



“Mixing passion with strong business”:

Nicholas Ferguson, Chairman of the Institute for Philanthropy, addresses the Association of Chief Executives of Voluntary Organisations (ACEVO)

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Good morning ladies and gentlemen, and thank you for asking me to talk to you. “Mixing passion with strong business” is the subject I’ve been given. So I am going to try to set out for you a few concepts that I have found valuable over many years of being involved in both the business and the charitable world.

Briefly, by way of credentials, with my colleagues I have helped build two businesses over the last twenty-five years, one of them a reasonably large public company – so I know the lonely, challenging role of the CEO - and I have been involved with a number of other businesses. I have also Chaired five charities over the years, three currently, one of which I started.

I am going to tackle the areas your CEO set out in the introductory documents: Business Strategy, Motivating a Workforce and Leadership.

I want to say up front that in my experience the similarities between charities and business are far more important and far greater than the differences. That may surprise you. But they both fundamentally share the same mission. They are organisations of people setting out to provide a product or service (yes it can be a product - meals on wheels) as efficiently and effectively as possible. I know that business companies often have better logistical structures, better information and better access to finance. But fundamentally they have the same purpose. And charities, in my view, should not use those few differences as an excuse to settle for second best.

Perhaps one difference, noted by Sir Christopher Bland recently, is that people in businesses are often nicer to each other than people in charities. He has set out “Bland’s theorem”, which is that the warmth of the relationship between people in an organisation is in inverse proportion to the nobility of the cause: in a charity which he Chaired they weren’t very nice to each other; in the BBC they were sometimes nice to each other; whereas in British American Tobacco – not exactly a noble cause – they were perfectly charming!

Sound business strategy: the key here is focus. If there is one word I’d like you to take away with you it is “focus”. All my experience is that an organisation that remains focused on its core purpose does far better than one that is distracted into other areas. Indeed Bain & Company recently carried out a survey of 2,500 clients with whom they worked over the last thirty years which unequivocally proved this financially. Companies which were clearly focused had higher profits, higher growth, better market share and were much more highly esteemed by customers than their competitors. Indeed it showed that the only time you should diversify from your

core business area is when you have completely finished all the possible improvements to your focus operations; and that for a focused enterprise, that never happens. In my observation charities very frequently move aside from their key mission, whether tempted by a particular grant or by an opportunity to do good, and end up weaker than they would otherwise be.

The second point I would make on strategy is that most companies take great care to test new products and services in the market-place with the end consumers before launching them on the market. I always remember that when Caterpillar Tractor, under new management, started to paint their heavy equipment pink – apparently a colour their new Chairman liked – their sales plummeted. If the customer wants it yellow, paint it yellow. Always test.

Motivating your work force. The key words here are openness, fairness and giving people their heads. Openness does not mean endless meetings that people don't want to go to with you, the CEO, telling them what is going on. If you want to do that press "memo to all". It's about the spirit of two-way consultation, about walking around seeking advice from people who are in the best position to give that in your organisation - however junior - and letting people get on with their jobs without undue interference. In terms of giving people their heads, I have never found a young person who, when given additional responsibility, did not impress me.

David Simon transformed BP, from a quasi government operation to a modern international company. When I asked him what the most important thing was that he did (apart from taking away layers of bureaucracy) he surprised me. He said it was to tell people who came to him with a problem that he could not help, but that they should sort out the problem themselves – even when he could. If you do all this you will have high morale, a critical ingredient for any successful organisation.

On leadership, my own view is that it is simple in concept but hard to do. You need to be able to do three things: first to articulate a clear mission. What does that mean? It means saying very clearly "this is what we are going to do". You then have to rally people around that mission, especially people who are smart and disagree with you. And finally, you have to have the ability to turn and change if circumstances alter. Even for Admiral Nelson, the wind would sometimes change: you must always see the world as it is, not as you would like it to be.

I would also observe that Goethe is right. He said that before you set out on an enterprise a thousand voices will tell you why it won't work. As soon as you do it a thousand hands come to support you. Boldness, he said has magic.

Remember that one of your key tools as a leader is communicating to the outside world your organisation's mission and progress. Good communication can do wonders for your funding, for your internal morale, and for your growth.

And finally I would add that ugly Victorian word governance. We all know what it means.

Six years ago with a small group of friends I started an organisation called the Kilfinan Group. We are now over sixty people, current or former heads of organisations,

and we mentor CEOs of charities. Some of you in this room are mentees of our group and over 120 charity CEOs are or have been mentees of the Kilfinan Group. We mentors meet regularly twice a year in small groups to discuss what we are learning. The most critical single issue that comes up, over and over again, is the CEOs perception of inadequate or even dysfunctional Trusteeship. Having thought about it and talked about it for some time, I have come to the conclusion that we are addressing the wrong problem. It is actually about bad Chairmanship. A well Chaired organisation will have a good set of Trustees, with the knowledge that is needed to help a charity work effectively, with efficient meetings and clear actions; he or she will have a good relationship with the CEO, and there will be good succession planning. It is on the issue of chairmanship that I think a lot more attention needs to be paid, and I am glad to say that the Institute for Philanthropy, which I Chair, intends to do just that.