

# DEVELOPING AN EFFECTIVE STRATEGY: AN INTRODUCTION FOR TRUSTEES



## NPC briefing, October 2015

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On 12 October 2015, NPC and the Clothworkers' Company held a seminar examining the role of trustees in developing an organisation's strategy. This report highlights the main themes discussed, draws on the experience of those in attendance, and summarises advice from our speakers.

#### Speakers

The seminar was chaired by **Dan Corry**, Chief Executive of NPC.

The panellists, listed below, shared their experiences, and talked about what they consider to be best practice when developing and implementing a strategy.

- **David Gold** (Chief Executive of [Prospectus](#)) discussed the need for improved methods of selecting trustees. He built on this to talk about the relationship between trustees and senior management, and the roles each should have in developing strategy. David also examined the need to understand both the good and bad elements of risk.
- **Michelle Mitchell** (Trustee of Power to Change Trust, King's Fund, MS International Federation, and the Progressive MS Alliance, and Chief Executive of [MS Society](#)) focused on the importance of understanding the context of an organisation when developing its strategy.
- **James Cochrane** (Former chair of the British Red Cross and South West London Strategic Health, former vice chairman of Raleigh International) examined the stages of developing a successful strategy, particularly focusing on how practical a strategy should be.

## Introduction

Trustees have a key role to play in developing a charity's strategy. However, doing so can be a challenge for trustees who are unsure how to balance their input with that of the management executive, or if they have not had much prior experience of developing strategy.

This briefing provides guidance for trustees on how to effectively shape a strategy while avoiding many of the common pitfalls. It also provides advice on how to work alongside the executive to form a strategy tailored to your charity's needs, which creates the best opportunity to maximise its impact.

## Key elements of a good strategy

Throughout the panel discussion a number of key features of a good strategy were identified:

**In line with mission:** A strategy should drive the charity towards its charitable goals. While this is something all trustees must guard against, Michelle Mitchell highlighted that large organisations with more resources and a greater reach are in particular danger of drifting away from their mission.

**Realistic:** A strategy should set goals that are both impactful and achievable. A key element of this is setting a sensible number of key goals within your strategy. James Cochrane suggests that, in normal circumstances, trustees should aim for no more than three goals.

**Measurable:** A strategy should have clear aims that can be measured to demonstrate whether or not they have been achieved. This is key to determining what works within a strategy and how the strategy can be further developed in the future. Michelle Mitchell noted that the evidence an organisation first collects may not be of high quality. However, this can be built upon to enhance the capacity to measure results in the future.

**A reasonable length:** A strategy should cover a period of time sufficient for effecting change, but not be designed to last so long that it becomes irrelevant due to changes in context or the external environment. James Cochrane suggested a period of three to five years as the norm.

**Coordinated:** A strategy should take into account trends across the organisation. As David Gold pointed out, for example, if a push to cut costs is already underway within the organisation, this should be taken into account as it's likely to affect elements of the strategy.

**Accessible:** A strategy needs to be easy to understand; for staff—so they can engage with it, and integrate it into their day-to-day work—and for the public and key stakeholders—so they can be effectively rallied into supporting the charity's mission and approach.

**Risk-aware:** A strategy needs to be aware of the risks posed by the strategy's different elements. David Gold particularly highlighted the positive side of risk—while trustees need to be aware of what could go wrong, they must also consider what could go right.

**Impactful:** Ultimately, a strategy must enable the organisation to help its beneficiaries more effectively.

## What is a strategy for?

In his introduction, Dan Corry explained that an effective strategy is essential to maximising an organisation's impact. He then outlined two key tools that can be used to facilitate the effective development and application of a strategy<sup>1</sup>.

### NPC's strategy triangle

NPC's strategy triangle brings together a number of different models and frameworks in a tool which has been specifically tailored for the charity sector. It has four core elements:

- **Purpose:** This is a mixture of the charity's vision of how it wants the world to be, the difference the charity aims to make, and a set of more specific goals which contribute to achieving this mission.
- **Resources:** Charities can only work so hard. Therefore, understanding a charity's resources and capabilities and linking these to its ambitions is key. Recognising the risks in these ambitions leads to more effective working.
- **External:** A charity has to understand its external environment and how changes in context could affect its ambitions. This should involve: regularly analysing need; assessing external research; and reviewing the work of peers, partners, and competitors.
- **Strategy:** This is at the heart of the triangle. It brings together a charity's purpose, resources, and an understanding of the external environment, to create a clear plan of action.

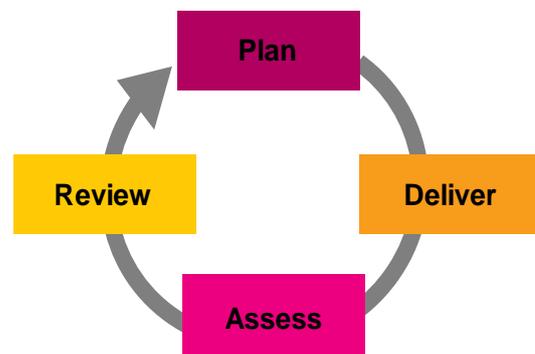


### The impact cycle

The impact cycle (developed by [Inspiring Impact](#)) outlines the main areas of activity that make up impact practice and functions as a continuous feedback loop of evaluation and improvement.

This is important for strategy implementation too, as once you have developed a strategy, results should be continually reviewed and improvements made to maximise impact.

This not only allows for more effective strategy implementation but, in time, provides a stronger grounding for the development of future strategy.



<sup>1</sup> Both tools from Rotheroe, A., Joy, A. (2014) [Strategy for impact: NPC's practical approach to strategy development for charities](#). New Philanthropy Capital.

## Getting started: The right team for the job

### The right skills

David Gold noted that one of the major concerns for trustees when establishing good strategic oversight is a lack of appropriate skills and experience. This issue often emerges when trustees are selected not due to their skills, but because of social links, or in an attempt to broaden the network of the charity.

If trustees with the right skills are not selected, boards run the risk of creating what David Gold calls a 'corrupt contract'. This is when trustees act in line with their own skills and interests, whether or not this suits the overall strategic needs and goals of the organisation. This leads to an ineffective board.

David recommended that a more professional approach needs to be taken, where trustees are selected for skills and interests that are in line with the needs of the board and the charity it serves. Michelle Mitchell gave practical examples from her experience as a chief executive and a trustee. She found that specific training for trustees was helpful, and that every board she has been on has been able to improve their understanding of impact and performance reporting with the right encouragement and support.

### The right people

A key part of overseeing an effective strategy is trustees having a holistic view of the charity and what it does. This can be constrained if you have an unrepresentative board. It is important that your board is representative—where practical—of your beneficiaries, as well as drawing from a diverse range of ethnicities, genders, class backgrounds, religious beliefs, sexual orientations, and ages. This can be especially important when the organisation's beneficiaries include an underrepresented group such as people with disabilities. The panel noted that this is an area that remains particularly challenging at both the trustee level and executive level, and does need drastic improvement across the charity sector.

### The right structure

Even once an organisation assembles a board with the right skills and the right fit, it can be a challenge to leverage this team without the right structures in place. The appropriate structure can vary hugely depending on the challenges facing an organisation, and its history and culture.

Michelle Mitchell recalled that, during the early days of her time as a Director of the Power to Change Trust, the trustees fulfilled many traditional executive functions because the organisation was in an early stage of development and had a very small temporary staff team. This was entirely acceptable for an initial period, but they then introduced clearer trustee and executive structures once the charity was more established.

For larger organisations, subcommittees can be helpful for handling the scale of information that can be produced by extensive operations. It can also give individual trustees the chance to make more of a contribution. However, it is important that, while the subcommittees may develop ideas, the board should retain its critical decision-making role.

*'I don't buy the "nirvana" of more "business-like"...Having said that, trustee boards are one area where more professionalism would be helpful.'*

**David Gold, Chief Executive, Prospectus**

## Trustee and executive relations: Who is in the driving seat?

One of the major themes that emerged during the seminar was managing the relationship between the trustees and the executive management.

### When things go right

Keeping the balance in these relationships right is about recognising the role each plays. Executive management teams have the time, experience, and in-depth understanding of the organisation to be able to develop the details of an effective strategy. David Gold illustrated this by noting that even a highly committed trustee, who attends every meeting and reads every document, is likely to only spend 40 to 50 hours a year working on the charity—less than a full working week for many chief executives. However if trustees meet too often they can increasingly become distracted from the charity's wider strategy by relatively minor, technical details, and risk eroding the autonomy of the executive management. James Cochrane suggested that in most circumstances a board should meet four to five times a year (plus an away day).

Despite the clear difference in time spent working with the charity, it is imperative that as those with the ultimate responsibility for the organisation—the trustees—shape the strategy. It is precisely their distance from the day-to-day that enables them to keep perspective of the charity's overall direction. Developing the strategy, therefore, should be an iterative process. This involves the executive producing drafts based on their expertise, then the board ensuring these drafts are in line with the charity's overall goals and mission.

*'Everyone gets it wrong to some level but the key is keeping the balance as right as possible.'*

James Cochrane, on finding a balance between supporting and challenging

### When things go wrong

The overall responsibility trustees hold highlights an underlying tension in their role in creating a strategy; trustees must simultaneously support management, encourage them to be innovative, *and* hold them to account. The difficulty is to keep these competing needs in balance.

Unfortunately, communication can break down between the executive management and the trustees. It is normal in any organisation for there to be some disagreement. However, if this becomes sufficiently toxic that it is affecting the capacity to develop a strategy, it is essential that the chair and chief executive can, in private, be frank with each other and attempt to come to an amicable solution. If this cannot be achieved, which sadly is sometimes the case, it is likely that one of the disputing parties will need to be removed. It is therefore essential that there are mechanisms in place to effectively identify the cause the problem and, where necessary, remove members of the executive or the board.

Removal can be a particular challenge in the case of trustees as there is often a lack of clear rules in place to facilitate their departure. James Cochrane highlighted that the capacity to remove trustees should be a core part of the board's governance structure, involving an appropriate contingency plan with a clear course of action. This could include ways to find temporary replacements, and a long-term recruitment strategy for new trustees.

Another risk to developing an effective strategy is a weak board that is unable to bring the executive to account. This removes an essential check and balance from the system. While trustees should recognise the experience of the management, they must never become overly submissive or deferential to them. This issue can be mitigated by having a board of trustees formed using the right skills, people, and structures as previously outlined. The danger of trustee-executive relations going wrong through both poor communication and lack of accountability of

management can be seen in the recent collapse of Kids Company, which demonstrates how essential these relations are.

It can be hard to know when a board is functioning poorly. A good source of practical hints and tips is the [Chair's Compass](#) by the Association of Chairs

### Case study

*Michelle Mitchell talked about her experience of working with different types of boards, both as a chief executive, and as a trustee. This demonstrated that the responsibilities of board to effectively shape a strategy, and the need to manage relationships with management can differ greatly from charity to charity.*

#### MS Society

When Michelle came to the MS Society as its new chief executive, she and the chair established a good relationship with each other. The chair communicated with Michelle personally and directly from day one, and they agreed on what needed to be done and how they would work together. This was helpful in acknowledging the different roles and responsibilities each held. The chair also agreed key priorities which included developing a new strategy.

As part of the strategy development process, and as a result of good relationships with the chair and board, Michelle was able to lead on enhancing their strategy. Part of this involved ensuring there was strong beneficiary and trustee participation in the co-production of the strategy. She, along with the team, then identified the key goals which mattered most to people with MS. Staff and beneficiaries have been very positive about the new direction.

This case demonstrates how, with a clear methodology, effective cooperation, co-production, and clarity about roles and responsibilities, trustees can help ensure an impact-focused strategy is developed.

#### Young Women's Trust (YWT)

In this case, Michelle joined the YWT as a trustee after the appointment of a new chair. The charity, then called Platform 51, had an endowment which it had been drawing on heavily for a number of years. Platform 51 had not been wholly successful in adapting to changes in fundraising, statutory services and the needs of beneficiaries. The chair, along with Michelle and the other trustees, needed to be a strong drivers for change, and some tough decisions had to be made.

A new chief executive was appointed who shared the same vision as the board. With the trustees, the new chief executive led a radical change programme, which ultimately refocused, restructured and rebranded the organisation.

Following these changes, the new strategy focused around a new business model which, Michelle reports, is much more effective.

This case demonstrates that, at times, trustees must take decisive action if the current make-up of the organisation is unable to drive the creation and implementation of an effective strategy.

## No charity is an island: The importance of context

An effective strategy cannot be created in isolation; trustees must take into account key stakeholders and how a strategy will interact with the wider world. The importance of context was particularly stressed by Michelle Mitchell. This context can include:

**The external environment:** The ways in which different external institutions—such as government policy and the economy—interact with your charity are likely to have an impact on your capacity to fulfil your strategy.

**Funding environment:** The current funding environment can provide either important opportunities or challenges for charities. Accurately understanding this area is a key part of developing an effective strategy.

**The organisation's culture:** The culture of an organisation can affect how practical a strategic goal is and how well it is implemented. Is the organisation one that finds it easy to adapt quickly? Or is it more entrenched?

**Stakeholders' needs:** The needs of beneficiaries and other key stakeholders should both be a key part of determining a strategy, and can affect how the strategy is actually delivered. While a key element of addressing this is by considering the needs of staff and volunteers, it is essential to remember that ultimately, the beneficiaries come first. The strategy should be primarily designed to help and support them.

Especially in the case of the external funding environment, the context in which a charity operates can shift significantly in a relatively short period of time. Therefore, strategies need to be sufficiently adaptable to possible changes in this area.

## Practical tips

Throughout the seminar, the panel made a number of practical suggestions that can help trustees create more effective strategies.

**Trustee-only meetings:** A simple method to avoid some of the concerns about executive staff being overly dominant in the formation of strategy is to occasionally have a meeting—or a section of the meeting—where no members of the executive staff are present. This gives trustees the opportunity to talk frankly. It was noted that while this is often not initially popular with chief executives, it can be worthwhile in the long run.

**Full board away days:** While it is important to allow the executive management space to make their recommendations for strategy, trustees do often need more time than in usual board meetings to get a sufficient understanding of the strategy recommendations. James Cochrane recommends a full board away day with as many of the trustees and the executive management as possible. This should take place midway through the strategy planning process. An away day gives trustees the time and space needed to agree key elements of the emerging strategy.

**Starting meetings with the most important discussion point:** David Gold noted he has found starting meetings with the minutes of the last meeting and other reports leads to people committing all their time and energy to technical matters of grammar or other minor issues. Instead, he recommended starting with whatever the most important item on the agenda is, and leaving the minutes from the prior meeting until the last item on the agenda. This allows people to work on the most important thing when they are at their most energised.

## Final thoughts

Overseeing the development of a charity's strategy is one of the most important tasks a trustee must fulfil. A strategy gives trustees a powerful tool to shape the charity, to improve its capacity, to fulfil its objectives and mission, and to allow it to help more people. It therefore has the potential to be highly rewarding.

As with all important roles there are sources of frustration—issues around structure, communication, or simply a lack of skill can hinder a board's capacity to make the impact truly needed.

Yet by working together, taking full advantage of the available talents of the team, and learning from the lessons outlined in the seminar, trustees have the chance to mitigate these frustrations. As a result, trustees will see for themselves the transformative effect of an organisation dedicated to making a positive impact, driven by a clear and effective strategy.

*'Being a trustee is the best legal fun you can have!'*

David Gold, Chief Executive, Prospectus

### Further reading

[Strategy for impact NPC's practical approach to strategy development for charities](#), NPC

[Board matters](#), NPC

[Happy relations? Ensuring effective partnerships between trustees and senior management](#), NPC

[A Question of Balance—a guide to the Chair and Chief Executive relationship](#), The Association of Chairs

[The good trustee guide summary booklet](#), NCVO

[Good governance a code for the voluntary and community sector second edition](#), Code Steering Group

[What can trustees learn from Kids Company?](#), NPC

[Getting back on your feet when things go wrong](#), NPC

[Do charities expect too much of their trustees?](#), The Guardian

## TRANSFORMING THE CHARITY SECTOR

NPC is a charity think tank and consultancy which occupies a unique position at the nexus between charities and funders, helping them achieve the greatest impact. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

**Increasing the impact of charities:** NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

**Increasing the impact of funders:** NPC's role is to make funders more successful too. We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

**Strengthening the partnership between charities and funders:** NPC's mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact. We can help funders and those they fund to connect and transform the way they work together to achieve their vision.

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