On the money

How does the way third sector organisations think about money affect the way they work?

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On the money: how do organisational think about money?
1 Introduction

We have come to recognise that many people who run third sector organisations (TSOs), and especially those who run larger organisations, think that money is the answer to all their problems. It is not surprising that getting hold of money can feel like an all-consuming pressure when TSOs feel that they are up against it. We understand and sympathise with organisational leaders who work incredibly hard to bring in money to keep their employees in jobs, provide the resources to keep their services running and to benefit those people they seek to help.

This paper is mainly concerned about larger TSOs which depend much more heavily on maintaining a steady stream of income to keep their organisation afloat. And we frame our exploratory analysis in the context of a dynamic, and often turbulent social, economic and policy environment where few TSOs can enjoy long periods of certainty about maintaining stable levels of income. Indeed, we show that for the majority of larger TSOs, a substantial level of income fluctuation is the norm not the exception. That is why much of the talk in the third sector focuses on money.

The trouble is that the relentless search for money can start to become an end in itself – whether TSOs are currently in financial trouble or are thriving. But we argue in this paper that money does not always provide the answer – and in fact, sometimes it may be a part of the problem. What we say is that money should be thought of as one medium through which, amongst other things, organisational objectives can be achieved. A well governed TSO will have the foresight to recognise when a source of income will help the organisation to achieve its objectives. And more importantly, it will know when a source of income has the potential to do the organisation real damage.

Organisational foresight, we will argue, demands that TSO leaders can weigh up the ‘opportunity costs’ of making decisions. That is, that they have a clear understanding of the potential risks associated with making decisions about money such as: signing a contract to deliver a service; accepting a grant or an endowment; taking out a loan; employing a fundraiser; and so on. Being enterprising, in short, is not just about getting the money in – it’s about knowing what the purpose of that money is in relation to the organisation’s social objectives. And further, it’s about knowing that the organisation has sufficient belief, capacity and capability to deliver whatever it is that the money is to be used for. It is also about being clear about what the mission of the organisation is and holding as closely to that as possible, rather than simply
being led by ‘funding opportunities’. We have no doubt that keeping all of these things in mind is a complex balancing act.

The paper is divided into a number of sections.

- Section 2 provides a brief introduction to the Northern Rock Foundation Third Sector Trends Study.
- Section 3 considers patterns of income fluctuations in the TSO50 and considers the notion of endemic financial insecurity in the sector.
- Section 4 discusses at a conceptual level, the ‘meaning of money’ in the third sector.
- Section 5 uses data from the TSO1000 to find out how different sources of money are valued by TSOs of different sizes and ethos.
- Section 6 draws on our understanding of organisational practice gained from the Third Sector Trends Study and considers what makes TSOs succeed or fail to achieve their potential.
- Finally in Section 7, we summarise the main findings from the working paper and outline what we intend to do in the next phase of work.
- An appendix provides more detailed analyses of income fluctuations in organisational income from 2008-2012 using data from the TSO1000 to show how things have changed over the last few years for organisations of different sizes and planning and practice ethos.
The Third Sector Trends Study

The Third Sector Trends study was designed to examine how TSOs fare over time in the context of change. As a long-term longitudinal study, it was possible to devise a methodology which observed the third sector from a number of vantage points. This included:

- The TSO50: a longitudinal study of 50 third sector organisations which was planned to take place over a period of seven years beginning in 2009. The second phase of the research fieldwork of the TSO50 was completed in 2012. The research involved observation, interviews and statistical research on a representative sample of organisations. The final stage of the project is planned for completion in 2014.

- The TSO1000: a survey of TSOs in the study region (the North East of England and Cumbria) was planned to take place in three phases. The first survey, attracting 1055 responses, took place in 2010. The second survey was completed in 2012 and drew in 1710 responses. The final survey is planned to take place in 2014.

- Foresight Panels: in 2010 three foresight panels were established in Cumbria, and in two areas of North East England (Northumberland and Tyne and Wear, and County Durham and Tees Valley). In 2010, 12 focus groups took place with the panels together with three short on-line questionnaires to gauge opinion on sector wellbeing from a representative group of third sector, private sector and public sector stakeholders.

The TSO1000 surveys, the qualitative analysis of the TSO50 and the focus groups with Foresight Panels were designed to provide three lenses through which to study the third sector. Up until now, we have not attempted to bring all three sets of data together to examine particular aspects of the study. This is the first working paper where we do this.¹

¹ Full details on the methodologies adopted in each of these studies can be found in earlier working papers: for the TSO50 see Chapman and Robinson, et al. (2010) What makes a third sector organisation tick, and (2012), Journeys and destinations; for the TSO1000 see Chapman and van der Graaf, et.al. (2011), Keeping the show on the road; and, for the Foresight Panels, see Bell and Robinson, et al. (2011) Forearmed with foresight.
## Income fluctuation in the TSO50

Our evidence from the TSO1000 surveys shows that there is considerable income stability in the third sector – particularly amongst smaller organisations where 80% if TSOs say there has been little or no change.\(^2\) The situation for larger TSOs is more complicated and is affected to some extent by their planning and practice ethos.\(^3\) As Figure 1 shows, nearly 16% of TSOs with a market driven ethos had rising income compared with 12% of TSOs with a public-sector driven ethos and 14% of community driven ethos. While these differences are small, at the other end of the spectrum, it is clear that TSOs with a public-sector driven ethos were rather more likely to have significantly falling income (37% compared with about 30% for other larger TSOs).

### Figure 1  **Income fluctuation in last two years, 2012**

<table>
<thead>
<tr>
<th>Over the last two years, has your organisation’s income</th>
<th>Smaller TSOs</th>
<th>Larger TSOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risen significantly</td>
<td>3.7</td>
<td>14.0</td>
</tr>
<tr>
<td>Remained about the same</td>
<td>80.3</td>
<td>55.5</td>
</tr>
<tr>
<td>Fallen significantly</td>
<td>16.0</td>
<td>30.5</td>
</tr>
<tr>
<td>N=</td>
<td>807</td>
<td>272</td>
</tr>
</tbody>
</table>

Interpreting findings such as these is not a straight forward matter and headline figures, such as these, tell us very little about the financial situation of individual TSOs and whether rising, stable or falling income came as a surprise or not, or if it affected the way they operate.

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\(^2\) See the appendix to this paper for a detailed discussion of income fluctuation data.

\(^3\) For a full explanation of how we define ‘planning and practice ethos’, see the companion working paper by Chapman and Robinson (2013) *The Crystal Ball.*
The TSO50 study has shown that the journeys organisations make over time are affected by many factors. These can include: change in the economic and policy environment; change in beneficiary needs; change in the funding environment; and, amongst other things, change in the way the organisation defines what it wants to do and how it operates. Income, we find, is but one factor which shapes the way that TSOs operate, albeit a very important one.

The problem with using rising, stable or falling income as a proxy for organisational wellbeing, however, is that it leads to implicit assumptions that to be ‘successful’, TSOs should have stable or rising income. But perhaps this is not possible in a sector where organisations have such complex portfolios of income (drawing money from grants, contracts, trading, gifts, subscriptions, loans, etc.). Perhaps fluctuating income is just a fact of life?

When the TSO50 study began in 2008, a first step was to collect as much information as we could about each organisation prior to our first visit to observe the organisation and do an in-depth interview with its principal operating officer. Material was collected from the Charity Commission website for those TSOs which were registered charities to find out about their income and expenditure in recent years. In the second phase of the TSO50 study in 2012, we repeated this process. So we now have a record of the financial histories of TSOs running back for the last 7 years.

To preserve the confidentiality of these organisations it is not possible to report actual figures for TSOs. So what we have done is to divide the sample into three broad categories of size: smaller, medium and larger TSOs and produced bar charts of their income profiles over time.

These profiles of individual TSOs are presented in Figures 2 to 4 and their purpose is to show that very few organisations experience income stability over time.

- The ten smaller TSOs in the study clearly have substantial fluctuations in income from 2004-2011; after which there has been a slight fall back in income in several, but not all, cases. Only one of them could be described as having reasonably level income throughout the period.

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5 For full details of the methodology, see Chapman and Robinson, et al., (2010) What makes a third sector organisation tick?

6 If organisations were not registered with the Charity Commission for some or part of the period of study then we attempted to fill gaps in incomplete financial records by looking at annual reports and so on. It was possible to produce complete records for 29 of the 40 regionally based organisations from 2004 to 2011. Of the remainder, most were unregistered charities of registered charities whose income was below the threshold required to submit financial data.

7 The axis on the levels of income has been removed to ensure that confidentiality is maintained.

8 It was not possible to disaggregate income at regional level for the national organisations in the study and as a consequence all ten of these TSOs were excluded from the analysis.
For the nine middle sized organisations, similarly, income fluctuation seems to be more or less endemic with some TSOs experiencing dramatic shifts in income.

The ten larger TSOs seem to share a slightly more common pattern. Six of them had steadily rising income from 2004-2011 (one of which had very dramatically rising income), while the remainder had more ‘chaotic’ income histories. Only one of these TSOs seemed to have very stable income throughout.

We do not pretend that this analysis accurately represents the experiences of TSOs in general. But it is a useful exercise to show that of those TSOs we have studied in depth for a relatively long period of time, experiences of income fluctuation are very common. But how does this ‘endemic’ uncertainty in income affect the way that individual organisations operate? And how does it affect the way that the sector as a whole sees itself?

If income fluctuation is part of life in the Third Sector, as it appears to be, then it might be expected that people in the sector may have learned to live with this situation. But we doubt that this is the case and many of the people we have talked to in the TSO50 hankered after economic stability in the context of fearing what the future may hold. In our Foresight Panels, we heard how difficult people expected times would soon become.

Figure 2  
**Income profiles of smaller TSOs 2004-11**
'It’s the squeeze in public sector finances at some point in the not too distant future that is likely to have an impact on the third sector, because the public sector is the ultimate provider of funding that goes to the third sector.’

‘You can’t deny that there is a real problem looming with the public expenditure situation. In the end, charitable trusts cannot actually plug that gap.’

‘...people in the sector are looking at falling off the edge of the cliff.’

‘...I appreciate that there are funding streams coming to an end...From what I have seen, there are often replacements for those; SRB came to an end and something else came in afterwards...I think, over time...we are going to just see that slowly squeezing, so it’s going to become more and more of a cat fight to get the money...’
While the evidence presented in Figure 1 provides some indication of the extent of change, it does not, however, show that the sector is crisis ridden. Other commentators have come up with similar observations. As Professor Peter Alcock, Director of the Third Sector Research Centre recently stated:

> Some may see the prospects for 2013 to be more doom and gloom. However, I think such pessimism comes from a rather short-sighted perspective on social change. A key lesson from the past is to take the long view on the political and organisational changes that affect voluntary action. Despite the fears of cuts, mergers and closures; history will not judge this to be a time of ‘crisis’ for the sector. Patterns of individual activity and organisational development show resilience over time and general incremental growth.  

The purpose of the next section is to consider how the third sector thinks about money at a conceptual level – and explores how this might affect the way that TSOs work.

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Meanings attached to money

In the nineteenth century, the professional classes distinguished themselves from the business classes by distancing themselves from rude questions surrounding the issue of money. Often, they said, ‘we are paid, so that we may work; we do not work so that we may be paid’. Professionals positioned themselves culturally as the kinds of people who did ‘good work’ for the benefit of others. And in making this claim to altruistic purpose, they implied that there is something essentially rather grubby about making money.\(^\text{10}\)

We discern from our qualitative research with the TSO50 and Foresight Panels that many people in the Third Sector hold a similar set of values. We now think that these values shape the way that many people in the sector talk, and the way they think, about their relationship with money.

The meaning of money

In classical economics, money is conceptualised as a constant. A dollar is a dollar in anybody’s pocket or purse. When considering the exchange value of money – this position makes sense. But a more insightful way of thinking about money is to consider its cultural or social value. As Zelitzer has explained, in the context of money exchanges in families and personal relationships, the value of money can be differentiated depending upon its ‘special purpose’.\(^\text{11}\)

Monetary gifts may be valuable in economic terms, but their value is mediated by the context in which the gift was given. Gifts often come with strings attached, such as expectations of approval by the giver. So the recipient is not generally free to do entirely what they want with the money. If they spend it on something which the giver disapproves, they face potential consequences. Sometimes, gifts are given with the express intention of winning the recipient’s sense of personal obligation to the giver. Gifts, in short, are often imbued with ‘hidden meaning’.\(^\text{12}\)

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The analysis can be extended to other forms of gift exchange. For example, charitable gifts to individuals or organisations can be valued greatly. The award of a charitable scholarship for a child to attend a private school or the gift of an MRI scanner to a local hospital are examples. But the giving of money by charities to individuals can produce feelings of ‘shame’ for the recipient, or ‘resistance’ - especially so if the recipient is required to make behavioural alterations as part of the deal.\(^\text{13}\)

The value of *earned money* is articulated differently from gift money. This is because obligations have been expended within the parameters of the exchange relationship: if a person is paid to do something, then the money they receive is theirs to use as they choose. That stated, earned income is not free from social and cultural meaning. This is because the social value of the money is measured to some extent by the way it was earned. Hence the proliferation of colourful expressions, such as ‘dirty money’, which are used to cast aspersions on those who earn money in ways which are regarded as socially illegitimate.\(^\text{14}\)

It is also possible, but not commonplace, for TSOs to *borrow* money. Loans from banks can be usefully put to work by TSOs when they identify a purpose for investment which will, in the longer term, pay them dividends. Loans are more likely to be valued by TSOs which are involved in social enterprise activity. For example, if a TSO runs a community transport service, taking a loan to buy a new bus could make economic sense, providing that a well crafted business plan says so. Or for a TSO which is involved with a payment-by-results programme, working capital may be needed to provide cashflow to bridge the gap between the costs of programme delivery and payment for services rendered.

In the private sector, considerations about the value of money are less cluttered. This is because no distinction needs to be drawn between ‘gift money’ and ‘earned money’. In the third sector, the situation is much more complicated as a TSO may have a complex portfolio of:

- **given money** (as grants, gifts, endowments, etc.);
- **earned money** (through the delivery of contracts, through trading or via investments); or,
- **Borrowed money** (to provide investment capital, working capital, etc.).

However, such distinctions are only rarely drawn and we find that for the most part - people just talk about ‘funding’.

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‘Funding’ and ‘income’

We find a sector which worries about ‘funding’. The widespread use of the term probably arises from an expectation that money should be provided to ‘fund’ good work. It may be time to use words differently, depending upon the context within which a TSO is working, to bring into focus some fundamental questions about what money is for.

Most TSOs are hungry to achieve a great deal for their beneficiaries. Many organisations, particularly those which employ staff to deliver their services, need money to make that happen. But getting the money in to do the work can be thought about in different ways.

We have selected two quotations from members of our Foresight Panels15 to illustrate two quite distinct positions. The first seems to reflect a traditional view of professionalism alluded to above – where people feel that they should be paid so that they may work – and actually feel rather uncomfortable about having to expend energy getting money to do good work.

‘... a hell of a lot of my energy, on a day-to-day basis, goes in some way into funding... the amount of energy we’re expending in managing the funding environment is not actually equitable with the amount that is coming in and I feel weary of it...’

The second quotation suggests a different viewpoint: that ways need to be found to earn sufficient money in order to do good work.

‘You can’t help [beneficiaries] if you don’t exist; I think that’s the bottom line for us. Like everyone, we are in an eternal battle for survival... The only way we can [keep going] is much more of the selling of services, making a profit, a strong surplus, however we want to define it. That way we can bring more money in to make our organisation stronger and more stable so we can meet our challenges and objectives.’

The fact that more people use the term ‘funding’ rather than ‘money’, we suspect, signals a set of values about the kind of organisation they are and of the kind of work that they do. The TSO1000 study shows that the majority of TSOs are small, require little money (as they employ no staff), and rely primarily on volunteers to do their work.16 If they need money at all, they get it from small grants, donations, sponsorships, subscriptions, or earn a little from ‘fundraising’ events. This paper is not primarily about these kinds of organisations. Instead we are concerned with bigger TSOs which need quite a lot of money to do their work.

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15 See Bell and Robinson, et al. (2010) Forearmed with Foresight: speculations on the future development of the third sector in North East England and Cumbria, Newcastle upon Tyne: Northern Rock Foundation.

16 For analysis of the TSO1000 in 2012, see Chapman and Robinson (2013) The Crystal Ball.
What is money for?

It is pertinent, at this point to ask a simple question – what is money for? While it would be an excellent distraction, it is not our intention to produce a complex taxonomy of the uses of money. The following list is not, therefore, exhaustive – but has been devised merely to illustrate the point that money is useful for the practical purposes of running a TSO.

- **The cost of doing things**: paying staff to do something, buying kit and consumables for them to do it with, providing a place where activity can happen.
- **The cost of staff development**: paying for training staff and volunteers so that they have the skills to do their work.
- **The cost of cashflow**: providing sufficient financial resource to pay for things the TSO needs to do means that reserves must be built or borrowed.
- **The cost of discretionary spending**: paying for things, such as a staff party or an away-day, that the organisation wants to do but that nobody else could reasonably be expected to pay for.
- **The cost of assessing and communicating success**: such as paying for evaluation work or a social audit, providing time to talk to beneficiaries about the service provided, the time taken to prepare brochures, press releases, stage events and so on to position the organisation favourably.
- **The cost of campaigning**: fundraising for campaigns and running campaigns costs money.
- **The cost of disasters**: organisations may need to pay for insurance or have reserves to pay up when things go wrong, such as staff sickness or suspension, partner organisations failing to deliver promises, client’s not fulfilling expectations, etc.
- **The cost of debt**: paying for mortgages on property or financing loans.
- **The costs of management and leadership**: paying for the ‘core’ costs of organisational management.
- **The costs of generating income**: paying for fundraising, networking with potential clients, bidding for grants and contracts, developing products for sale, etc.

Identifying some of the purposes of money helps to focus on which elements are essential for individual organisations to operate successfully. But more importantly, the list helps to show that the value attached to particular functions, ideally, should shape discussions within the TSO on what should be done, or not done, to ensure that organisational mission and operational needs are balanced.
**Opportunity costs**

Business planning is important for those TSOs which need to balance their level of income with the costs of delivering services. In the third sector, we find that this straightforward message is not always easily assimilated. All too often, we suspect, the objectives *wished for* exceed the available resources. A consequence can be that perceptions of social need may play a major part in shaping strategic debates in TSOs about the required levels of human effort and monetary expenditure to achieve objectives.

Trying to deliver more good work than a TSO has the financial resources to pay for creates problems on many fronts. But rather than talking about the problems that can occur\(^\text{17}\) – we think it is more profitable to consider how they might be avoided, alleviated or mitigated in the first place.

Good governance, we believe, is the key factor in this respect. If an organisation has the foresight to anticipate, within reason, the outcomes of the decisions it makes about what it intends to do – then it has a fighting chance of being successful in achieving its objectives. To do this, it has to weigh up what economists call the ‘opportunity costs’ of taking decisions. This means that an organisation has to recognise that if it chooses to do one thing, it may have to make an uncomfortable decision to forgo the opportunity of doing something else.

In an ideal world TSOs would make decisions purely on the basis of the benefit they can bring to people who draw upon the services they deliver. In real life, this rarely happens and decision making gets cluttered by the fact that the organisation develops ‘a life of its own’ as an entity. This is because the people who work for them as employees and volunteers generally form bonds which are based on shared values, mutual trust, reciprocal support, responsibility and dependence. While a TSO may have been established to invest energy in tackling problems in the ‘real world’ – its very existence produces a set of, sometimes, competing interests.

In the TSO50 study, we heard many chairs and chief officers express their concerns about the employment security of the people who worked in their organisation. Their sense of loyalty to people who had served the organisation well over the years was so strong that sustaining their jobs became a top priority. Often they found themselves bidding for grants or contracts to ‘keep the ship afloat’. Feeling responsibility for people who have become dependent upon an organisation to protect their livelihood is laudable in itself. But has the potential to skew the decision making process in such a way as to damage the quality of work that the organisation does and inflict significant reputational damage.

\(^{17}\) For further development of these problems, see Chapman, T. and Robinson, F. et al. (2013) *Walking a Tightrope.*
Making good decisions involves striking a balance between the organisation’s altruistic mission to achieve social outcomes and its own needs as an entity to be resilient, capable and have sufficient assets to do its work. To illustrate this point, a list of choices is presented below that TSOs commonly have to think about.

- Scaling up the operation or scaling down.
- Developing staff capability or not.
- Entering partnerships or working alone.
- Changing direction or holding firm.
- Campaigning or keeping quiet.
- Weathering storms or knowing when to stop.

None of these sets of choices should be fundamentally shaped by questions about money. Instead they relate primarily to organisational values, capabilities and objectives. And many of these choices have to be made in conjunction with other choices – which makes the decision making process all the more difficult.

What does success feel like?

There are, potentially, many ways of assessing how successful a private sector business is in achieving its objectives. But in a capitalist economy, the most usual measure is its balance sheet. In the private sector, organisational viability is quite easy to measure by using conventional methods of financial accounting. The bottom line tells a clear story – if a business is consistently losing money, it has a problem. Organisational success, by contrast, is demonstrable if the business is growing and higher levels of profit are being made now, or there is a strong likelihood that it has potential to do so in the future.

The discourse of market economics has, over the last few years, come to influence the way that the success of TSOs are assessed and is also used by organisations which represent the interests of the sector as a proxy for sector wellbeing.18 Indeed, we were seduced by this kind of thinking and set about measuring the success of TSOs using simple monetary indicators of organisational viability. While such analysis may provide some insight into the economic wellbeing of the sector as a whole – it tells us little about the success of individual TSOs. This is

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because assessment of the financial wellbeing of TSOs is a particularly complex job where the bottom line only tells a part of the story.

Organisations can also absorb all sorts of ideas about what signifies ‘success’ and they can become preoccupied with chasing objectives which will produce the ‘evidence’ of that success. Organisations can become ambitious for themselves as an end in itself – leading potentially to excessive attention to competition with other organisations to corner the social market in a particular area of activity.

Organisational growth is often taken to be an indicator of success which may have been imported from images of success in the private sector (and can be reinforced by expectations from think tanks or government that ‘successful’ TSOs should, for example, ‘scale up’ their activity). Of course, the volume of activity an organisation produces can equate with higher quality outcomes – there can be economies of scale. But not always.
5 How is money valued by TSOs?

We have argued that ‘funding’ is an emotive term and have chosen to use the term money. Money comes from many different sources, as we have explained, including: grants, gifts, contracts, trading, investments, in-kind support (which would otherwise ‘cost money’), subscriptions and loans. In this section we explore the extent to which the ethos of TSOs may affect the way that they think about different sources of money.\(^{19}\)

In the TSO1000 survey in 2012 we asked people two sets of questions of relevance to this issue. The first asked them which sources of ‘funding’ were of most value to them.\(^{20}\) Instead of asking them to prioritise different sources of money, we asked them to give individual responses on a scale of 1 to 4 on its relative importance. These values were: ‘most important’; ‘important’; ‘of some importance’; and, ‘least important’. They were also given the option of telling us that they ‘perceived’ that the source of money in question was not applicable to them.

The second question refers to organisational ethos. This was a new question in the 2012 survey which was developed in response to our growing interest in the culture of TSOs. We asked: “we are interested in the ‘culture’ of voluntary and community sector organisations – where do you think your organisation sits in relation to the following”. Respondents were presented with a series of issues to respond to, listed in Figure 5, and had the option of ticking ‘people in the public sector’, ‘people in the private sector’, and ‘people in the community’.\(^{21}\)

Figure 5 shows that the majority of respondents position themselves most closely to ‘people in the community’ in relation to all of the value based questions. For the present analysis, however, we are only interested in the first and the last questions.

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19 In this section of the paper, we present data for the whole of the TSO1000 sample (N= 1720) rather than dividing up TSOs by size and ethos. For a more detailed analysis where these differences in organisational size and ethos are explored see the analytical appendix to this paper and also Chapman and Robinson (2013) *The Crystal Ball*.

20 Actually we asked them “How important are the following sources of funding for your work”, which just goes to show that we had not yet cut through the cultural barriers ourselves on this issue at the time.

21 We purposefully avoided asking if they were influenced by public, private or community ‘organisations’ because we wanted them to answer with ‘people’s’ values and practices in mind.
which focus on pragmatic issues of organisational 'planning' and 'practice' because these are the factors which tell us something about how they think about money.

Figure 5  The ethos of third sector organisations

<table>
<thead>
<tr>
<th></th>
<th>People in the public sector</th>
<th>People in the private sector</th>
<th>People in the community</th>
<th>N=</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the way that we do our work in practical terms, we are closer in style to...</td>
<td>11.0</td>
<td>16.6</td>
<td>72.4</td>
<td>1,495</td>
</tr>
<tr>
<td>Our values are matched most closely with the interests of...</td>
<td>7.7</td>
<td>5.1</td>
<td>87.2</td>
<td>1,496</td>
</tr>
<tr>
<td>The financial resources we use to do our work comes mainly from...</td>
<td>21.3</td>
<td>17.3</td>
<td>61.3</td>
<td>1,420</td>
</tr>
<tr>
<td>Volunteers who support us come mainly from...</td>
<td>2.3</td>
<td>6.3</td>
<td>91.5</td>
<td>1,405</td>
</tr>
<tr>
<td>When we are planning for the future, our approach is close to...</td>
<td>7.4</td>
<td>16.6</td>
<td>70.0</td>
<td>1,454</td>
</tr>
</tbody>
</table>

The first step in the analysis is to find out how organisational ethos affects organisational attitudes about sources of money which they think are 'not applicable' to what they do. We do not take this to mean that such sources of money have no potential to be of importance to them, but rather that they are not perceived as being of importance.

Figure 6(a) shows which sources of income were not thought to be applicable to TSOs according to their 'practice ethos'. The data show that:

- About 20-25% of TSOs, no matter what their practice ethos is, did not perceive gifts to be applicable them.
- TSOs with a community sector driven practice ethos were less likely to perceive that in-kind contributions were applicable to what they do (which may seem odd, given their likely reliance on voluntary support) compared with about 28% of other TSOs. 70% of these TSOs did not regard contract work as being applicable to them, half felt the same about earned income or investment income, and 90% about loans. Perhaps surprisingly, 43% did not think that subscriptions were applicable to their organisation and 25% felt the same about grants.
- Only 16% of TSOs with a public-sector driven practice ethos did not regard grants as being applicable to what they do; around 35% felt the same about contracts or earned income; about half had no apparent reliance on investment income; and, 64% had no income from
subscriptions. Loans were apparently not applicable to the majority – 85% said this kind of money was not applicable to them.

- The TSOs with a private sector driven practice ethos differ in some respects from other TSOs – but these differences are not large. They were less likely to say that earned income was not applicable to what they do (32%). Only 22% considered that loans were applicable to what they do.

Figure 6(b) repeats the exercise for TSOs with a planning ethos that is close to people in the public, private and community sectors. These data largely mirror the findings discussed above – as would be expected – because both factors address the practical issues surrounding the running of an organisation.

Figures 7(a) and 7(b) consider only those sources of income which were judged to be of ‘high importance’ by TSOs. TSOs which consider that such sources of income were not applicable to them are excluded from the analysis. As was the case in Figures 6(a) and 6(b), the results largely mirror each other for practice and planning so the discussion of findings will not differentiate between these factors except where there are substantive variations.

- TSOs with a community or public-sector driven planning ethos were far more likely to place high importance on grants (around 55%) than those TSOs with a private sector driven practice or planning ethos (just 40%).

- TSOs with a public or private sector driven practice or planning ethos were much more likely to place high importance on contracts or SLAs (around 55% compared with about 35% of TSOs with a community driven practice or planning ethos.

- Earned income was most important in TSOs with a private sector driven practice ethos (53%, compared with 42% with a public-sector driven practice ethos). Only 20% TSOs with a community sector driven practice ethos, by contrast, said that earned income is of high importance.

- Investment income was of high importance to TSOs with a community driven practice or planning ethos (25%) followed by private sector driven ethos (17-21%) and public sector ethos (12%).

- In-kind contributions were less important to TSOs with a private sector driven practice or planning ethos (about 10% say it is highly important) compared with other organisations (between 18-23%).

- Gifts were of less importance to TSOs with a private sector driven planning and practice ethos (about 21-22% stress high importance). About a third of other TSOs emphasise the high importance of such sources of income.

- Subscriptions were more likely to be of high importance to TSOs with a community driven practice and planning ethos (around 47%) compared with
other TSOs (private sector ethos TSOs being the least reliant on such sources of income).

No TSOs with a public-sector driven practice and planning driven ethos placed high importance on loans. About 14 – 17% of TSOs with a public-sector driven practice or planning ethos, by contrast, said that loans were of high importance to them.

These findings provide useful indications of the extent to which organisational ethos affects attitudes about money. But concentrating on money alone, we argue, is unlikely to help an organisation become successful. We explore this point in more detail in the next section.
On the money: how do organisational think about money?

Figure 6(a)  Sources of income which are 'not applicable' to their organisation – by TSO practice ethos

Figure 6(b)  Sources of income which are 'not applicable' to their organisation – by TSO planning ethos
Sources of income which are ‘highly important’ to the organisation – by TSO practice ethos

Sources of income which are ‘highly important’ to the organisation – by TSO planning ethos
Not everything that glitters is gold

In the TSO50 we have observed over the last few years how larger organisations operate in a turbulent economic and policy environment. We have talked to them about the decisions they have made or are thinking of making. And in many cases, we have been able to talk to them, with the benefit of hindsight, about the consequences of decisions they made in the past for their organisations and for the beneficiaries they serve. This has led us to speculate about fundamental issues in the decision making process which can get larger organisations into trouble.

We have come to a view that good governance means that a TSO has sufficient resilience (in good times or bad) to organise its assets (of people, resources and ideas) and to achieve its mission (to have the desired impact on its chosen constituency of beneficiaries). By definition, this means that organisational success is not, in our view, about financial growth or even stability. It is about understanding the ‘scale’ of the TSO’s operation and making good decisions about where the organisation is heading when times are good, middling or bad.

To explain this point more clearly, two diagrams have been constructed which show how TSOs can respond to financial ‘opportunities’ or ‘calamities’. The first diagram shows, in ‘ideal typical’ terms – what a well governed TSO does when faced with almost ‘inevitable’ uncertainties and fluctuations in organisational income. The second diagram shows what can go wrong if a TSO is less well governed.

The discussion that follows is directed primarily, but not exclusively, towards larger TSOs which have sufficient income to employ full- or part-time staff and therefore operate relatively formally.

Getting it right?

Figure 8 offers a diagrammatic representation of the fluctuating income profile of a TSO. The wavy blue line indicates the ups and downs of organisational income over

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22 By larger organisations, we mean TSOs that have sufficient income to employ full and part time staff and achieve sufficient organisational scale to require them to operate at a relatively formal level. In the companion working paper by Chapman and Robinson (2013) The Crystal Ball, we define larger TSOs as those which have income levels of £50,000 per annum and above and smaller TSOs as those with incomes of £25,000 per annum or less.
time and the blue area of the diagram illustrates the levels of its financial resources. The red dashed line shows how the people who govern the organisation perceive its natural or equilibrium resource position in the medium term. Because the organisation has an understanding of its equilibrium position in the medium term, we argue, this helps the TSO to manage decisions in an environment of fluctuating income.

So when income rises substantially, due to the receipt of a legacy, winning a grant or contract, or some other source of money, the organisation considers how to manage any surplus money it has available. It may put some money in reserves for a rainy day, it can invest in its staff by establishing or bolstering a training budget, or it may want to invest in something the TSO really wants to do which it would not otherwise have the resources to achieve. The organisation may consider the possibility that there is scope to scale up the size of its operation in the longer term – but it would only do so if there was a realistic prospect that such a position could be maintained and that the operational objectives that would entail can be achieved successfully.

When, by contrast, the TSO experiences a significant fall in income (whether this could have been anticipated or not) decisions are made on what to do about it with the equilibrium position in mind. If the TSO is feeling confident that it can bring in extra money from other sources quickly enough to fill a gap - it may draw upon reserves or take a loan. Alternatively, the TSO may consider that its equilibrium position is likely to change in the longer term and as a consequence, it makes decisions on how to restructure its operation to meet these challenges.

In short, using our analytical framework for organisational effectiveness\textsuperscript{23}, the TSO would:

- Have the **foresight** to be able to scan the horizon for medium and long term opportunities and be mindful of how much it wishes to hold to or adapt its mission to achieve good outcomes for its constituency of beneficiaries.
- Be sufficiently **enterprising** to assess the risks associated with positioning itself appropriately to capitalise on new opportunities – which may or may not involve working with other organisations.
- Understand what its level of **capability** is now and know what potential there is to increase its capability in future to meet the needs of new operational challenges.
- Know what the organisation is there to do and be able to recognise what **impact** their work achieves for beneficiaries.

\textsuperscript{23} The organisational analytical framework we have devised and extensively used in the research is summarised briefly in Appendix 1.
We are not in the business of offering TSOs inoperable paternalistic advice! The purpose of using an ‘ideal type’ of this kind is not to present a picture of how a TSO must respond to a situation. Rather, the aim is to present an example for the leaders of ‘real’ organisations to look at and consider how they would respond, or have responded, to similar situations. It is a way of ‘holding up a mirror’ to their organisation to see what they do in a new way.

We know that no organisation can always get it right because it is not possible to anticipate every outcome – no matter how effective the organisation may be at weighing up the opportunity costs of this option against that. We do feel, however, that TSOs which think about their situation in a similar way to that which is presented in Figure 8 have a better chance of making good decisions when ‘weathering storms’ or when presented with ‘golden opportunities’. According to our analysis reported in *Journeys and Destinations*, about 27 of the 50 TSOs we have followed for the last few years fall into this category.

**Getting it wrong?**

Figure 9 presents a picture of an organisation which responds badly to the uncertainties of the present and the future. The key difference between this ideal type and that which was presented in Figure 8 is the imagined trajectories of change...
which are shown in red dashed lines. When opportunities arise, and such an organisation is successful in winning substantial amounts of money, the TSO does not make sense of its new situation with an equilibrium position in mind. Instead, it gets too excited about its success and imagines that the organisation is on a winning streak and it could grow much more over time.

Figure 9  ‘Imbalanced’ responses to uncertain income situation

The consequences of such a train of thought can be disastrous for the organisation. It may not, for example, assess the opportunity costs of growing too fast. What if new challenges badly dent the motivation and morale of its employees and volunteers? What if the organisation cannot do the work which has been won with the right level of dedication and skill to achieve the quality that is required? What if staff and volunteers do not believe that the work they are doing sits well with their own or the organisation’s mission and values? And with these caveats in mind: what if it ends up costing more to deliver the work than they are paid to do it?

Similarly, when a TSO has no real sense of its equilibrium position, it can exaggerate the impact of steady or sudden decline in its income. In the diagram we use the word ’panic’ responses to such a situation – by which we mean that the organisation will try to position itself to do almost anything to survive. Perhaps the organisation will try to work with other organisations with whom it has not developed a trusting and effective working relationship. Perhaps it will make claims of capability in areas
of practice which it does not truly have and cannot develop quickly enough to deliver the service required.

We have observed such practices often enough to know why TSOs make such decisions – and as noted above – we respect the fact that organisational leaders are keen to protect the people who they employ as a top priority. But at the same time, we also observe that employees do not always feel particularly well protected when they are asked to do work for which they are not properly prepared, have insufficient time or resources to do the work, or doubt its value.

Using our principal analytical framework for organisational effectiveness24, we can make the following brief observations on how things may go wrong for such TSOs.

- May know how to scan the horizon for short-term opportunities – but not in line with mission or capability (poor application of Foresight)

- Does not know when to and not to engage in activities – but grab things they have limited interest or capability in doing (poor application of Enterprise)

- Not fully aware of what organisational assets (of people, resources and ideas) nor of their potential for development (limited understanding of, or investment in Capability)

- May be confused about the beneficiaries they are there to serve and don’t know what difference they make because they prioritise organisational survival (not fully aware of the Impact they want or have)

These ideal types project images of ‘extreme’ responses to uncertain situations. No organisation gets it right the whole time and no organisation always get it wrong. The irony is, however, that some TSOs which are closer to the ideal type of the ‘well governed’ organisation we have presented may suffer periods of bad luck no matter how well they prepare for all future possibilities. And some ‘poorly governed’ organisations can get lucky and win significant amounts of money to do things which they are less able to (or less interested in) delivering than well governed organisations.

In a social market with finite resources, competition is a fact of life and can produce some unfair outcomes.

24 See Appendix 1 for details of the analytical framework.
Summary and Conclusions

In this final section, we briefly summarise the main findings from this working paper and explain how the insights it has produced will be developed in future work.

We started by asking somewhat abstract questions about the meaning of money, focusing particularly on the common use of the term ‘funding’ as a proxy for all types of money. It was argued that this reflects a commonly held expectation that TSOs ‘should be funded in order to do their good work’ rather than find a way to ‘get the money in to get the job done’. This led us to consider different sources of income – drawing distinctions between given money (gifts, grants, endowments and so on), earned money (from trading, contracts and investments) and borrowed money (from loans and mortgages).

We questioned assumptions about the imperative to get money into an organisation as an end in itself by asking what money is for. Categorising some of the purposes of money helped us to focus our attention on establishing which elements may be essential for TSOs to operate successfully in particular circumstances and those which may not be. More importantly, it was argued that well governed TSOs should attend to issues surrounding key organisational objectives first and think about money second. Money, in short, is a medium (but not the only medium) for getting things done in TSOs.

Balancing organisational objectives is a complex process requiring good governance. Trying to deliver more good work than a TSO has the resources (of money, people and ideas) to meet, or the capability to achieve, can create problems on many fronts. We considered how these problems might be avoided, alleviated or mitigated through good governance. A key element of good governance is that an organisation has the foresight to anticipate, within reason, the outcomes resulting from the decisions it makes about what it intends to do.

We say that money should be thought of as a medium through which TSOs can achieve objectives, and we argue against TSOs concentrating on strategies to generate money as an aim in itself. So TSOs must consider the ‘opportunity costs’ of leveraging particular sorts of income to achieve their organisational objectives. This is because TSOs must be good at assessing the potential risks of making choices and recognise that ‘not everything that glitters is gold’. If money is brought in to do something the TSO is self evidently ill-equipped to achieve – then something will go
wrong. Like as not, it will cost the organisation more than the value of the money brought in.

In an ideal world, we argued, TSOs would make decisions purely on the basis of the benefit they can bring to people who draw upon the services they deliver. But we recognise that the needs and wellbeing of the organisation have to be attended to as well. So we argue that making good decisions involves striking a balance between the organisation’s altruistic mission to achieve social outcomes and its own needs as an entity to be resilient, capable and have sufficient assets to do its work.

We have argued that measuring the success of a TSO cannot be done using the same criteria as in a private sector business. We find that fluctuations in income are endemic in the third sector. We accept that assessing rising or falling levels of income of the sector as a whole provides a broad indication of sector wellbeing in resource terms. But for individual TSOs we have shown that it is unwise to concentrate attention on increasing income or income stability as indicators of organisational success. We have shown that most TSOs, irrespective of their organisational ethos, live on a mixed diet of money from many different sources including: earned money, given money and borrowed money. We think that this is unlikely to change (although we need, in the final phase of the study, to keep an eye on the shifting balance between these three sources of money).

While income fluctuation is probably an endemic feature of organisational life in the third sector, we suspect that some TSOs haven’t got used to that and, understandably, they may hope for long periods of stability so that they can simply get on with their work. But TSOs do operate in a social market where fluctuation in income is endemic, sector resources are finite and competition over them can be intense; so TSOs need to have a clear idea about their capacity to do things when they are planning for the future. We have argued that TSOs should have in mind an image of their medium term ‘equilibrium position’ in resources terms. If they have this, we have argued, then they will have a better chance of dealing with the turbulent environment within which they operate. We do not know this for sure, even after five years of research, so we must examine what happens carefully over the final two years of the Third Sector Trends Study.

Organisational ethos, this paper has argued, has a bearing on the way that TSOs value money. Some organisations, we have asserted, seem to have accepted the principle that what they must do is ‘get the money in to get the job done’. This is an indication of their enterprising ethos (but does not mean that they describe themselves as ‘social enterprises’). Some organisations, especially the community-based and smaller TSOs, seem to be able to keep going without changing what they do. They rely on many different sources of money and generally avoid getting involved with activities which may upset their preference to remain completely independent. Other larger organisations, and particularly those with a public-sector driven ethos, seem to be more likely to lament the ‘days gone by’ when money came
to them rather more easily; and they seem to be struggling to catch up with the changing environment.

This is the situation we find now, but this does not mean that many TSOs will not or cannot catch up with changing events. But we offer those which are currently struggling some advice. We argue that the way TSOs conceptualise money fundamentally affects the way they shape their mission and frame their practices. It can result in some TSOs not recognising, or rejecting, consideration of some sources of money – such as borrowed money or income earned from contracts and trading – which could work well for them in certain circumstances. Good governance is about taking a balanced view on what needs to be done. To achieve good outcomes for beneficiaries, it is necessary to attend to the needs of the organisation. But the balance has to be right. This means hard decisions must be made – some of which may hurt.

A TSO’s resource mix of money, people and ideas can produce unpredictable outcomes as our previous papers have shown; but we suspect from the preliminary analysis of organisational ethos in this paper, that some organisations may be better than others at balancing issues surrounding organisational foresight, enterprise, capability and impact. Good governance is undoubtedly at the heart of the matter, but now we think that organisational ethos may be just as important. Our final working paper in this phase of the research, The Crystal Ball, summarises our thinking about these issues.
Appendix 1: Organisational effectiveness

In the Third Sector Trends study, we devised an analytical framework to explore organisational effectiveness in the TSO50. The framework uses four top line headings: **Foresight, Enterprise, Capability** and **Impact**, each of which has five sub-categories.

This framework was first developed and used in 2010 for analysis of the first phase of the TSO50 case studies. Its purpose is explained in *What Makes a Third Sector Organisation Tick?* (2010).

In our recent papers *The Crystal Ball* (2013) and *Walking a Tightrope* (2013), further development of this analytical framework has been undertaken, resulting in the following definitions and observations on good and poor organisational practice.

- **Organisational foresight**

  In our TSO50 study, foresight was defined as: ‘the capability of an organisation as a whole to be able to anticipate change and develop strategic plans to accommodate to or exploit opportunities arising from change. Change is considered on three levels: change in the external economic, political and cultural environment; change in the organisation itself; and, change in beneficiary needs’.

- **Organisational enterprise**

  In the TSO50 research, Enterprise is defined as: ‘the organisation’s capability to marshal its resources and prioritise its energies to achieve the objectives it sets itself in its strategic mission. Enterprise is the means by which the organisation successfully positions itself in order to generate, find or win opportunities which will ultimately benefit its beneficiaries’.

- **Organisational capability**

  In the TSO50 research, an organisation’s capability is defined as ‘its ability to employ, manage, and develop its resources in order to achieve its strategic objectives. All of the resources of the organisation are considered including: its trustees, employees and volunteers; its financial resources; its property; and its relationships with partners, funders and other key stakeholders’.

- **Organisational impact**

  In the TSO50 study, impact is defined as: ‘the organisation’s capability to serve its beneficiaries effectively and to make a wider contribution to the community of practice within which it works, to the third sector in general, and to civil society broadly defined. Crucially, this involves the ability of the organisation to understand its impact and to be able to communicate this effectively to outsiders’.
Figure 1  **Features of organisational foresight**

<table>
<thead>
<tr>
<th>Good organisational practice</th>
<th>Indications of poor organisational practice</th>
</tr>
</thead>
</table>
| Knows what they are there to do and who they serve:  
has a clear understanding of who its beneficiaries are;  
knows how it can best serve its beneficiaries. | It is possible for a TSO to know who they are there to serve and know what they are there to do whilst, at the same time, failing to take the right steps to achieve their objectives. Drift from core mission may be a common factor in undermining organisational effectiveness. |
| Plans on the basis of realistic appraisal of capability:  
knows how to assess opportunities;  
knows what its capabilities are and can match these with its ambitions. | Losing the connection between mission and practice is, in weaker organisations, often associated with a failure to understand organisational capability (or the potential to develop it) and therefore take on new activities for which they have insufficient skill, experience or even interest to do properly. |
| Leaders are focused on longer term objectives:  
leader(s) focus on ‘big picture’ objectives;  
organisation plans its activities with its principal objectives in mind. | Most organisations find themselves at the mercy of sudden change from time to time. That can result from the loss of key staff, trustees or volunteers; or from unexpected external factors. Good organisations can weigh up what the significance of these changes is for the longer term – rather than reacting too quickly and unwisely. Keeping a big picture perspective is hard but necessary. |
| Governing body understands aims and supports plans:  
governing body has the right skills mix, energy and commitment to develop and support organisational objectives;  
governing body works with ‘one mind’ once agreement has been reached on the organisation’s objectives. | Good governance requires a balancing act. Boards which are dispossessed, uninterested, unimaginative, inadequately skilled and insufficiently knowledgeable, intrusive, over ambitious, combative, divisive, destructive and delusional can make poor decisions. Unbalanced boards rarely speak with one mind or effectively communicate what they want to happen – producing uncertainty and inefficiency. |
| Would consider making hard decisions in response to challenges:  
organisation remains focused on its principal strategic objectives if faced with new opportunities or a crisis;  
organisation contemplates radical action to ensure continued service to its beneficiaries (such as downsizing, merger, closing). | Making difficult decisions and communicating them effectively is a critical success factor in TSOs. Organisations which prevaricate or bury their heads in the sand rarely prosper over time. Often crises occur over resource constraints producing a tendency to protect the interests of people who work and volunteer in a TSO – perhaps at the expense of the needs of beneficiaries. |
### Figure 2  Features of Organisational enterprise

<table>
<thead>
<tr>
<th>Good organisational practice</th>
<th>Indications of poor organisational practice</th>
</tr>
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<tbody>
<tr>
<td>Knows how to spot and assess opportunities: organisation has knowledge and a clear understanding of where opportunities might present themselves; organisation has a mechanism to undertake successful opportunity appraisals.</td>
<td>TSOs which react to opportunities on the near horizon without proper appraisal of the potential longer-term consequences of such action for achieving their mission often find themselves in hot water. Weaker TSOs cannot distinguish between good opportunities and bad ones.</td>
</tr>
<tr>
<td>Knows when to compete or cooperate with others: organisation knows who its potential competitors or partners are and understands its relationship with them; the organisation has a clear understanding of its reasons for choosing to compete or cooperate.</td>
<td>TSOs which refuse to contemplate cooperation because they want to win everything for themselves often fail to achieve their potential. Conversely, organisations that throw themselves into marriages of convenience without due diligence face almost inevitable problems as a consequence. Decisions to compete or cooperate, when taken lightly, may well produce problems.</td>
</tr>
<tr>
<td>Uses innovation to meet beneficiary needs: the organisation employs innovative practice with the sole purpose of meeting the needs of its beneficiaries; the organisation know how to learn from its own and others’ innovative practices.</td>
<td>Innovation in practice is less common than we expected when this study was started. We are respectful of those organisations which know what they do well and exercise continuous good practice rather than constantly experimenting for the sake of it. False claims about innovation to win bids may be exposed soon enough.</td>
</tr>
<tr>
<td>Has an organisational culture which is responsive to change: the organisation has the ability to marshal all its resources to address new challenges and opportunities; the organisation communicates with and successfully prepare its people for change.</td>
<td>TSOs which are unresponsive to internal or external change can miss good opportunities or fail to tackle issues which need attention. Some organisations change too readily without proper regard to the potential consequences. In both cases there can be a chasm between decision making and communication with staff and volunteers which can cause uncertainty, insecurity and inefficiency.</td>
</tr>
<tr>
<td>Maintains useful relationships with stakeholders to help achieve aims: the organisation maintains positive relationships with relevant external stakeholders; the organisation knows which networking or relationship building opportunities to prioritise in order to pursue its objectives.</td>
<td>Some TSOs can be insular or secretive and fail to communicate fully with organisations which support or resource them – leading to loss of trust. Other TSOs work hard to project and promote their organisation’s interests, but sometimes do so without first having established clear strategies to achieve their objectives. This can produce opportunity overload and constantly skew organisational mission.</td>
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### Features of organisational capability

<table>
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<tr>
<th>Good organisational practice</th>
<th>Indications of poor organisational practice</th>
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| Staff, volunteers and trustees are properly prepared to perform their roles:  
The organisation employs effective strategies to inform and train its staff [and volunteers] to undertake their roles successfully;  
The organisation understands how to motivate its staff to maximise their potential. | Most TSOs prepare staff and volunteers well for the roles they perform, in line with statutory requirements. But more focused training and staff development can be limited. The ‘fire-fighting’ culture of poorly governed organisations tends to put this issue down the priority list. There is a risk that, when TSOs shift quickly from their core mission, and take on work which is beyond their capability, staff can struggle to cope and become frustrated or demoralised. Failure to invest appropriately in staff is a good indicator of problems in other areas of activity. |
| Is appropriately ‘professional’ in approach to practice:  
The organisation approaches its work in such a way as to win the confidence of its beneficiaries, funders and other key stakeholders;  
The organisation knows how to deal with trustees, employees and volunteers who could or do undermine their professionalism. | Professionalism is essential to organisational success and most organisations achieve this. Serving beneficiary interests is generally at the heart of the organisation, and care and attention is given appropriately. But if staff and volunteers are stretched or underprepared for their roles, the impact of work can be undermined. Staff, volunteers and trustees with behaviours that challenge organisational credibility are not dealt with adequately in weaker organisations. |
| Can work effectively with other organisations:  
The organisation prioritises the maintenance of effective and productive relationships with the TSOs with which it works;  
The organisation knows when and how to adapt its own practice preferences in order successfully to work with other organisations. | Lack of reliability, dependability and low levels of inter-organisational diplomacy in partnership relationships can undermine the confidence of other organisations. Not maintaining dialogue with funders and partners about inflexibility or changes in the ways things are done can produce serious problems about TSO’s credibility. |
| Plans and manages finances effectively:  
The organisation has the appropriate skills and systems in place to plan and manage its finances and budgets successfully;  
The organisation plans its use of financial resources successfully to maximise its impact on serving beneficiaries. | Not managing finances effectively in practical day-to-day terms is relatively uncommon. Organisational strategies surrounding resource allocation are often weak, however, in less well managed organisations. This can result in staff and volunteers being stretched in terms of time and resources, which can undermine their motivation and confidence. Trying to push resources a long way to achieve maximum impact is a laudable aim – but doesn’t usually work in the long term. |
| Understands and implements relevant procedures and practices:  
The organisation has sufficient knowledge and understanding of its statutory responsibilities;  
The organisation has (or has access to) appropriate systems and processes to manage its responsibilities. | Few organisations lack awareness of statutory responsibilities and generally comply readily with them. There is little evidence to suggest that TSOs are overloaded with bureaucratic procedures imposed by outside agencies of government or other funders. |
### Figure 4  **Features of organisational impact**

<table>
<thead>
<tr>
<th>Good organisational practice</th>
<th>Indications of poor organisational practice</th>
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<tbody>
<tr>
<td>Communicates role and impact successfully to relevant audiences: the organisation adopts and maintains appropriate media to communicate its purpose, activity and successes; the organisation prioritises the resources it commits to its communications strategy to maximise organisational benefit.</td>
<td>TSOs have very different needs in this respect, depending upon their scale and activity - which makes generalisation difficult. Some weaker TSOs mistakenly believe that a good communications strategy will resolve other deeper problems and may over-invest in this aspect of practice. Others, which practice well, may expect potential admirers to beat a path to their door - but may be mistaken in this.</td>
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<tr>
<td>Beneficiaries are appropriately involved in shaping organisation’s activities and development: the organisation ensures that it maintains awareness of its beneficiaries’ changing needs; the organisation ensures that beneficiaries have an appropriate role to play in shaping the organisation’s strategic mission</td>
<td>Beneficiaries are not always fully and directly involved in shaping organisational mission and strategy and this can sometimes be justified. Where it is not justified, lack of engagement can produce unhealthy social distance between TSOs and their actual (or potential) beneficiaries and substantially weaken the quality of service provision. The poorest TSOs do not even recognise that they are out of touch with their beneficiaries.</td>
</tr>
<tr>
<td>Benefit to users is assessed and considered: the organisation adopts appropriate methods to record, monitor and report upon its impact; the organisation acts upon its intelligence on user impact to maximise the benefits to the people who use its services.</td>
<td>Assessing and considering the impact of practice is vital in all TSOs, but the methods adopted to do this vary, depending upon scale and activity. Some of the poorer TSOs may monitor impact under duress and miss opportunities to learn about themselves. The poorest TSOs retain a very strong, but misplaced, belief in their capability because they fail to assess or notice evidence about underperformance in the production of benefit.</td>
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<tr>
<td>Makes a positive contribution to the third sector: the organisation makes a positive contribution to its own ‘community of interest’ within the third sector; the organisation makes a positive contribution to raising the esteem, impact and reputation of the third sector in wider terms.</td>
<td>Some of the weakest TSOs are insular and isolate themselves from outsiders - suggesting an unwillingness to learn about themselves. If they gave more by contributing to their community of interest or practice, they could gain benefit. Some TSOs neglect their own organisational interests by becoming too preoccupied with sector politics – believing that being in the ‘right place at the right time’ will bring opportunities that will resolve deeper organisational problems that they need urgently to address.</td>
</tr>
<tr>
<td>Seeks to maximise impact on social well-being: the organisation has sufficient knowledge and understanding of its ability and potential to contribute to social well-being; the organisation is driven primarily by its purpose to serve its beneficiaries.</td>
<td>TSOs have strong social values, but interests vary in scale, range and depth so it is not possible to generalise. Insularity can restrict access to understanding and knowledge of change – but there is no real evidence to show that this is the case. TSOs are generally well aware of what is going on around them. Very few organisations have an instrumental or cynical attitude towards beneficiaries, but those which do, put organisational interests first and beneficiaries’ interests second.</td>
</tr>
</tbody>
</table>
Appendix 2: income fluctuation data analysis

This appendix presents data from the TSO1000 surveys in 2010 and 2012 to assess the extent to which organisational income has changed over time. In the TSO1000 studies, no attempt was made to gain detailed evidence on sources of income and patterns of expenditure. The reason for this is that gathering information of this nature requires extensive questioning of respondents at the expense of collecting other valuable attitudinal data about organisational foresight, enterprise, capability and impact.

For example, the government funded National Survey of Charities and Social Enterprises (http://www.ipsos-mori.com/researchpublications/researcharchive/2821/National-Survey-of-Charities-and-Social-Enterprises-2010.aspx) undertaken by Ipsos Mori in 2010 devoted much attention to the detail of income and expenditure. This required respondents to have access to a good deal of detail on a wide range of measures. While the evidence gained in these studies is valuable and provides us with a good deal of background knowledge of patterns of income and expenditure – we felt that the questioning was too extensive for our purposes and would significantly reduce the likelihood of people responding to our questionnaire.

It should also be noted that Southampton University, in collaboration with Guidestar and NCVO undertook a significant piece of work for the Third Sector Trends study on organisational income and expenditure to provide baseline analysis for our attitudinal survey work. For full details of the findings from that research and the methodological challenges of undertaking such work, see a range of working papers by David Kane and John Mohan: www.nr-foundation.org.uk/resources/third-sector-trends. As a consequence, we opted to collect data which provided us with broad indicators of the TSO’s financial situation.

Income fluctuation: cross-matched TSO data

Figure 1 presents data from the first and second wave of the TSO1000 study. The data refer to the journeys the same organisations have made from 2010 to 2012 (that is, the data from the same organisations have been cross-matched to see what happened to their levels of income over time).

The first column on the left shows what percentage of TSOs in 2010 reported significantly rising, falling or stable income between 2008 and 2010. These three categories were chosen so that respondents could provide quick intuitive responses rather than have to delve deeply into their memories or filing systems to produce answers. Our priority was to get as many respondents as possible fully to answer each question and to complete the whole questionnaire.

The use of a three-point scale increased the likelihood that all respondents could distinguish between the categories ‘significantly rising income’, ‘stable income’ and ‘significantly falling income’ in more or less the same way – compared with, say, a five-point scale which would limit the chances of making a clear judgement. When things are going well or times or tough, people may be tempted to make overly optimistic or gloomy assessments of the recent past. We sought to reduce the scope for ‘exaggeration’ of the extent of rising or falling income by adopting a three-point scale.

At that time, 16% of TSOs reported rising income, 73% stable income, and 11% falling income. The final column on the right hand side of the table shows that these percentages are quite different for 2010-2012. Only 9.5% report rising income in this period, 71% stable income and almost 20% had falling income.
In short, the pattern is more or less reversed – with almost twice as many TSOs having falling income from 2010-12 (20%) compared with 2008-2010 (11%). While 10% had rising income in 2010-2012, this is much smaller than the 16% of TSOs in 2008-2010.

At the core of Figure 1, arrows show the direction of travel for TSOs between 2008-2010 and 2010-2012. The percentage at the end of each arrow shows the proportion of TSOs which had rising, stable or falling income in 2010-2012.

Taking TSOs with significantly *rising income* in 2008-2012 first, it is clear that:

- 23% of TSOs had consistently *rising* income in 2008-2010 and 2010-2012;
- 60% of TSOs which had rising income in 2008-2010 had maintained *stable* income at this higher level from 2010-2012;
- 17% of TSOs which had rising income in 2008-2010 had *falling* income from 2010-2012.

TSOs with *significantly falling* income in 2008-2010, made different journeys in 2010-2012:

- Of those TSOs with falling income in 2008-2010 (which were few in number, N=55, so we need to be careful not to draw too many conclusions) 33% continued to have significantly falling income in 2010-2012.
- Of those TSOs with falling income in 2008-2012, nearly 55% remained at the same level of income for 2010-2012 – suggesting that they had regained a measure of stability in their income.
- Of those TSOs with falling income in 2008-2010, 13% achieved a significant increase in their income for 2010-2012 – suggesting that they had recovered their position to some extent, or may have grown.

TSOs with *stable income* in 2008-2010, seemed to be quite successful in maintaining their position between 2010-2012.

- Over 75% of TSOs with stable income in 2008-2010 continued to achieve stability from 2010-2012.
- Just over 6% of TSOs with stable income in 2008-2010 had significantly rising income from 2010-2012.
- Over 18% of TSOs with stable income in 2008-2012 had significantly falling income from 2010-2012.
### Income fluctuation analysis from 2008-2010 to 2010-2012

<table>
<thead>
<tr>
<th>% of TSOs in sample 2010</th>
<th>Direction of travel</th>
<th>N=</th>
<th>% of TSOs in each category</th>
<th>Description of direction of travel</th>
<th>% in 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>All TSOs with income rising in 2008-10</td>
<td>N=79</td>
<td>16.0%</td>
<td>N=18</td>
<td>22.8%</td>
<td>Income rising in 2008-10 and still rising in 2010-12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>N=22</td>
<td>6.1%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>N=7</td>
<td>12.7%</td>
<td>Income falling in 2008-10 and rising in 2010-12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>N=48</td>
<td>60.8%</td>
<td>Income rising in 2008-10 but stable 2010-12</td>
</tr>
<tr>
<td>All TSOs with income stable in 2008-10</td>
<td>N=359</td>
<td>72.8%</td>
<td>N=271</td>
<td>75.5%</td>
<td>Income stable in 2009-10 and also stable in 2010-12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>N=30</td>
<td>54.5%</td>
<td>Income falling in 2008-10 and rising in 2010-12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>N=13</td>
<td>16.5%</td>
<td>Income rising in 2008-10 but falling in 2010-12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>N=66</td>
<td>18.4%</td>
<td>Income stable in 2008-10 but falling in 2010-12</td>
</tr>
<tr>
<td>All TSOs with income falling in 2008-10</td>
<td>N=55</td>
<td>11.2%</td>
<td>N=18</td>
<td>32.7%</td>
<td>Income falling in 2008-10 and still falling in 2010-12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>N=13</td>
<td>16.5%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>N=66</td>
<td>18.4%</td>
<td></td>
</tr>
</tbody>
</table>

- **9.5%** All TSOs with rising income in 2010-12 (N=47)
- **70.8%** All TSOs with stable income in 2010-12 (N=349)
- **19.7%** All TSOs with falling income in 2010-12 (N=97)
Another way of presenting the same data is in tabular form: by stating what percentage of all TSOs in each category of rising, stable or falling income in the two years up to 2010 had rising, stable or falling income in the two years up to 2012. When data are presented in this way, it is tempting to present value judgements on what is happening to organisations in terms of their financial wellbeing.

Figure 2  
**Presenting data on income fluctuations in tabular form**

<table>
<thead>
<tr>
<th>TSOs where income was rising between 2008-2010</th>
<th>Income has risen between 2010 and 2012</th>
<th>Income has been stable between 2010 and 2012</th>
<th>Income has fallen between 2010 and 2012</th>
<th>All TSOs in 2012 sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>N=18 (22.8%) had consistently rising income from 2008 to 2012</td>
<td>N=48 (60.8%) with rising income in 2008-2010 maintained stable income from 2010-12</td>
<td>N=13 (16.5%) with rising income in 2008-2012 had falling income from 2010-12</td>
<td>16% (N=79)</td>
<td></td>
</tr>
<tr>
<td>&quot;doing consistently well in increasing income&quot;</td>
<td>&quot;maintained financial position successfully following a rise in income&quot;</td>
<td>&quot;slipped backwards financially after a period where income was rising&quot;</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TSOs where income was stable between 2008 and 2010</th>
<th>Income has risen between 2010 and 2012</th>
<th>Income has been stable between 2010 and 2012</th>
<th>Income has fallen between 2010 and 2012</th>
<th>All TSOs in 2012 sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>N=22 (6.1%) with stable income in 2008-10 had rising income between 2010-2012</td>
<td>N=271 (75.5%) had consistently stable income</td>
<td>N=66 (18.4%) which had stable income in 2008-2010 had falling income in 2010-2012</td>
<td>72.8% (N=359)</td>
<td></td>
</tr>
<tr>
<td>&quot;improving financial position after period of stability&quot;</td>
<td>&quot;no change - very stable organisations financially&quot;</td>
<td>&quot;income decline following period of financial stability&quot;</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TSOs where income was falling between 2008-2010</th>
<th>Income has risen between 2010 and 2012</th>
<th>Income has been stable between 2010 and 2012</th>
<th>Income has fallen between 2010 and 2012</th>
<th>All TSOs in 2012 sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>N=7 (12.7%) with falling income in 2008-10 had rising income in 2010-2012</td>
<td>N=30 (54.5%) with falling income in 2008-2010 maintained stable income from 2010-2012</td>
<td>N=18 (32.7%) had consistently falling income from 2008-2012</td>
<td>11.2% (N=55)</td>
<td></td>
</tr>
<tr>
<td>&quot;achieved financial recovery after a period of falling income&quot;</td>
<td>&quot;achieved financial stability after a period of falling income&quot;</td>
<td>&quot;in more financial trouble due to continued loss of income&quot;</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

All TSOs in 2010 sample | 9.5 (N=47) | 70.8 (N=349) | 19.7 (N=97) | 493 |

The value judgements about what these fluctuations in income mean (presented as italicised comments in each box of Figure 2) raise many questions which could be explored in much more depth. It may be the case that an organisation which has consistently rising income over four years is ‘doing very well’ in terms of its organisational journey – but the evidence could be misleading. It is not known from these data whether the 22% of TSOs with consistently rising income was due to ‘strategic planning and good management’ or ‘good luck’ (or possibly a mix of the two).

Similarly, care needs to be taken in using terms like ‘in trouble’ for those TSOs with consistently falling income. Instead, it is necessary to explore in depth why organisations may have this income trajectory. It is conceivable that an organisation was fully aware that income would fall
significantly over a period of time due to the end of large contracts or grants. Perhaps the TSO was in a process of restructuring and ‘downsizing’ in a well managed way in response to a considered appraisal of future opportunities.

**Income fluctuation: whole sample data**

Before analysis can proceed, it is necessary to find out how representative the evidence presented above for a sub-sample of cross-matched TSOs is for the whole of the 2010 and 2012 samples. If the distribution of TSOs is broadly similar, this will allow us to use the whole dataset to make reasonably reliable observations about directions of travel of TSOs with particular characteristics – such as their organisational ethos.

Figure 3 presents this analysis: the results demonstrate that the distribution of the small cross-matched sample (N=493) is very similar to the larger un-matched sample data (n=1,008 in 2010 and n=1,576 in 2012).

- The non-matched sample have a larger proportion of TSOs with rising income in 2008-2010 (16% against 14% for the cross-matched sample), but it is only a 2% difference.
- The non-matched sample have a lower proportion of TSOs with rising income in 2010-2012 (8% against 9.5% for the cross-matches sample), but it is only a 1.5% difference.

As these differences are small, it suggests that we can safely but carefully proceed with analysis of the non-matched cases and use the whole dataset.

<table>
<thead>
<tr>
<th>% of TSOs in 2010 (non-matched sample)</th>
<th>% of TSOs in 2010 (cross-matched with 2012 sample)</th>
<th>% of TSOs in 2012 (non-matched sample)</th>
<th>% of TSOs in 2012 (cross-matched with 2010 sample)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSOs with significantly rising income</td>
<td>15.8%</td>
<td>14.2% (-1.6%)</td>
<td>8.1</td>
</tr>
<tr>
<td>TSOs with stable income</td>
<td>71.4%</td>
<td>72.8% (+1.4%)</td>
<td>70.4</td>
</tr>
<tr>
<td>TSOs with significantly falling income</td>
<td>12.8%</td>
<td>11.2% (-1.6%)</td>
<td>21.6</td>
</tr>
<tr>
<td>N=</td>
<td>1,008</td>
<td>493</td>
<td>1,576</td>
</tr>
</tbody>
</table>

Having established that comparisons between the samples in 2010 and 2012 can be done with reasonable confidence, it is possible to move the analysis forward by comparing the fluctuations in income for TSOs of different sizes. The best measure of organisational size available to us is by income.

Income is a relatively crude indicator of organisational size as some quite large TSOs can operate on a relatively low level of income if they rely almost wholly on voluntary contribution of time to provide a service. Consequently, background analysis of the data set has been undertaken using other measures of organisational size such as the number of volunteers, full or part-time employees. When such factors were combined into single variables, however, the number of cases available for analysis fell considerably, thus reducing the scope for more complex analysis. And in any case, the configuration of several dimensions of organisational size seemed to make relatively little difference to the analysis: hence the decision to proceed with income as the best proxy variable to indicate organisational size.
In Figure 4, TSOs are divided into five income categories from very small organisations with income of less than £10,000 a year to, at the other extreme, large organisations with income of above a million pounds a year.

It is clear from these data that the percentage of organisations with substantially rising income in 2010-2012 is considerably lower than in 2008-2010. For the whole sample, 7% fewer TSOs had rising income in 2010-2012 compared with 2008-2010. But when categories of organisational size are considered, there are some much bigger differences. This is because the sample includes a very large number of small TSOs where change is less pronounced. TSOs which appear to have been affected the most are in the £250,000 to £1,000,000 income bracket: in 2008-2010 34% had rising income, but in 2010-2012 only 16% did so - a drop of 18%. It is also interesting to note that very large organisations have also been less likely to have had rising income in 2010-2012 (15%) compared with 2008-2010 (27%).

Comparing the percentages of TSOs with falling income in 2008-2010 and 2010-2012 produces some interesting findings. It is clear from these data that the situation of very small organisations is largely unchanged. It is the medium sized and larger TSOs which have been most affected. Between 15-17% more TSOs with an income ranging from £50,000 to over £1m have experienced significantly falling income in 2010-2012 when compared with 2008-2010. The key finding from this analysis centres on the high level of income stability of smaller organisations. Nearly 80% of the smallest TSOs in 2008-2010 (rising to over 82% in 2010-2012) have stable income. While the very largest TSOs also experience a high degree of income stability (although this has fallen a little from about 63% to 60%), well over a third of such organisations experience substantial fluctuations in income. It is the middle sized organisations which seem to be the least likely to have stable income. Only 53% of TSOs with incomes of between £250,000 and £1,000,000 appear to enjoy income stability. For the smaller to medium sized organisations (with an income of between £50,000 and £250,000) the situation seems to have deteriorated considerably: falling from 63% with stable income to 55% between 2008-2010 and 2010-2012.

Figure 5 takes the analysis one step further by considering the situation of TSOs with different organisational ethos. In previous working papers organisational ethos has been defined as follows:

- TSOs with a **community driven ethos** tend to be smaller; they are run mainly by volunteers and employ few, if any, staff; and, they tend to endure over long periods of time.
- TSOs with a **market driven ethos** tend to be larger organisations; they often employ more staff than volunteers; they operate in a business-like way; and, they are socially enterprising.
- TSOs with a **public-sector driven ethos** come in various shapes and sizes; they tend to be more responsive to the agendas of public sector bodies to shape their mission and destiny rather than defining mission on their own terms.

Having become interested in organisational ethos as this study has progressed, new questions were introduced into the 2012 survey to examine how TSOs positioned themselves in relation to people other sectors. Figure 5 presents data on responses to this question: “in the way that we do our work in practical terms, we are closest in style to... people in the public sector, people in the private sector and people in community”. Unfortunately it is not possible to compare responses with the 2010 survey as this is a new question, but the findings are, nevertheless, informative.

TSOs which had a practice ethos which is closer to those of people in the community tended to be smaller organisations – but not exclusively so. About two thirds of these organisations had incomes of less than £50,000 (and about 66% of these organisations had income lower than £10,000). This was the largest ethos category, including 1,071 TSOs. TSOs which associated

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25 In the last two working papers, we have discussed the impact of ethos on organisational practice drawing upon data from the TSO50. See Chapman and Robinson, et al. *Journeys and Destinations: 2012a* and *Walking a Tightrope: 2012b*. 

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themselves with the ethos of people in the public sector in practical terms, 164 organisations in the sample, tended to be spread quite evenly between each of the five income categories. There are 248 TSOs in the sample which associated themselves with the ethos of people in the private sector in terms of business practice. About two thirds of these TSOs had income of £50,000 or more, and 96 of these organisations had an income above £250,000 a year.

The evidence presented in Figure 5 suggests that around 16-18% of TSOs with an income above £250,000 and a public sector or private sector driven practice ethos had rising income in the last two years. While the number of these organisations may be small, it is nevertheless useful to note that many TSOs were still able to increase their income substantially in a period of economic constraint.

For TSOs with substantially falling income in the last two years a mixed picture emerges. Organisations with a public-sector driven practice ethos seem to have been affected the most, almost irrespective of their size. A third of those TSOs in the middle income category have experienced substantially reduced income in the last two years as have 18% of the largest organisations. TSOs with a private sector driven practice ethos seem to have fared better – but not by much. Indeed, nearly 30% of the 37 TSOs with this ethos which had incomes of £1m or more had substantially falling income in the last two years.

These findings could be interpreted in different ways. At one extreme, we could issue dire warnings about the state of the sector and suggest that the sky appears to be falling in (for a minority of TSOs at least). On the other hand, we might say that in the circumstances, the sector is holding up pretty well for most TSOs. But it is not our purpose in this paper to make these kinds of observations. Instead we want to increase our understanding of the fundamental impact of income fluctuations on the way that organisations practice.
**On the money: organisational ethos and planning the future**

**Figure 4**  
*Fluctuations in income 2010-2012 by organisational size*

<table>
<thead>
<tr>
<th>TSO income risen significantly</th>
<th>TSO income remained about the same</th>
<th>TSO income fallen significantly</th>
<th>N=</th>
</tr>
</thead>
<tbody>
<tr>
<td>% change</td>
<td>% change</td>
<td>% change</td>
<td>% change</td>
</tr>
<tr>
<td><strong>£0-£10,000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.4%</td>
<td>2.3%</td>
<td>-3.1%</td>
<td>79.4%</td>
</tr>
<tr>
<td><strong>£10,001-£50,000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20.3%</td>
<td>10.5%</td>
<td>-9.8%</td>
<td>73.7%</td>
</tr>
<tr>
<td><strong>£50,001-£250,000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18.6%</td>
<td>12.1%</td>
<td>-6.5%</td>
<td>63.9%</td>
</tr>
<tr>
<td><strong>£250,001-£1,000,000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33.9%</td>
<td>15.8%</td>
<td>-18.1%</td>
<td>53.2%</td>
</tr>
<tr>
<td><strong>£1,000,000+</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26.8%</td>
<td>14.9%</td>
<td>-11.9%</td>
<td>62.5%</td>
</tr>
<tr>
<td><strong>All TSOs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.5%</td>
<td>8.1%</td>
<td>-7.4%</td>
<td>71.5%</td>
</tr>
</tbody>
</table>

**Figure 5**  
*Income fluctuations for TSOs with a different practice ethos*

<table>
<thead>
<tr>
<th>Rising income in last two years</th>
<th>Stable income in last two years</th>
<th>Falling income in last two years</th>
<th>N=</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td><strong>£0-£10,000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.6%</td>
<td>2.4%</td>
<td>2.5%</td>
<td>66.7%</td>
</tr>
<tr>
<td><strong>£10,001-£50,000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.1%</td>
<td>4.7%</td>
<td>11.0%</td>
<td>71.0%</td>
</tr>
<tr>
<td><strong>£50,001-£250,000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.8%</td>
<td>15.6%</td>
<td>12.0%</td>
<td>58.8%</td>
</tr>
<tr>
<td><strong>£250,001-£1,000,000</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.7%</td>
<td>16.9%</td>
<td>16.7%</td>
<td>50.0%</td>
</tr>
<tr>
<td><strong>£1,000,000+</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18.8%</td>
<td>16.2%</td>
<td>10.0%</td>
<td>62.5%</td>
</tr>
<tr>
<td><strong>All TSOs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.7%</td>
<td>11.9%</td>
<td>7.4%</td>
<td>61.1%</td>
</tr>
</tbody>
</table>
10 List of working papers

All papers are available free to download at www.nr-foundation.org.uk/resources/third-sector-trends-study/


Chapman, T. and Robinson F. (2013) The Crystal Ball: how do third sector organisations see their future? And what are they doing about it?


Kane, D., Mohan, J. and Geyne-Rajme, F. (2010b) Paid work and volunteering in the Third Sector in Cumbria.


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