



Horwath Clark Whitehill



PROMOTING BEST PRACTICE
IN CHARITY FINANCE

Achieving Lasting Change

CFDG Annual Conference – Austerity and Innovation

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I plan to cover

- What is driving change and real transformation
- The results of some recent surveys
- Delegate straw polls
- The experiences of charities that have gone through the process
- Barriers to change
- Some inconvenient truths
- Ingredients for success
- Negotiating the valley of despair

Very few of us naturally embrace change



- We may want a change because we are in an uncomfortable position
- Does this lead to lasting and sustainable change?

Transformation v/s routine change

- The one constant is change
- More seems to be needed
- Ambitious, aspirational and accountable
- The organisation may be efficient but is it truly effective, nimble and agile?

Charity Commission March 2010 survey

- 59% of the charities surveyed say they have been affected by the financial downturn
- 62% of these have experienced a decrease in income
- 79% of larger charities say they have taken steps to combat the effects of the downturn (31% of small)
- 47% expect the recovery of the charity sector to lag behind that of the rest of the economy

NCVO – Charity Forecast Survey March 2010

- 49% said they expected their organisation's financial situation to get worse in the next 12 months
- 66% thought the wider UK economic conditions would be negative throughout the next year.
- 73% said they expected to collaborate more
- 51% said they expected to compete more in the next year.
- 21% of respondents said they planned to reduce paid staff numbers in the next three months.

BUT

- Another 26% said they intended to take on more staff in the same period

CAF survey

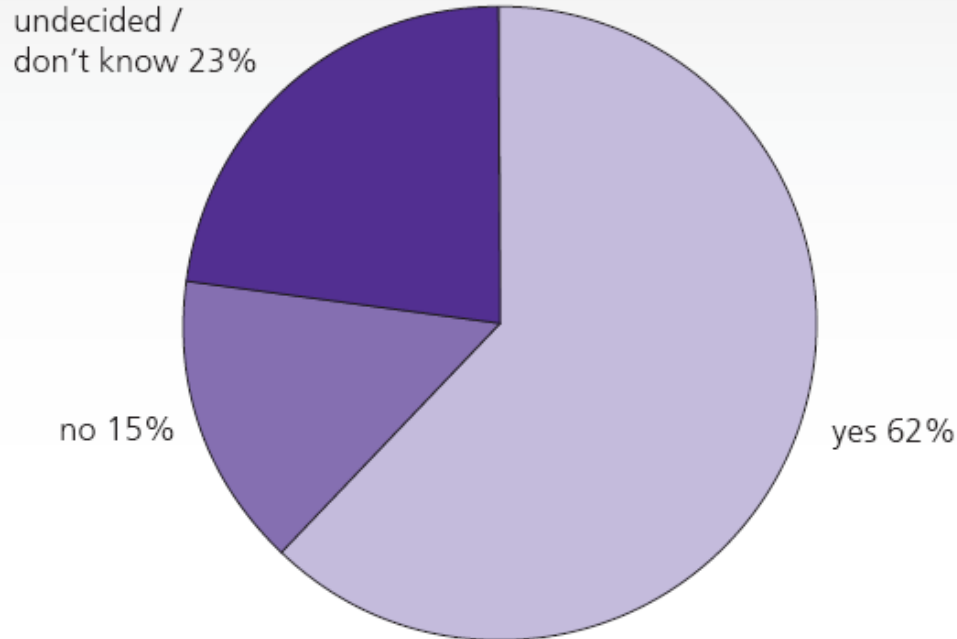
A particularly high proportion of donors said that charities should focus on:

- being efficient to weather the recession (94%)
- showing the impact of their work (92%)
- reviewing finances to reduce costs (86%)..
- being transparent (85%)
- consider partnering with other charities (85%)

So should we be more open about restructuring, cost cutting etc than charities have traditionally been

CAF survey

Figure 2: Donor perception of whether charities need to change how they work during recession

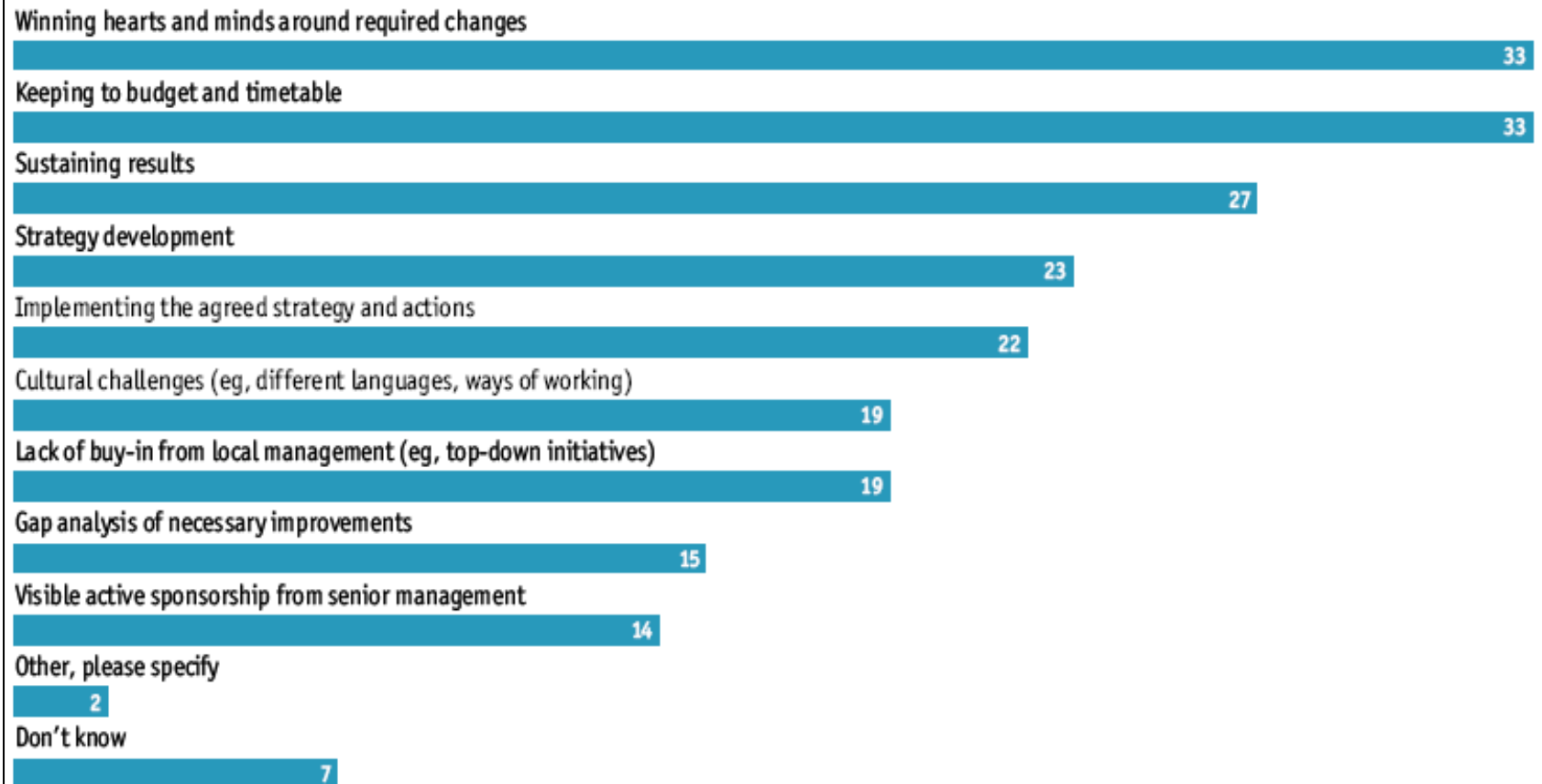


We need to understand

**The status quo is just not a
viable option**

EIU survey – difficulties experienced

Since the onset of the crisis, which element of change initiatives has your organisation experienced the most difficulty with?
(% respondents)



Source: Economist Intelligence Unit survey, 2009.

How the crisis has impacted change

Do you agree or disagree with the following statements about the impact of the financial and economic crisis on change in your organisation?

(% respondents)

Strongly agree Agree Disagree Strongly disagree Don't know/Not applicable

The crisis has revealed shortcomings in our organisation that we are attempting to redress through change programmes.



We are using the crisis as a unique opportunity to drive through change that would have been difficult to achieve in different times.



There is greater management focus on short-term change programmes than on long-term ones.



There is management reluctance to commit to new change programmes while business conditions remain tough.



My function (eg, finance, IT, marketing) has experienced a great degree of change as a result of the financial and economic crisis.



Source: Economist Intelligence Unit survey, 2009.

Organisations have taken a good hard look at the business and have recognised real improvement opportunities to drive transformation

Attitude to change

How has the financial and economic crisis changed your organisation's internal priorities towards change programmes over the past 12 months?

(% respondents)

We have suspended most change programmes

6

Most change programmes have been continued but with reduced levels of investment

28

Work on existing change programmes has been accelerated

14

We are continuing existing change programmes and launching new ones

33

No effect – change programmes continue as initially planned

13

We have no change programmes

2

Don't know

4

Source: Economist Intelligence Unit survey, 2009.

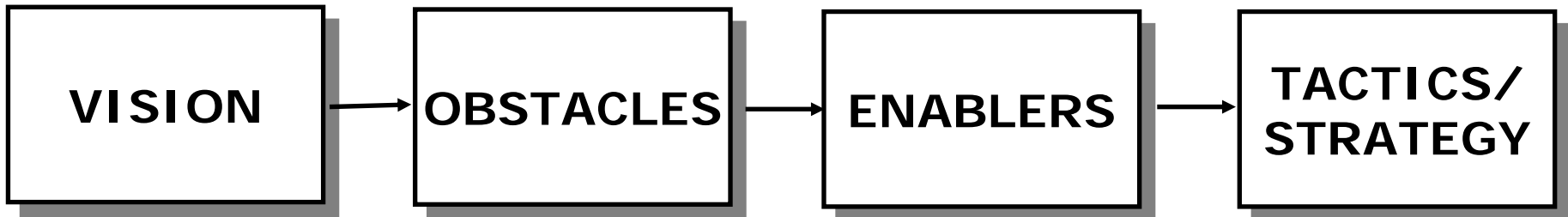
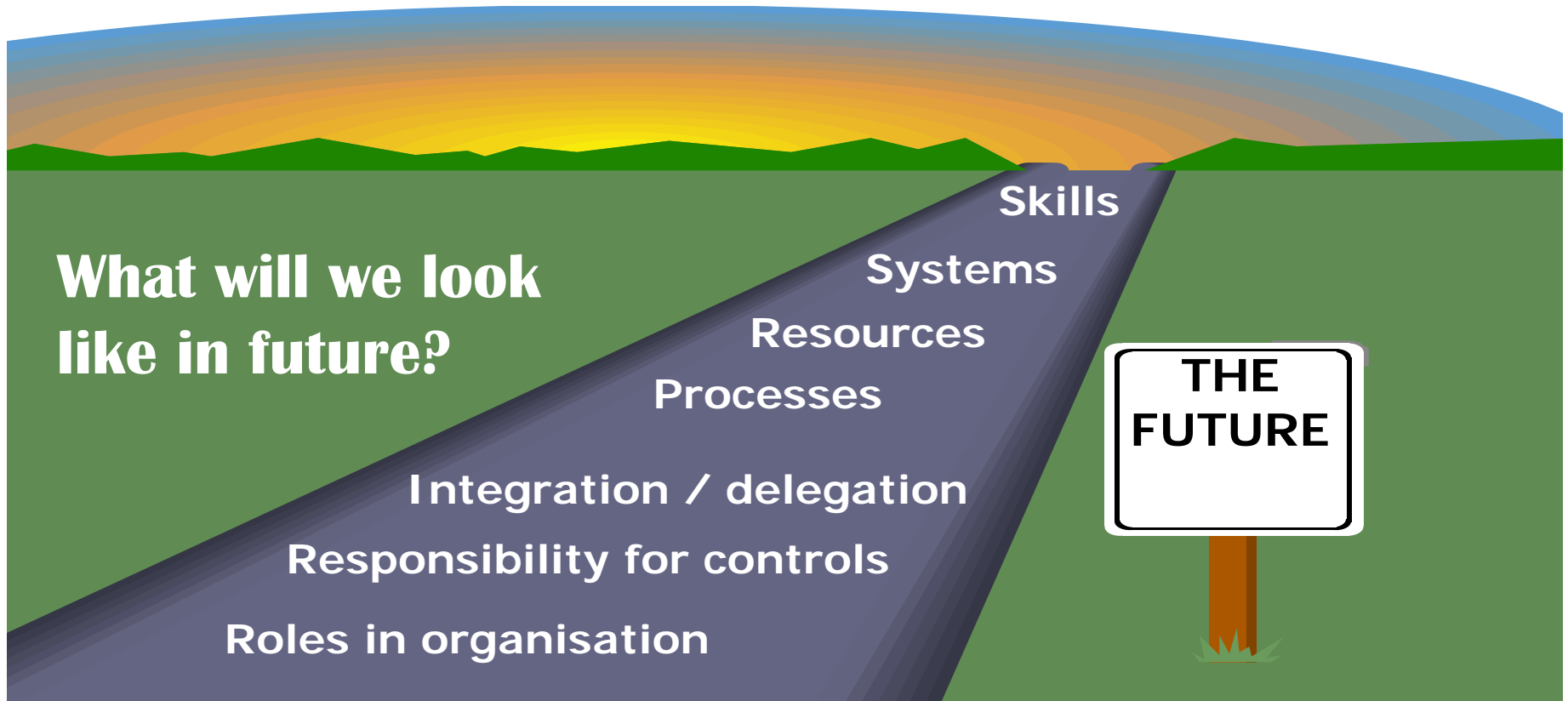
Despite cost implications organisations are driving through change and launching new change initiatives

Charities and change – what you are saying

- “Not sure we have gone far enough”
- “Long overdue”
- “Governance structures create slow responses”
- “Demand is increasing and resources are decreasing”
- “Much more needs to be done”

“THIS IS THE MOST CHALLENGING TIME OF MY CAREER” – charity FD

Where do we want to be?



Common Barriers to Change

CULTURAL

- Old guard new guard
- Prior failures
- Lack of innovative spirit

INDIVIDUAL

- Loss of power
- Fear
- Comfort with status quo
- Skill deficiency

ORGANISATIONAL

- No vision
- Conflicting performance measures
- Functional/"Silo" structure

Creating the vision for change

- Defining a really compelling case
- A sense of urgency
- Common sense not always the answer
- Leaders and their teams may be motivated by different things
- Who writes the story
- Deficit based and constructionist view

Looking beyond the obvious

- Perceptions of fairness and justice
- Behaviours drive performance and mindsets drive behaviours
- Rethink the top management slide pack
- Don't under estimate time and energy
- Reduce the barriers
- Quantifiable performance measures
- There are many ways of motivating people

What successful transformations share

Mckinsey global survey - 2010

- Assess the organisation's present situation rigorously
- Identify the current state of capabilities as well as problems,
- Explicitly identify the underlying mind-sets that must change for the transformation to succeed
- Strong leadership and maintaining energy for change among employees are two principles of success that reinforce each other when executed well.

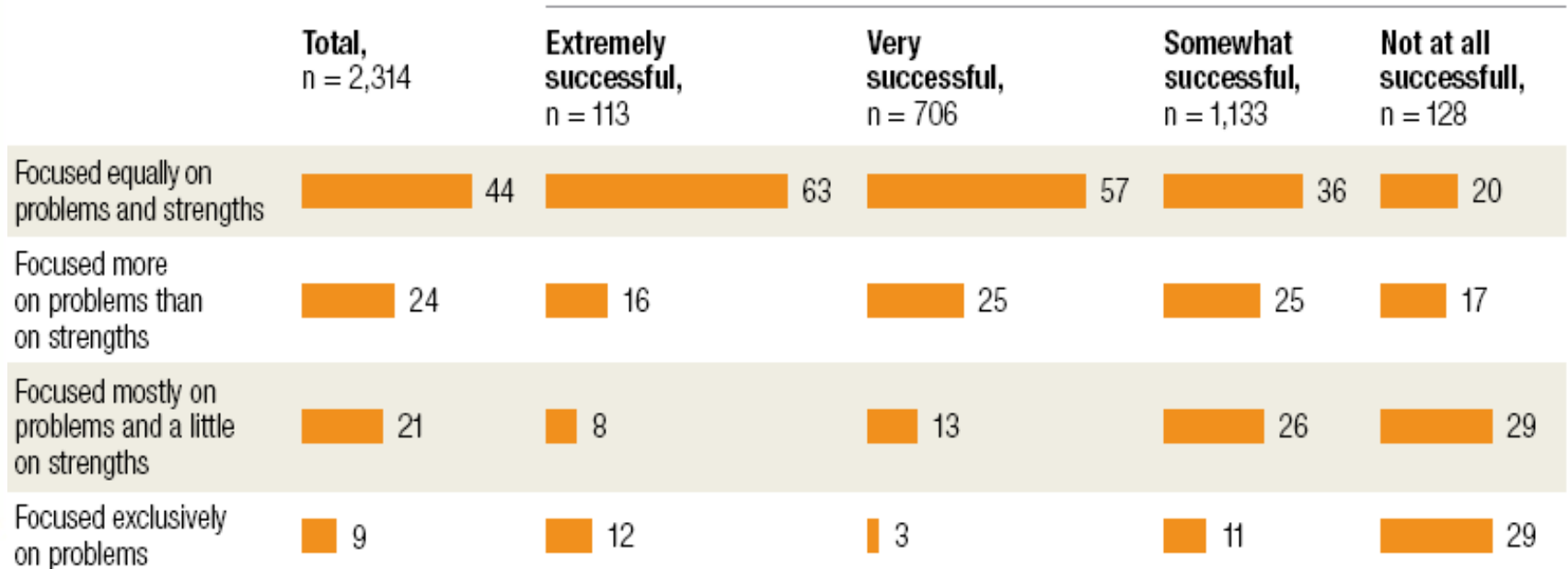
	Success rate
Leaders ensure frontline staff feel a sense of ownership	70%
Frontline employees take the initiative to drive transformation	71%
Both principles are used	79%

Focus on strengths opportunities and problems

% of respondents¹

In assessing the situation before beginning a transformation, some companies focus on identifying their strengths and opportunities, while others focus on understanding problems that need to be addressed. To what extent did your company's assessment balance these two approaches?

By overall success of transformation in reaching targets



¹ Respondents who answered "don't know" are not shown.

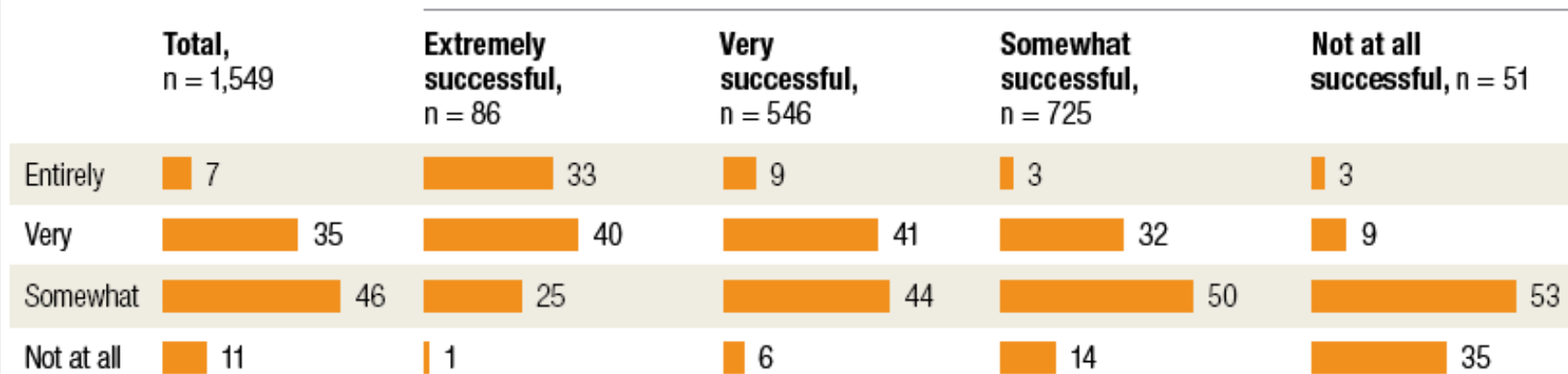
Staff contributions

three-quarters of the respondents whose companies broke down their change process into clearly defined smaller initiatives and whose transformations were “extremely successful” say that staff members were entirely or very able to participate in shaping those change initiatives

% of respondents whose companies broke down the transformation into specific, smaller change initiatives¹

To what extent were staff able to contribute their own thoughts and ideas to shape (or cocreate) the company’s change initiatives?

By overall success of transformation in reaching targets



¹ Respondents who answered “don’t know” are not shown.

Babies and bath water

Research shows that cost cutting is the most common way of reacting to a down turn. Avoid knee jerk reactions and swathing across the board cuts that may lead to throwing out the baby with the bath water.

- Staffing
- Marketing
- Operations

See article on cost optimisation – Caritas magazine Dec 2008

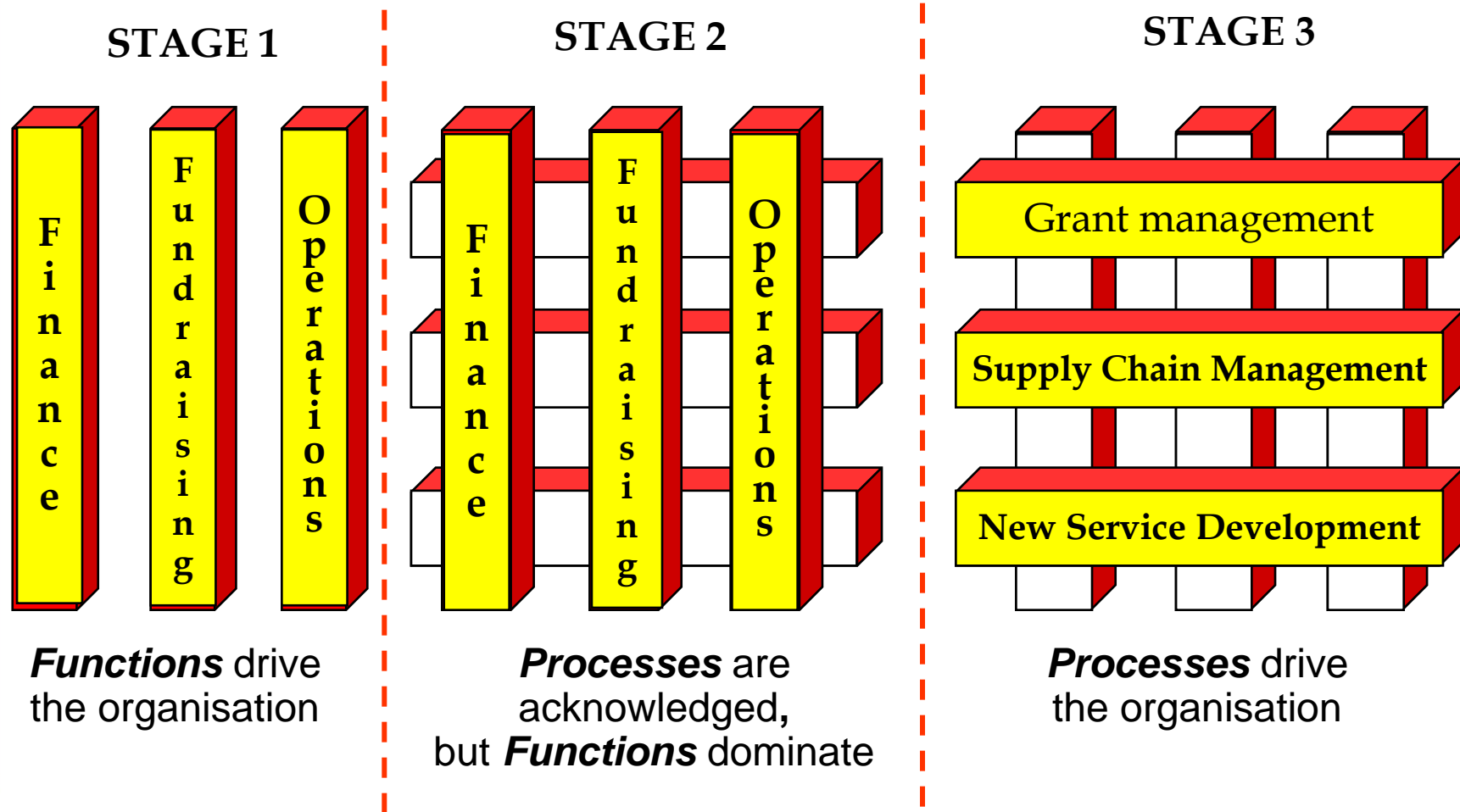
Linking strategy to operations

“A visionary strategy that is not linked to excellent operational and governance processes cannot be implemented.

Conversely, operational excellence may lower costs, improve quality, and reduce process and lead times; but without a strategy’s vision and guidance, a company is not likely to enjoy sustainable success from its operational improvements alone”.

– Kaplan and Norton

Successful process redesign requires a shift from *Functional* to *Process* view



See article in Caritas magazine – July 2008

Organisational and individual transitions

- Many organisations are at least adequately prepared to facilitate organisational transitions
- Most organisations rarely provide enough focus on how to address personal transitions
- There is need to ensure that personal transitions are aligned with organisational transitions.
- Managing both is a critical driver of successful change.

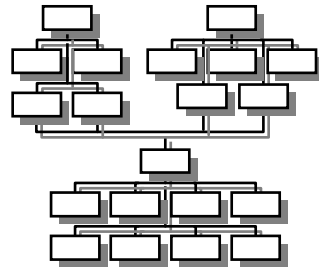
Boxes - Boxes - Boxes

Manage the present

Selectively abandon the past

Create the future

Organisations Assess the Change Strategically



- What are we doing and why?
- How does the change relate to our strategy?
- Why will we be more successful?
- Is management really committed?
- What is the change plan? Is it doable?

Individuals Assess the Change Personally



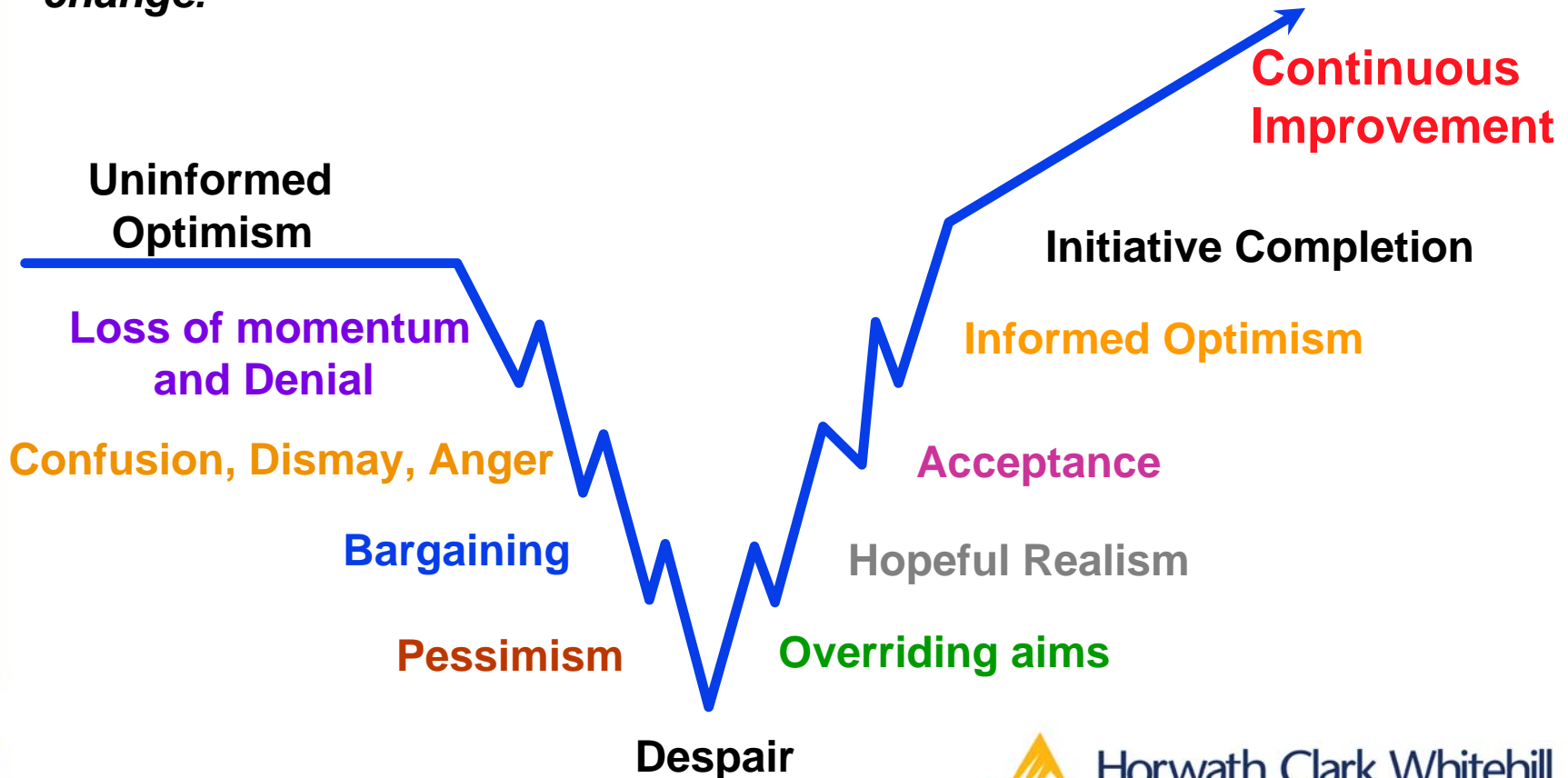
- *What are we doing and why?*
- *How will the change work, and how does it affect me?*
- *Can I influence the changes?*
- *Will I have a job I like when this is over? (will I have a job?)*
- *Can we have more guidance so I can learn to do it without failure?*
- *You know what? If we modified it here, it might work.*

Lasting change

Need For Change	Clear Shared Vision	Management Commitment & Behaviour	People Involvement	Supporting Systems & Processes	Performance Measures	=	LASTING CHANGE
X	✓	✓	✓	✓	✓	=	No Action
✓	X	✓	✓	✓	✓	=	No Decisions
✓	✓	X	✓	✓	✓	=	No Role Models
✓	✓	✓	X	✓	✓	=	No Ownership
✓	✓	✓	✓	X	✓	=	No Systemic Solutions
✓	✓	✓	✓	✓	X	=	No Results
✓	✓	✓	✓	✓	✓	=	LASTING CHANGE

Making it work – the valley of despair

There is a predictable drop-off in performance due to the implementation of change and new processes / systems and structures. This is often a natural reaction to major change. The aim is to proactively manage the change.



Remember

- The lottery ticket experiment
- Identify critical issues
- Break big decisions into smaller ones
- Change how decisions are made – nimble

For any clarification

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