customer mindset

The problem for many voluntary organisations is that they dislike the idea that they are selling their services or memberships to their members or associates. Theirs is not a commercial business and part of the free enterprise system or mixed economy. We agree. No, it might not be – but it does have end users and organisations should always put the recipients of what they provide at the forefront of their thinking.

Reframe customers as clients, citizens, users, donors, recipients and honour them because without their support you would not have a business. Donor, user, member satisfaction metrics should enable us to intervene to influence future growth. We need to develop strategies that can be instantly applied as 'donor, user, member or citizen issues' by your market segment.

Competitors

Whoever you are in the third sector, you will have competitors. If it's not competition for resources, funding, donors, individual's mindset or air time in potential users and supporters, it is competing for resources such as staff.

Beware, your competitors can change rapidly. Often, your core competitors now were not even operating in your sector or market a few years ago.

Barriers to entry in most markets are usually based upon 'knowledge'. The key to success in any market is being able to source accurate information, and act quickly upon it to put your business to best advantage. If your business data analysis process is not operating effectively you may be putting yourself at risk.

Time invested in competitor analysis is time well spent – especially as your organisation grows out and becomes international in nature.

What is a panacea, and will it work for all voluntary, or third sector organisations?

It is a cure for all ills. Our argument is that 'a magic formula' does not exist. One formula cannot work for every organisation or business, simply because every organisation is different in terms of history, customers, context, technology employed, and service offered. No one solution will work for every business. We have seen 'quick fixes' or 'fads' come and go – the list is endless: participative management, emotional intelligence, matrix management, lean six sigma and so the list continues.

Tailored solutions focus

That said, there are many instances of how these approaches and others have worked, blindly applying them to a third sector organisation does not guarantee immediate results. The remedy must suit the condition or the situation. However, there are some very specific themes rather than 'solutions' that will move an organisation significantly towards achieving objectives. These themes must be tailored specifically but they are actual 'panaceas' that do work. If applied, they will significantly improve performance along several dimensions, including business results and long-term stakeholder value.

Five dimensions

If organisations commit to improvement along these five
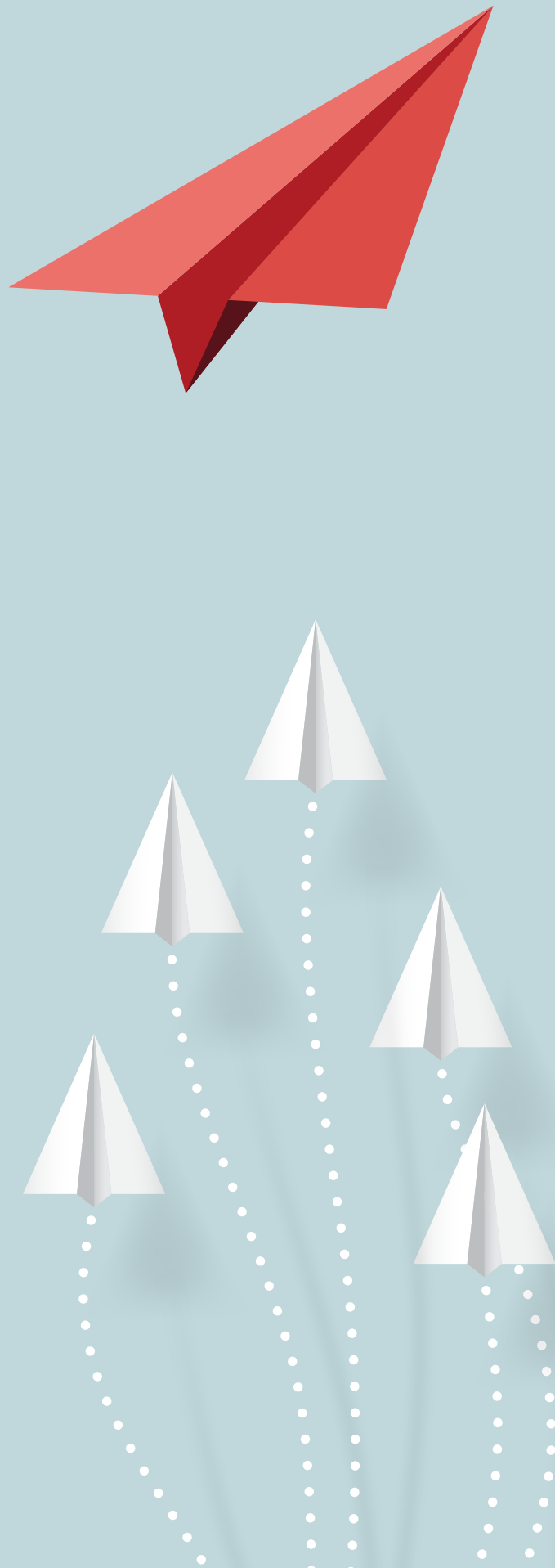
dimensions, they will significantly improve their performance and their future. These themes or panaceas do work if given commitment and energy in the short- and the long-term. The reason that many change initiatives fail is that they are launched with enthusiasm but fail to be sustained over the long run.

The five themes are focused on five dimensions of organisation and they are:
1. The donor, user, citizen, member, client
2. Leadership that drives sustainable change
3. Creating culture change
4. Infrastructure follows strategy
5. Generate a climate of continuous improvement

Five 'themes'

Each will work well if integrated with the others. What is important is to understand that any change in business is iterative. Many managers fail to see that when we attempt to change 'human systems, processes and culture itself', it is impossible to track and control all the variables. This is because the variables we find so difficult to track, and, more importantly, control, are the unexpected ways in which people respond. They respond through their 'emotions' to the changes we are trying to implement and as much as we like to think so – these are not always predictable.

Let us address the five areas.

1. Focus all attention on donors, members, users, citizens, clients as the purpose of your business.
Some of the issues you need to address:
• Are you proactive or reactive with the services on offer?
• Do you know the three core reasons why you lose business?
• What is it that you do specifically, that helps you retain or win new business?
• How do you compare your service delivery to that of your competitors?
• Where are you most at risk in terms of delivering services, and how can you turn it around?
• Are you equally effective with all your users, donors, clients, stakeholders, members in different market segments?

There is no doubt that any organisation can improve its performance significantly just by considering the end user or recipient before it commits to any action.

The excellent point about service strategies is that they can evolve from any point within the organisation, and everyone can relate to the end user or recipient.

It is important to keep at the cutting edge of service delivery and recognise that it is all about generating positive emotions. Our research into service delivery tells us that your clients will experience a variety of emotions whenever they encounter an organisation. Organisations need to develop specific strategies to focus upon how many ways they can convert negative emotions into positive ones and, more importantly, what steps they can take to ensure they do not intensify negative emotions.

2. Create a strong leadership culture – developing the internal capability to change.
How will you grow a commitment towards the client? The focus must be upon developing a strong leadership culture. The phrase 'without leadership there is no change' is paramount in driving any change. Organisations need to address the following issues:
• What benefits will accrue if you develop a stronger leadership culture?
• How can you translate these benefits into effective teamwork?
• Where are there any gaps in the organisation where a leadership culture could provide a firm structure for improvement?
• Consider the issue – if you could double the numbers of acknowledged leaders and change makers in the organisation, would it take you further towards or away from your goals?
• What specific behaviours would take you to the next level in terms of organisational performance.
• How can you leverage a leadership culture to do just that?

Leadership works on the cascade principle. We start with the key people at the top of the organisation working with their direct Reports. They in turn formulate the core values for the business and translate these into 'must do' desirable behaviours, away from the 'stop doing' counterproductive behaviours.

3. Creating culture change
We know that strong vibrant cultures yield impressive results while weak negative cultures are slow, bureaucratic and no fun to work in. Culture change is based upon articulating the vision for the business and then translating this into how you are going to transact business together to get the 'what' or the vision. What emerges are 5-7 core values that can then be translated into 'behaviours' and actions', resulting in KPIs which can be measured and assessed. There is no secret about culture change but so many people put off doing it because they don't know how to go about it.
• What sort of culture do you have – is it weak or strong, negative or positive?
• Does the whole organisation portray the culture and how do parts of the organisation differ?
• What holds you back from generating an even more powerful culture?
• How can you speed up culture change?
• What action can you take as leaders to form a strong foundation for a positive culture?
• How would a stronger culture impact upon your performance?
• Do you understand the causal relationships between vision, values, behaviours, actions and KPIs?

Culture change has still to be de-mystified for many organisations. When they unravel the causal links, the simplicity of a change programme can be introduced speedily.

4. Infrastructure follows strategy – focus upon process improvement in all areas.
People and processes are significant factors in driving performance improvement. Some organisations need to spend a great deal of time focusing upon process improvement because they experience a lack of control and discipline in the infrastructure. Seriously, this is one big problem holding back

people and organisations from improving performance. We are interested in streamlining these processes, documenting and then innovating upon them and then documenting them again. As soon as a process is documented it is time to start again. How can we do this better, faster, cheaper?

- What are the core processes that drive your business?
- What non-performing processes put your business performance at risk?
- What customer-focused processes need revision and redesign?
- What processes are unmapped?
- What processes are ambiguous and create confusion?

It is essential that voluntary organisations possess the right processes and the right people to question and re-design processes to meet the needs of end users, donors, clients etc tomorrow not just today.

5. Generate a climate of continuous improvement and implement business transformation.

There is little point in developing an initiative for change, if you fail to master the transition from today to tomorrow.

Change takes as long as an organisation wants it to take. Change can be speeded up. 'If you want change to work, start sooner'. It is always easy to put change off – until conditions are right or until 'things calm down'. Let us face it, there is never a good time to implement change.

- What is your record on change management?
- Are you equally as committed to implementing change as talking about it?
- Are you renowned for sustaining change initiatives once they have taken off?
- Do you address blockages in the change management process?
- Do you address 'personal' or 'actual people' blockages to change management?
- Do you undertake a risk assessment when introducing strategic change?
- Could you speed up the implementation of change?

Business transformation is again one of those areas which attracts a great deal of discussion because it delivers so much.

Summary and the newspaper test
What is important is that all organisations are operating in a business environment where nothing is certain. We can be certain of nothing anymore, though we suspect that has always been the case.

To test the case of uncertainty, do this exercise. Take a quality Sunday newspaper and hide it away for four weeks. At the end of four weeks open the paper and read through it. Has anything changed? You bet it has. Political stories have evolved, economic trends have been confirmed or not. Brexit is still evolving and is severely under threat, as is the EU. Leading organisations continue to collapse, while some prosper. There are the slow but steady stream of horror stories in some public services. New mergers have evolved. Large companies have downsized. Fast-breaking news stories such as #MeToo have cycled through social media. You will find retirement, pensions, unemployment and re-training initiatives have turned full circle. All that can be certain is that things will never be the same. And this is reflected in the third sector.

Knowing this, organisations, and especially those in the voluntary sector, have some very difficult decisions to make about how they structure themselves to see them through to their next business plan. Robust strategies that have worked in the past and will continue to do so, fall within the five themes or 'panaceas' we have already addressed. Committing to a variant of these can only put your organisation in a stronger position.

What is critical is that managing change is a wise investment. Failing to do so burdens the organisation with liabilities it cannot carry and it may not survive.

Failing to commit to making the right decisions in such a fast-changing world will only damn us to exist in the world of yesterday, rather than forging a prosperous future tomorrow. The panaceas are tried and tested – like anything worthwhile, it is sticking with them that makes the difference.

About the authors
Philip Atkinson specialises in strategic cultural and behavioural change. For the last 25 years he has been engaged as a consultant supporting organisations in strategic development, leadership, organisational design, post-acquisition integration, Lean six-sigma, quality management and culture change. He has partnered with a variety of blue-chip companies in industries ranging from pharmaceutical to genetics, the automotive industry to finance and banking and from NHS bodies to Local Authorities and the third sector. He regularly presents at conferences and workshop sessions and has written seven books on change management. His articles, books and blog can be accessed on www.philipatkinson.com Philip is also of Director Learning Strategies and Philip Atkinson & Co. Tel:0131 346 1276 M: 07779 799286 and can be contacted on philip@philipatkinson.com .

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