

Reality Bites

Strategy Development in an Era of Funding Cuts



Agenda

- Some of our observations
 - What's driving the agenda in the sector?
 - How are people responding?
 - What should they be doing?

Charity Executive Directors are mostly thinking about cuts to income, whilst facing increasing demand for their work

Statutory Income = Cuts

- **Cuts still driving narrative**
 - “Cuts are not being applied consistently, proportionately or strategically” NCVO
 - NCVO estimate cuts at £2.8bn over 5 years
 - Voluntary Sector due to lose £110m in LA funding alone
- **Transition fund small in context**
 - Knock-on impacts with funders
- **“Big Society”**
 - Increasing expectations, decreasing resources
 - Expectations of “volunteers”

Voluntary Income = Tough

- **No growth in giving**
 - No growth in economy
 - Acquisition models performing poorly
 - Asset returns down
 - New donors emerging
- **More competition for funds**
 - New models of giving
 - More media noise
 - More charities
 - Limited donor attention
- **More volatile donors**
 - Donors demonstrating consumer behaviour
 - Trust high but declining
 - Role of media, new channels, brands

Many charities hope to replace lost income from one of three places. This won't happen.

Earned income

Corporate Sponsorship

Trusts and Foundations

- Not as good as they seem
 - Culture
 - Margin
 - Competition
 - Unknowns
- Beyond like for like

A reality check

- **We are in a different world**
 - Less money harder earned
 - More competition
 - More uncertainty
- **Need to fundamentally review what you do and how you do it**
- **Strategy for success**
 - Have to lead strategy
 - Have to know the world you operate
 - Have to be close to your funders, beneficiaries and partners
 - Articulate value – increasingly in terms of impact
 - Match cost to value
- Three challenges

So what should you do? Three challenges

Rethink Strategy

Fundamentally review:

- Landscape
- Funders and beneficiaries
- Operations
- Finances

Potentially:

- Radically change your model of working
- Protect your values and outcomes

Manage transitions

Think in terms of growth horizons

- Defend the core
- Build emerging offers
- Pilot and innovate

- Income and services as a portfolio
- Managed concurrently

Think about combinations

“Why not?” not “Why?”

Understand the problem you are solving

Different models of combination for different situations

First challenge: Build a long-term view of strategy

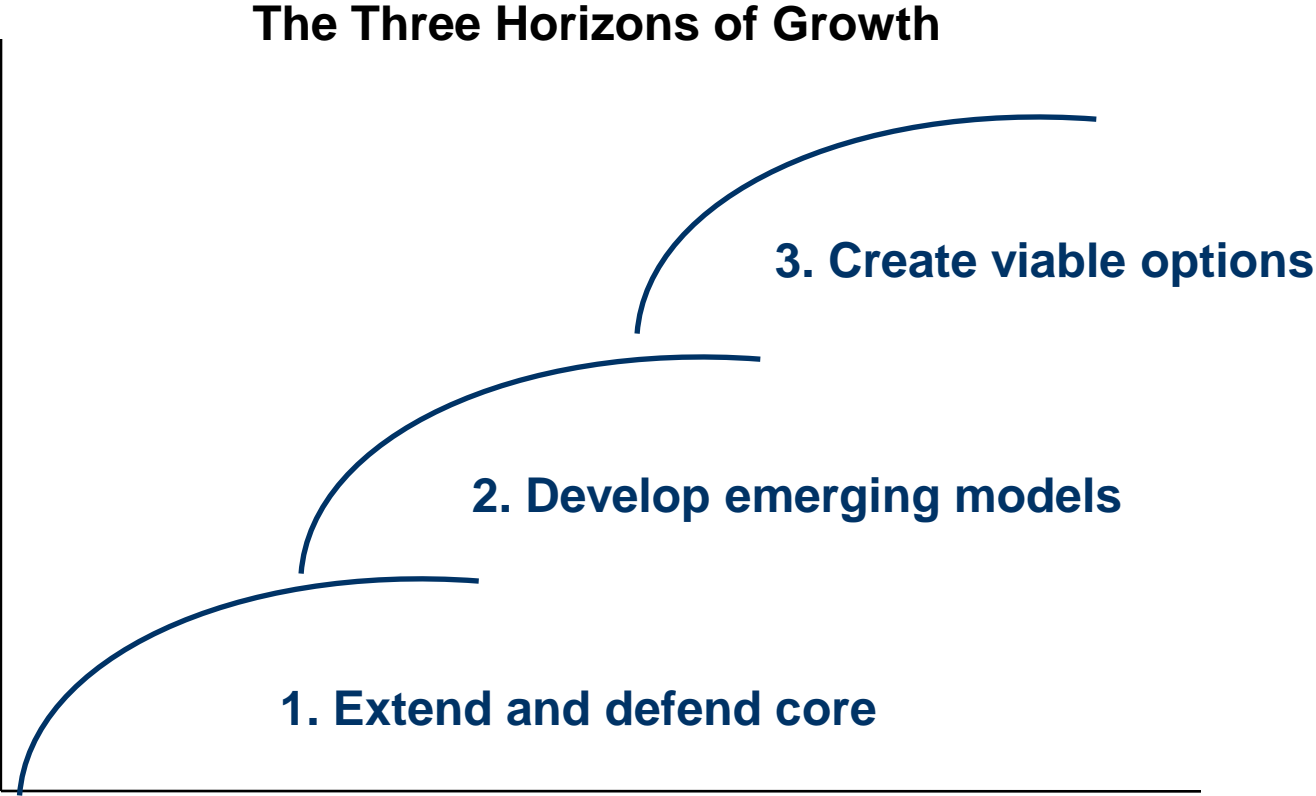
A clear strategy process



- A good strategy has three things:
 - A diagnosis of the issues and problems you face
 - A guiding policy to overcome the obstacles
 - Coherent action

- Follow a process

Second challenge: Think about transitions

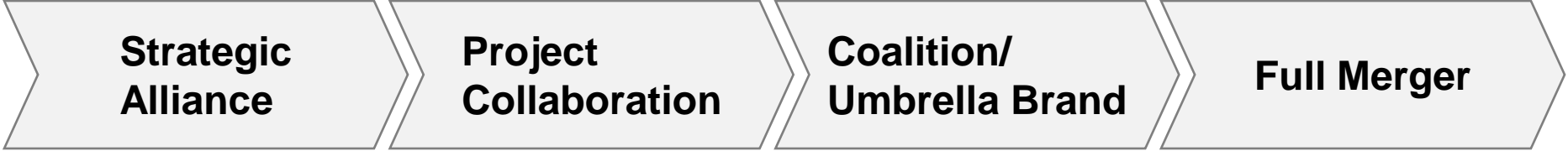


Source: *The Alchemy of Growth*



Third challenge: Seriously consider mergers

Different models of combination



Context for combinations

Drivers	Considerations
<ul style="list-style-type: none">– Protect income– Delivery capabilities– Economies of scale	<ul style="list-style-type: none">– Transaction costs– Governance– Ownership/Leadership– Culture– Timetable– Investment– Showstoppers
<ul style="list-style-type: none">• In practice<ul style="list-style-type: none">– Normally defensive– Forward looking?	
<ul style="list-style-type: none">– STRATEGY	<ul style="list-style-type: none">– DUE DILIGENCE



Discussion



<http://www.acevoconsulting.org.uk>