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Review and evaluation of governance and participation practice

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# Review and evaluation of governance and participation practice



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## Consultancy Team

**The Evaluation was carried out by Governance Works. We were able to draw on a range of experience, knowledge and expertise within our associate group to assist in planning and designing the Survey, inputting and analysing data, conducting interviews, writing and generally adding to the thought processes. The team were:**

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Dr Chris Low

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## Glossary of Terms

ABCUL	Association of British Credit Unions
ACU	Active Communities Community Unit
BME	Black & Minority Ethnic
CA	Community Associations
CDFI	Community Development Finance Initiatives
CIL	Centre for Independent Living
CU	Credit Union
DTI	Department of Trade and Industry
ESF	European Social Fund
FSA	Financial Services Authority
GOSE	Government Office for the South East
I&PS	Industrial and Provident Society
ICOM	Industrial Common Ownership Movement
IYDP	International Year for Independent Living
MEC	Member Education Council
NCVO	National Council of Voluntary Organisations
NGO	Non Governmental Organisation
PCT	Primary Care Trust
PLC	Public Limited Company
PSA	Public Service Agreement
RAISE	Regional Action Involvement – SE
SBS	Small Business Service
SGM	Special General Meeting
SYSC	Senior Management Arrangements, Systems And Controls
TELCO	The East London Communities Organisation

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# Introduction and Background

This report presents the results of a review of governance and participation in the charitable and not for profit sector. It summarises the findings of a study of current understanding, practices and approaches to participation across a broad range of community based organisations including community projects, charities, voluntary organisations, social enterprises and co-operatives.

**Co-operatives**<sup>UK</sup> commissioned Governance Works to undertake this study as part of a three-year pilot project, supported by the Active Community Unit (ACU) of the Home Office. The project aims to “enhance opportunities for democratic participation for community groups and individuals wishing to work or undertake joint activity together – in particular to meet a community need – and to ensure good governance in new or existing community based organisations”.

The brief for the research specified:

- An overview of current governance and participation practices in the sector, with examples demonstrating practice amongst the range of organisations in the sector.
- An identification of gaps in current knowledge

and practice of good governance and effective participation of organisations.

- Recommendations as to potential improvements in current practice and an outline for future research and other work in this area.

The focus of the study was community based organisations operating within a range of legal frameworks as follows:

- Small, unincorporated groups with or without charitable status.
- Incorporated organisations with charitable objectives, with or without charitable status.
- Social enterprises, co-operatives, community benefit societies.

## Definitions

As this study was designed to focus on the charitable and voluntary sectors and the co-operative/social enterprise sector, it was agreed, for the sake of clarity, a simple term describing both these sectors should be applied.

This posed some difficulties as trying to find a term that can be applied to both charitable/voluntary organisations and social enterprises/co-operatives is not easy. ‘Not for profit’ is a term that is widely applied to this broader sector but the exact meaning of the term is vague and may not always include all of those organisational types to which it is commonly applied.

For the purposes of this study we settled for the definition used by Salamon (1999), who says that although varied in what they do and how they do it, not for profit organisations do share common features in that they are:

It is noted that some forms of co-operatives and social enterprises can and do distribute dividends on profit to their workers/members and that there may not be any form of voluntary input.

<b>Organisations</b>	- have an institutional presence and structure;
<b>Private</b>	- are institutionally separate from the state;
<b>Not profit</b>	- do not return profits to their managers or to a set of "owners";
<b>Self-governing</b>	- are fundamentally in control of their own affairs; and
<b>Voluntary</b>	- membership in them is not legally required and they attract some level of voluntary contribution of time and money.

There are no universally agreed definitions of either governance or participation within the not for profit sectors but there are some broader understandings of what these mean. For the purposes of this project the Co-operatives<sup>UK</sup> Team agreed the following definition of governance:

"the way in which an organisation distributes powers, rights and accountability"

The term Participation was simply defined as "taking part" (Concise Oxford Dictionary, Seventh Edition).

### Study approach

The study methodology agreed with the Co-operatives<sup>UK</sup> Team was undertaken through three key stages:

- 1 Desk based research** to review understanding and practice of participation and governance across the range of agreed sectors.
- 2 An evaluation of current practice** carried out through a postal survey using a structured questionnaire.
- 3 In-depth interviews** with identified organisations leading to the development and production of illustrative case studies highlighting practice.

### Research team

In addition to the formal survey and interviews, the multi disciplinary research team met on two occasions to discuss some of the key issues to be addressed in the study and then to examine the issues that had arisen from the postal survey and in-depth interviews.

The research team assumed an integral link between participation and governance. The study tested a hypothesis, that ultimately, full and effective participation will have an impact upon governance frameworks, practice and procedures and vice versa. The links between participation and governance were explored within the broader survey and through the in-depth interviews.

### Desk based study

A series of 'Discussion Pieces' were commissioned to review particular aspects of participation and governance. These were as follows:

- Participation and governance – what does this mean for the broader not for profit sector?
- Participation and governance within small charities and voluntary organisations.

These pieces were prepared as the starting point for the research providing a guide to some of the key issues that may arise.

### Postal survey

The desk based study was followed up with a postal survey sent to 3031 organisations. In order to reach the range of organisational types and to ensure a range of experience, the survey was distributed to a wide range of organisations that would:

- Reflect the range of legal structures.
- Provide a geographic spread throughout England and Wales.

- Include traditionally excluded groups such as black, ethnic minority, disability etc.
- Include different sizes of organisation, from the very large to the very small.

### **In-depth interviews**

In-depth interviews were carried out to explore further experiences of governance and participation and to gain a broader understanding of practice.

Overall the in-depth interviews sought to:

- Explore understanding and definitions of participation, governance and democracy across the sector.
- Draw out, describe and analyse experiences of practice in relation to participation, governance and democracy, explore any barriers to participation highlighting innovative practice.
- Offer conclusions and recommendations for achieving or facilitating meaningful participation and effective democratic governance including the development of new operational structures and/or legal frameworks.

In selecting organisations for interview the same criteria used for survey sample was applied for organisations that:

- Reflected the range of legal structures.
- Provided a geographic spread throughout England and Wales.
- Included traditionally excluded groups.
- Included different sizes of organisations, from the large with many staff to the very small with no staff.

### **Report structure**

This report is structured to include:

- A background to the study, including a brief examination of why issues of governance and participation are being judged as important factors for the development of a strong and .
- A review of the legal frameworks within which the broader sector operates and how these frameworks facilitate and inhibit effective participation.

key issues relating to the broader sector as well as a specific look at participation and governance for both small charitable and voluntary organisations.

An analysis of the results of the postal survey findings are provided and this is followed by the case studies which are drawn from the in-depth interviews. Together these help to illustrate the experiences and practices of participation and governance.

The report concludes with a summary of key issues arising from the research and presents recommendations for the achievement of democratic participation.

The 'Discussion Pieces' examine some of the

# Overview of the Issues

... the current focus on both participation and governance has led to increasing demands that organisations evaluate their own structures, practices and cultures

## Background

Desk based research allowed the opportunity to examine issues of participation and governance. There is a wide range of publications, papers and other materials now available that focus on the wider issues of governance and participation in the not for profit sector (see Bibliography). From the literature it is clear that there has been a significant growth of voluntary organisations and this has brought with it a consequent growth in the numbers of people engaged in community activity, most often on a voluntary basis (UK Voluntary Sector Almanac, 2002). A growing number of people are also participating in the governance and management of organisations, working within an increasing range of legal and compliance frameworks.

There would seem to be four key drivers for this focus on governance and participation and these are described below:

First, **malpractice within the corporate, public and not for profit sectors that were rooted in poor or even bad governance**. Concerns about standards of conduct have led to various committees and bodies being established to review standards and provide frameworks of guidance (Cadbury, 1992; Greenbury, 1995; Nolan, 1996; Higgs, 2003). Within the not for profit sector, various codes and guidance plans are now available through the main regulatory bodies and support bodies such as the Charity Commission and the National Council for Voluntary Organisations (NCVO).

A second factor has been the **desire of a wide range of groups for effective participation by traditionally marginalised people** (the disadvantaged and excluded, black and ethnic minorities, people with disabilities etc.). This

has been re-enforced by some funders giving funding priority to 'user-led' organisations – often interpreted as being those with a majority of users at Board level.

In addition, and as the sector grows, there are more and more cases emerging where organisations have found themselves in **crisis arising from an inability to establish effective systems and practices of governance**.

All of the above has led to a **grass roots demand for support** in achieving more effective governance and participation, as evidenced by the numbers of board members taking part in national and local conferences dedicated to the subjects (Governance Works 2002; NCVO Annual Conference for Trustees 2003).

At a practical level it also seems that the current focus on both participation and governance, across a broad range of sectors, has led to increasing demands that organisations evaluate their own structures, practices and cultures. This is often undertaken against codes of good practice or standards set by those organisations and agencies controlling funds and/or offering guidance and support.

The context within which the not for profit sector operates is changing. There are greater demands for organisations to be more participative in their structures and practices. In particular there is a demand for 'inclusion', for traditionally excluded groups to be in control of decisions that will impact upon them and their lives and to 'lead' the organisations set up to provide services or advocate on their behalf.

The changes in the very nature of democracy, particularly at a local level, with a greater emphasis on local partnership and consultation, has also had a profound impact upon how decisions are made and who is



**... there still seems to be a lack of clarity of what participation means and what the processes of participation are**

involved in the chain of decision making. The advent of public/community partnerships and government aims for broader public participation has also led to a demand for community based groups to take part in a growing number of these partnerships. Funders too, notably Lottery Boards, require organisations to demonstrate user/member participation in governance.

### **What is meant by participation?**

Despite the greater focus on issues of participation, there still seems to be a lack of clarity of what participation means and of the processes of participation.

At its simplest level the term 'participation' is broadly used to describe the process through which people achieve some level of involvement in a project or organisation. However a more detailed or shared understanding of what is meant by participation in practice does not exist. It would seem that the term is used to describe a range of ideas from a process of involving people to achieve information exchange to a mechanism for ensuring broader ownership and control of projects by key stakeholders.

Participation is a key requirement of any democratic structure or organisation. The exact interpretation of participation, the levels of participation and the ways in which it is achieved vary depending upon the organisation and the purpose behind the desire for participation. Similarly the terminology varies – ownership, control, leadership and participation being applied interchangeably in various circumstances and within different governance and operational structures.

### **Why participation?**

It is essential to focus on why participation might be desirable before considering how to achieve it.

As a means of greater local democracy and control over local decision-making, participation continues to be supported and pushed forward by an inclusion agenda supported by the Government and broadly embraced by local authorities (ODPM 2002). Participatory policies and mechanisms have become a common feature of local communities and community based programmes. Throughout the mid to late 1990s we have seen increasing representation by community groups and individuals, as well as other locally based stakeholders, in a wide range of committees, boards, panels and partnerships that are now a central part of local government and programme/service delivery throughout the country.

In an effort to achieve higher levels of democratic control, inclusion and accountability, local authorities and local programmes strive to be highly representational of all key stakeholder groups. This includes those who are often denied real representation such as black and minority groups, people with disabilities, the elderly and young people.

The reasons for investing in participation are also widely variable and include:

- To communicate, through an information exchange, with key stakeholders.
- A public demonstration of the legitimacy of the organisation to represent views and needs.
- A method for ensuring that services to be delivered meet the real needs of the beneficiary group.
- To ensure that traditionally excluded groups are included in decision-making, planning and/or control.
- To achieve more effective accountability.
- The desire to place ownership and control in the hands of the users.

### Barriers to participation

Despite the desire for greater involvement, achieving participation presents difficulties. The development of Partnerships provides an example where there has been focus on the effectiveness of participation. Partnerships are often viewed as a doubled edged sword with communities and individuals coming under increasing pressure to take part without necessarily being offered the appropriate support to do so. In his article *Dancing While Standing Still* (Mackie, 2002), David Mackie describes the potential dangers of a backlash against Partnerships if both Partnerships and community involvement within them are not made more effective. He goes on to say that Partnerships and involvement “are a means to an end and that end is the more efficient and equitable delivery of services and facilities” (pg.1). He stresses that for Partnerships to be successful more work must be done on the processes, structures and vehicles for partnership working.

The same would seem to be true of participation within any community based project or organisation. Participation, as it is applied within the wider not for profit sector, must have a purpose and clearly agreed processes for involvement if it is to be successful. There must be a mechanism for ensuring that expectations on both sides are

fully understood and that the degree to which these are met is carefully monitored.

### Models of participation

Based on an examination of what participation means within the not for profit sector, it is possible to identify several models. At its most basic, participation can mean the implementation of a process of information exchange and consultations with selected stakeholders without necessarily giving these stakeholders the right to be heard or to take part in decision-making. At another level, within some co-operatives/social enterprises for example, participation can result in individual members having legal control with the right to board membership. Thus individuals have the power to shape, guide and make decisions relating to the organisation that an individual owner might make in a traditional business. **Figure 1** below illustrates this spectrum of understanding.

Levels of participation have been explored by David Wilcox (Wilcox, 1994). Wilcox presented a ‘five-rung ladder’ of participation (See **Figure 2** overleaf) showing the stance that an organisation might take in promoting participation. Wilcox shows information exchange as being the simplest level of participation.

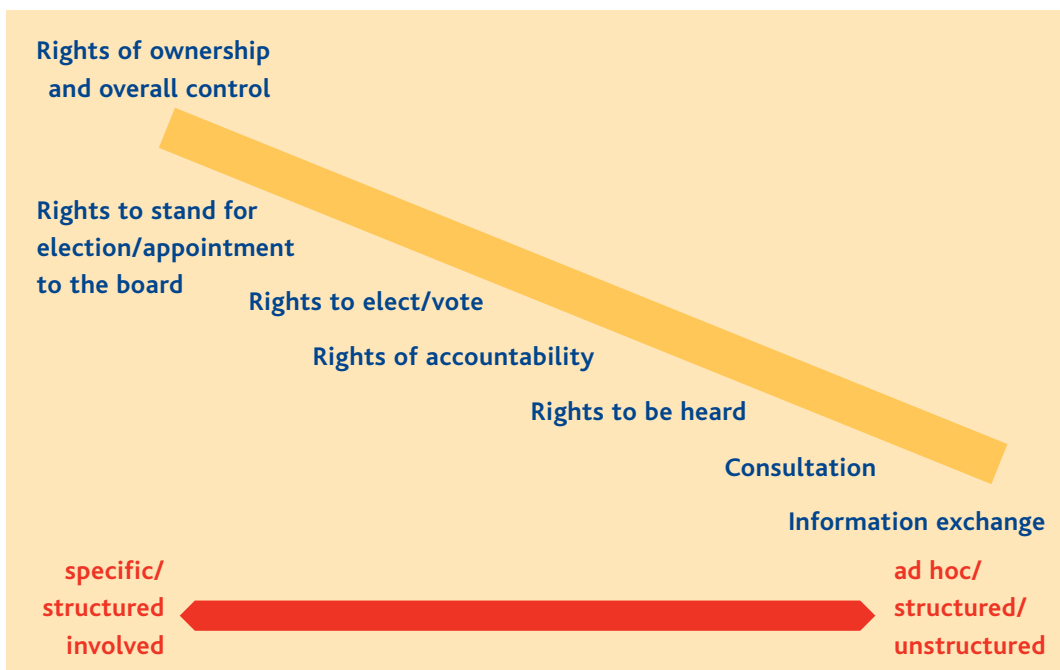
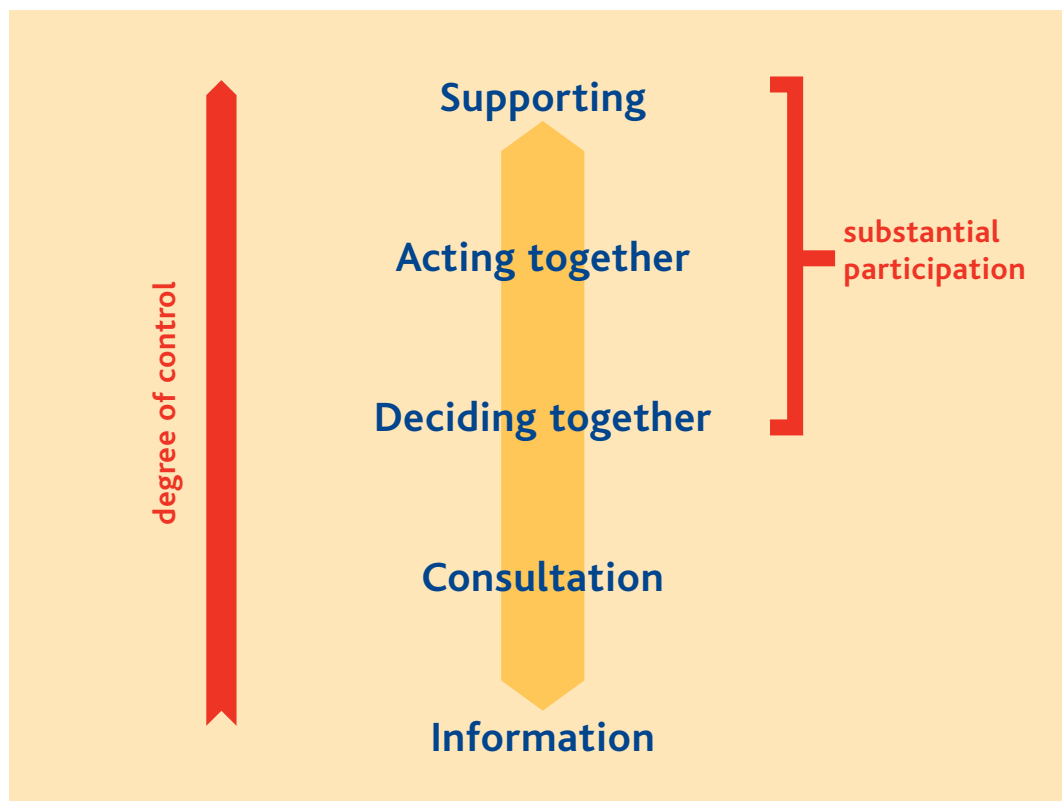


Figure 1: The Spectrum of Participation

Figure 2:  
Five Rung Ladder of  
Participation (Source  
Wilcox 1994 –  
adapted from  
Arnstein's Ladder of  
Participation, 1969)



From the research undertaken when preparing the guide, (Wilcox, 1994) Wilcox goes on to state "information-giving and consultation are often wrongly presented as participation and that this can lead to disillusionment among community interests or pressure for more involvement with potential for conflict and delay".

Participation can of course have negative impact upon organisations, bringing additional pressures including:

- Increased workload for staff and boards.
- Increase in the time it can take for decision-making and planning.
- Additional financial and other resource requirements necessary to achieve participation targets.
- Greater demands on users/consumers.

### Governance and participation

Governance is a complex issue within the not for profit sector. Organisations can choose from a wide range of legal frameworks, are regulated by a range of authorities and are accountable to a broad range of key stakeholders. Consequently governance across the sectors included within this study cannot be viewed in the terms of 'one size fits all'. Whilst governance, as distinct

from management, is relatively easier to identify within charities and voluntary organisations as there are often staff and workers who are separate from a committee. It was expected that this distinction would be more difficult to identify within some forms of co-operatives and social enterprises.

Whilst the ways in which governance is managed and the frameworks within which it operates vary, it seems that the processes and standards in governance have drawn heavily on the standards developed for corporate governance such as the Cadbury Report (1992), and the Greenbury Report (1995). This provides a framework and helps organisations to measure their own governance against agreed standards. However recognition of the distinctiveness of the not for profit sector and its needs for stewardship, accountability and a representation of interests at board level needs to be taken into account. Consequently there are some distinct differences between governance in the conventional business sector and the not for profit sector. The research team considered the key likely differences. Democratic forms of governance are important in a sector that seeks to ensure that the needs of members, users and/or wider stakeholders

Figure 3:  
Differences between  
for profit and not For  
profit Governance

For profit (conventional business)	Not for profit
Paid non executive Directors are a common feature particularly amongst larger companies	It is the norm (and in some cases a requirement) for Board members to be voluntary and unpaid
Non Executive Directors are appointed by the Board	A variety of mechanisms are used for appointment of board members dependent upon the governing document
Accountability is largely to shareholders	Accountability can be complex with a variety of stakeholders including funders, members, users of the service
There is no requirement for 'representational' Boards other than shareholder representation	Representation at board or committee level is a common feature of the sector and can be highly complex
The regulatory framework is designed specifically for the corporate sector and uses the language of the business world	The not for profit sector has adopted and fits into legal frameworks and models that have not been designed specifically for the sector and these do not use the 'language' of the sector (Company Law for example)
Principle shareholders can and do hold power in decision-making – smaller shareholders have little power	The sector operates in a culture where inclusion, equity and democracy are key values and the practice of 'one person one vote' is the norm

are central to decision-making. Traditionally this has been through a place on the committee or a seat on the board and the structures of representation laid down in the constitution or legal documents.

The issues of democratic governance, were explored by Chris Cornforth in his recent study *The Governance of Public and Not for Profit Organisations* (Cornforth 2003). Cornforth said: "a democratic perspective on governance suggests that the job of the board is to represent the interests of one or more constituencies or groups the organisations serve" (p.9).

There are clearly difficulties in marrying the roles of representation at a board level whilst ensuring stewardship and compliance. The different roles require specific skills and expertise. This often creates a tension that many charitable/voluntary organisations struggle with on a daily basis. For example, boards made up of elected representatives may or may not have the range of skills and general competence required to ensure good governance. The importance placed on ensuring representation of interests is often

greater than the emphasis placed on the acquisition of necessary skills.

Democratic structures or processes for participation do not necessarily ensure control. It is only where democratic structures provide for the rights of control through participation that there is a link between democracy and participation.

There would seem to be an implicit belief that democratic forms of governance are 'good', since many organisations have adopted structures of democratic elections from a broad membership base. In some cases democratic forms and systems are not applicable or even appropriate, for example, where users of a service also having a place on a board might bring the organisation into dispute with the Charity Commission or, where the membership base is under 18 years (the legal age required by most legal forms before full membership is allowable).

In many cases, organisations adopting the legal framework of Company Limited by Guarantee to provide themselves with limited liability

status, find themselves required to have members, as this is the basis of this legal form. There would seem to be two key responses to this. First to limit the members to the appointed members of the board or second to broaden out the membership base and develop structures and procedures for membership involvement. The success of the second response will depend greatly upon the commitment to making a membership structure work.

Boards who are appointed for their skills and expertise are open to being accused of being 'non-representative'. The implication being that they lack a deeper and more personal understanding that a user or a representative from a key stakeholder group would bring. Conversely, representative boards can be seen as having a conflict of interest that could get in the way of objectivity. In addition it seems that having a representative board may mean the range of skills and expertise to ensure a fully competent board, is not always in place. It is also fairly common amongst not for profit boards, that despite their best efforts, there is a failure to encourage any of the suitable candidates to stand for election or appointment to the board.

This has led some boards to find ways to work around their structures to ensure they can fulfil their roles effectively. For example organisations can 'manage' their election processes in order to ensure that people with the required skills and experience are nominated and elected. The danger in these situations is that elections are seen as closed to ordinary members who may feel that they cannot put themselves forward. For organisations interested in supporting full participation at board level, systems to support or develop board members may be created. For example, mentoring or a 'buddy' system with coaching prior to the elections. In these cases elections may be 'managed' to ensure the desired outcome.

Models of practice are being developed as more organisations review their governance practices and as an increasing number seek to ensure higher levels of participation by users/key stakeholders at board level.

# Discussion Pieces

These discussion pieces are stand alone articles which represent the views and opinions of the authors only.

**...'participation in governance' might be defined as 'taking part or having a share in the way that decisions are made and events are controlled'**

## Participation and Governance: what does this mean for the broader not for profit sector?

By Barry Knight

### Introduction

This review first examines the relationship between participation and governance, second describes the experience of these in the 'not for profit sector', and finally sets out a model of good practice.

The analysis identifies two different but related challenges for the not for profit sector. One is external; the other internal. The external challenge is the extent to which the sector functions as an effective vehicle for citizen participation in governance, so that people can influence policies at international, national, regional and local levels. The internal challenge is how organisations in the sector themselves encourage participation in their own governance arrangements.

### Meanings, roots and usage

The terms 'participation' and 'governance' are as old as politics. Both have recently emerged as fashionable concepts as part of a family of related ideas, such as 'civil society', 'partnership', 'rights and responsibilities', 'inclusion', 'diversity', 'empowerment', 'democracy', and 'equity'.

All of these terms are fraught with difficulty, and good conceptual analysis is lacking in the literature (Knight and Hartnell, 2001). Part of the problem is that terms like participation are used both descriptively (for example,

voter turnout figures during an election which is a neutral fact) and normatively (for example, as an ideal of engagement in a democratic society). Many writers conflate these different meanings or use them interchangeably without clarity.

The Oxford English Dictionary defines 'participation' as 'taking part' or 'having a share'. It defines 'governance' as 'having sway or control'. Combining these ideas, 'participation in governance' might be defined as 'taking part or having a share in the way that decisions are made and events are controlled'. In organisations or states where this definition holds true, no one will have a monopoly on decision taking and there will be an element of openness to outside influences. Participation in governance therefore counters oligarchy, hegemony, dictatorship, tyranny and other forms of blind power. Participation in governance forms part of a democratic panoply that creates the hallmark of a civilised society (Fukuyama, 1992).

A recent study of 47 countries by the Commonwealth Foundation has shown that the terms 'participation' and 'governance' are different sides of the same coin. The idea of participation, namely what citizens do in a democracy, is the 'demand side of governance'. What the state does is the 'supply side of governance'. The study suggests that to deepen democracy, a better fit is needed between the demand side and the supply side (Commonwealth Foundation, 1999).

So far so good, but as the following brief historical tour shows, the context of sharing in decision making (or participatory governance) has been different at different times in the past. The idea of participatory

governance has evolved over time, and cannot be understood separate from the context it operates in.

The earliest model we have of the idea of participation in governance dates from Aristotle's *Polis*, in which free men took part in direct democracy. But, women and slaves were excluded. The idea of citizen participation came to prominence again during the 18th Century Enlightenment, but with a different focus. Writers such as Adam Ferguson, John Locke, and Adam Smith suggested that the twin pillars of civil society and commercialism would free society from the shackles of serfdom, superstition and subservience (Hunt, 1999).

The 19th Century witnessed an explosion of citizen participation through two great forces: the growth of philanthropy and the growth of mutual aid. These forces led to citizen participation in two main types of organisations: philanthropy created a growth in charities; mutual aid created a growth in co-operatives. Although these organisations were both firmly part of what has come to be called the voluntary sector, they were quite different in character. Whereas charities were formed by the well to do to help the less well off, co-operatives were about the less well off helping themselves (Knight, 1993). The Welfare State, begun in 1905 by the Great Reforming Liberal Government and completed by the post war Labour Government of 1945, dealt a deathblow to both charities and mutual aid organisations since many of their functions were nationalised despite protestations from the architect of the welfare state, Sir William Beveridge (Beveridge, 1948, Smerdon, 1998). As a consequence, the voluntary sector went into the doldrums for two decades, until the idea of participation came to the fore again as the 1960s generation, the first beneficiaries of the 1944 Education Act, revolted against the institutions that they had grown up with, and created a swathe of voluntary bodies to challenge the hegemony of the welfare state and consensus politics (Knight, 1993).

The roots of the 'sixties revolution lay in a movement already evident in the 1940s. The Third World Community Development Movement bemoaned the limitations of classical representative democracy (Schumpeter, 1942), and espoused the virtues of neighbourhood democracy (Dahl and Tufts, 1973). A key part of this was populist theory in which 'virtue resides in the simplest people who are in the overwhelming majority in their collective traditions' (Wiles, 1969). Neighbourhood democracy and populist theory display a range of different approaches, though common to all of them is the idea that ordinary folk are badly done to (Stewart, 1969).

Although populist theory owes much to the self-organizing perspective deriving from the ideas of 19th Century anarchists such as Peter Kropotkin and the practice of political activists such as Mahatma Gandhi, many of the first active proponents of participatory approaches were missionaries and colonists (Mayo, 1975). Indeed, the British Colonial Office set up an Advisory Committee on Native Education, and its 1944 report, *Mass Education in the Colonies*, promoted self-help as a means of delivering agriculture, health and social services (Midgely, 1986). By the 1950s, the idea of community development figured prominently in United Nations documents and there was a growth of how-to-do-it manuals (Batten, 1962). Academic recognition was given to the community development approach by Kuenstler (1960).

The concepts of community development were imported into the United States and later the United Kingdom. In America of the 1960s, there was the War on Poverty. The leitmotif of the approach, set out in the 1964 Economic Opportunity Act, was 'maximum feasible participation'. The theory was that participation would create opportunity, which would reduce poverty, which would in turn lead to the Great Society. Emblematic of this new mood were measures to bring about 'new careers for the poor' (Pearl and Weissman, 1965).

	Type of participation	Strategy
Rung 8	Citizen Control	Power sharing
Rung 7	Delegate power	Power sharing
Rung 6	Partnership	Power sharing
Rung 5	Placation	Degrees of tokenism
Rung 4	Consultation	Degrees of tokenism
Rung 3	Informing	Degrees of tokenism
Rung 2	Therapy	Non-participation
Rung 1	Manipulation	Non-participation

**Figure 4:**  
Arnstein's Ladder of  
Participation

How successful were the programmes? A useful tool to measure citizen participation was devised by Arnstein (1969). Her ladder of participation has eight rungs as shown in **Figure 4**.

Arnstein argues that the essence of authentic participation is power sharing. It follows that only at the top three levels of the ladder is participation authentic.

Joan Higgins has shown that most participation in both American and British poverty programmes of the 1960s took place on the lower rungs of the ladder (Higgins, 1980). One exception occurred during the early days of the US Community Action Program. Here, community groups could spend money as they saw fit and could control programme content. However, these powers were gradually clawed back by the authorities. Too often, Higgins points out, government institutions wanted cooption, not liberation. She concludes, '...the portrayal of mass participation in the programmes is largely mythical' and she suggests that the programmes were a 'cruel hoax'.

As participation declined in the West, a similar fate occurred in the East and the South. In some countries, expectations were too high, leaving too much room for disappointment, even among those who were actively involved (Smillie, 1995). In other countries, corruption,

maladministration and inefficiency meant that resources designed to foster the participation of ordinary people never reached them (Midgely, 1986). The main beneficiaries of programmes tended to be the officials running them (Hancock, 1989). The result was that during the 1970s, the issue of participation went into decline, replaced by an emphasis on growth, transfer of capital industry, heavy industry and economic modernization. In Africa, many governments continued to use the rhetoric of participation, yet failed to provide resources to make this a reality, while in India, the government abandoned its community development programme in 1978 (Midgely, 1986).

Over the past ten years, the idea of participation has enjoyed something of a renaissance. As Smillie (1995) has pointed out, this is partly a question of the 'circle game: the painted ponies go round and round'. However, other factors were at work too. During the 1980s, as economic growth benefited some, but not others, there was increasing awareness of the plight of people left out, including women, disabled people, indigenous peoples and, in some cases, entire countries. In addition, techniques of participation had improved, and there were tools available to deal with the difficulties of obtaining broad-based and equitable representation. Moreover, governments began to see the limitations of what they could achieve without engaging with civil society, and the 'new public management' spearheaded by New Zealand in the early 1980s involved participatory approaches to governance.

The idea of participatory governance has caught on, and is now in vogue among many international institutions. The World Bank, for example, looks to participation as a means to make their development projects function better, help people cope with the economic consequences of adjustment policies and counter the threat to governability posed by rising exclusion of people from policies. They also look to participation as an indispensable dimension of environmental and population control policies. They are turning increasingly to NGOs as executors of participatory



initiatives in the belief that they are more flexible and better attuned to working with people than state technocrats and bureaucrats (Stiefel and Wolfe, 1994). The World Bank suggests:

'Accountability is at the heart of good governance and that the effective voice of local people could best be increased by permitting greater freedom of associations in various non governmental associations.'

**World Bank, 1994**

The OECD has also pressed the importance of participation. It suggests that participation needs to take into account different needs and claims of groups in civil and political society. The OECD has suggested that, regardless of the broader debates over donor agencies governance policies, participation, pluralism and accountability, greater effort will be made both to take women's voices and to facilitate the participation of women in policy making at institutional or local level (OECD, 1993).

Literature from such international bodies tends to contain lofty sentiments contained in rhetorical prose. Fowler (1997) has been quick to spot the dangers of false promises, and has given clear guidelines on how organizations can put principles into practice, so that rhetoric can more closely approximate to reality.

### The Experience of Participation

We now turn to the experience of the not for profit distributing sector on matters of participation and governance. Great claims are made by the sector. Leaders of the sector suggest that voluntary bodies play crucial role in creating a civil society that underpins both our democratic values and our capacity to create wealth. Indeed, across the globe, there has been an upsurge in the formation of new voluntary organisations. Lester Salamon, in a famous article in *Foreign Affairs*, suggests that 'an associational revolution' has taken place at the end of the 20th century in which the growth of not for profit organisations is of comparable significance to the growth of the nation state

at the end of the 19th century (Salamon, 1994). This growth has been interpreted as the birth of an active society in which citizens play increased roles, creating a civil society that will, in turn lead to a good society.

Others have questioned this view. Closer inspection reveals that much of the growth of the voluntary sector is merely an artefact of the commercialisation of the delivery of welfare. Indeed, Jeremy Kendall (1999) has shown that growth in the voluntary sector in the UK has taken place in housing, education, and social services, all areas where delivery has been contracted out. Other critics have noted that service delivery does nothing for civil society (Knight, 1993). A study of one London borough suggested that professionals who commuted into the area in the morning and left in the evening had little contact with local people and may have undermined the capacity of communities to do things for themselves (Smith, 1998). Many voluntary organisations are as large, inflexible and bureaucratic as state organisations, and the recent trends, including the proposals for public benefit companies, the takeover of Railtrack's functions by a not for profit company, and the proposals for foundation hospital has confirmed a prediction that the voluntary sector would divide into a not for profit contracting arm of the state and authentic voluntary bodies who pursue an independent agenda based on social justice goals (Knight, 1993).

Indeed, some commentators have suggested that, despite the growth of the voluntary sector, civil society is in decline. Taking a wide range of indicators, including voting behaviour, levels of trust and respect for politicians and public servants, membership of trade unions, membership of churches, the participation of young people, Knight and Stokes (1996) found a deficit in civil society. People appeared to be withdrawing from the public domain, tending to live more private lives, concentrating on home and immediate family. Trends in consumer behaviour, work patterns, and fashion combined to drive people out of public life. In some areas

people had retreated away from community activity because they were afraid to leave their homes after dark. Such findings are in tune with Robert Putnam's thesis in *Bowling Alone* (2000) in which he charts the decline of civic America.

What is evident from this brief survey is that we need to distinguish between different kinds of not for profit bodies. Some are more likely than others to be suitable vehicles for citizen participation, both internally in their governance structures and externally in their impact on policies and programmes of the state. Narayan (2000) interviewed 60,000 people living in poverty and found that had mixed views about the not for profit sector. They were more likely to favour their own community organisations than non-governmental organisations set up to help them. Knight, Chigudu and Tandon (2002), who interviewed 10,000 people, found similar results. The organisations that they valued were their own organisations. Many non-governmental organisations were as remote as the state. Organisations that mattered were community organisations, tanzems, tribal associations, and village organisations. Participation in these organisations was part of everyday life and, in many areas of the world, necessary for survival. These organisations were vehicles for their self interests, in getting local jobs done, in providing outlets for association, and providing a vehicle to tackle the authorities. Citizens were also enthused by broad-based movements that were designed to improve their situation, such as women's groups campaigning for equal property rights, land reclamation campaigns for first world peoples, and environmental movements designed to protect forests from predatory developers. Korten (1990) has described such organisations as 'people's organisations' because they are both of and for the people.

Clearly, people's organisations are only a subset of the not for profit sector which is a 'loose and baggy monster' Kendall and Knapp (1996). Many of these organisations are quite unsuited to participation in governance, both in their internal structures and in their

influence on the external world. Many charities are self-perpetuating oligarchies delivering a narrow category of public benefit, involving small numbers of people as trustees (minimum three in charity law) and small number of beneficiaries. Many are not interested in the issues of participation and governance other than those required by compliance with regulators. Even if they were interested, the separation of donor, trustee, and beneficiary in charitable law means that users cannot participate in governance (because beneficiaries cannot be trustees). In short, the category 'not for profit sector' is too broad a category in which to think about participation and governance.

### Experience of innovative models

What is important is that small sub-set of organisations that do make efforts to enlist participation and to influence governance. People's organisations are rare, but they do exist. One of the most influential is Shackdwellers International. This is a self-help organisation with 750,000 members who live in marginal conditions in primitive self-build housing, often without having any rights to the land so are squatting. This organisation, through participative internal structures, has built an organisation of power based on a sense of mutual solidarity that can negotiate with world authorities based on the logic of the size of its membership. In short, it is a force to be recognised with.

The key words are 'participative internal structures', 'organisation of power', 'mutual solidarity', 'size of membership' and 'negotiate with world authorities'. This constellation of factors is the key determinants of participation in governance. They give organisations legitimacy, representativeness, and accountability – factors that are almost always missing or doubtful in the broader not for profit sector.

In *Voluntary Action* (1993), I argued that the voluntary sector had, for the most part lost its way. It was putting too much emphasis on the delivery of services, was taking too much money from the state, and in the process had lost its capacity for delivering social change. I

foresaw the emergence of two sectors: one not for profit, contract based, delivering services on the agenda of the state; the other pursuing social justice, using private finance, and pioneering social change. Since much of the voluntary sector was merely an artefact of the state, I suggested that such organisations should lose their place in the authentic voluntary sector. Ten years later, my predictions appear to have come true.

Participation in governance is fundamental to authentic voluntary action that, as Beveridge put it, is 'private means for social advance' (Beveridge, 1948). It is possible to manage this, as the following case study shows.

TELCO (The East London Communities Organisation) is made up of 38 member communities: mosques, trade unions, schools, churches, and community associations. It is a coalition of power, built on a membership of local people, based on principles of respect, solidarity, and mutual aid, and pursuing political actions, such as a 'living wage campaign'. It is driven by its members who pay dues to join the organisation. Diversity lies at the heart of the organisation, reflecting the modern make up of the East End of London, so that Muslims help Christians and vice-versa. Self-interest, not altruism, drives the organisation. The mutual self-interest is social justice for East Londoners.

The experience of TELCO shows that to share in decision-making in politics (that is to participate in governance), it is essential to possess an internal structure that is open, inclusive, diverse, accessible, transparent, and accountable (that is that ordinary people can participate in the internal governance of the organisation). The distinction between internal and external participation in governance is therefore illusory in practice.

For much of the not for profit sector, participation in governance is a line spun by the leading lights of the voluntary sector that pretend that they are something that they are not, so that they can create a myth that professional organisations delivering services somehow are connected to civil society. The

truth is that participation in governance depends on people and their organisations – as the Suffragettes found, as trade unionists found, and as the early pioneers of the co-operative movement found. TELCO is the modern successor to those organisations that in the past mobilised broad-based civic power.

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## Participation and Governance within Small Charities and Voluntary Organisations

By Shirley Otto

### Introduction

The purpose of this discussion piece is threefold: (i) to explore what is known about governance and participation in small charities and voluntary organisations, (ii) identify learning points about factors helping and hindering effective governance and participation and (iii) make proposals for developing legal and organisational practice.

However before looking in detail at governance and participation in small charities and voluntary organisations, given the richly textured world that is the voluntary sector, it is important to know more about the background of these little understood but extraordinary organisations.

### Understanding Small Charities and Voluntary Organisations

#### What is meant by 'small'?

There are two approaches taken to defining 'small' in relation to charities and voluntary organisations: (i) income and (ii) nature of the workforce. Cornforth (2001), in his survey of over 700 governing bodies of charities, regarded as small charities having an income of up to £10,000 per annum; whereas the criterion adopted by Rochester et al (1999) and Kumar and Nunan (2002) was whether the organisation was primarily run by volunteers (i.e. there were no staff or just one member of staff). Knight (1993) in his description of voluntary action in the UK used a mix of nature of the workforce (entirely volunteers) and the style of organising. He drew a distinction, commonly found in the academic literature, between 'formal' organisations or institutions (e.g. legally incorporated, personnel structures, office systems) and 'associations' (e.g. loose knit,

active membership, relying on informal contacts and high levels of trust) – with small organisations usually being run as associations. Hence there is no one agreed definition of 'small' in relation to charities and voluntary organisations, nor indeed is there an agreed way of labelling them. On occasions a sample might be called 'community groups' and in another paragraph 'voluntary organisations', some of which have charitable status and others that do not. What all authors do agree on is that these small organisations make up the bulk of the voluntary sector in the UK.

### How many small organisations charities and voluntary organisations are there?

Plowden (2001) reckoned that there were almost 1,000,000 small community organisations in the UK – and this report was written before the explosion in community groups driven by government regeneration and social exclusion initiatives. Cornforth and Simpson (2002) reported that of the 161,243 charities in England and Wales, registered with the Charity Commission 'the vast majority of charities are very small' (p3). For example 70% had an income of less than £10,000 and 90% an income of less than £100,000. This is interesting in light of Knight's (1993) finding that an average of 60% of organisations, in the 14 UK localities studied, were those where volunteers were solely responsible for their organisations.

It is important to note though that not all of these small charities and voluntary organisations had as their primary purpose democratic participation or community involvement.

### Legal frameworks

Three formal 'types' of legal arrangements are discussed in the literature.

- **Charities** – organisations registered with the Charity Commission in England and Wales and the Inland Revenue in Scotland.
- **Incorporated charities and voluntary organisations** – organisations registered for example as companies limited by guarantee.
- **Unincorporated charities and voluntary organisations.**

The term 'voluntary organisations' was used either as:

- (i) a catchall term to describe all not for profit organisations or groups in an area or sample or;
- (ii) organisations not registered as charities but having a similar ethos and intentions.

How many small charities and voluntary organisations have adopted the various legal structures is unknown. Knight (1993) collected some information on legal frameworks and structures for organising in his study of local and national voluntary action in 14 localities and his findings were surprising. Knight found a large number of organisations were unincorporated, i.e. over 50% of local and national organisations. These unincorporated organisations were often small, new and had the lowest incomes. Moreover the lower the income the less likely it was that they were registered as charities.

Knight's findings also ring warning bells not to assume a particular legal framework actually describes what an organisation does. Boards of incorporated organisation regularly nominated new members – instead of holding elections as prescribed – and memberships were small and inactive so that voting at the AGM was a ritualistic formality.

### Small Charities and Organisations doing what?

There is a tendency in studies of organisations in the voluntary sector to use non-specific terms such as micro organisations, grassroots associations, community and voluntary groups and not to give details about the functions of the organisations studied. This may be because of the extraordinary diversity, and complexity, of work carried out in the voluntary sector, and particularly by small charities and voluntary organisations. Small charities and voluntary organisations operate locally, nationally and internationally – in every type of locality.

Knight (1993) did not specifically match function and size of organisation but he did identify patterns of activity that are of

interest. Small charities and voluntary organisations tended to:

- Be the dominate form of organisation in (i) poorer areas (e.g. mining village) and (ii) rural areas and small towns;
- Have norms of 'social solidarity' (e.g. self-help or campaigns on social justice);
- Have active memberships;
- Focus on recreation, advice and information, rights and equal opportunities.

It is possible though that these descriptors have radically changed in light of the recent explosion of new community groups driven by government initiatives such as regeneration and social exclusion (Kumar and Nunan 2002).

### Are small organisations distinctive?

Broadly there are two arguments for asserting that small charities and voluntary organisation merit special attention and should be regarded as different from their larger counterparts. Moreover these points of view reflect two broad camps about the operation of small charities and voluntary organisations.

Small organisations as a distinct form of organising – with particular strengths and liabilities that require a special 'organisational grammar' (Rochester 2003) and therefore support and legal framework

Small organisations as nascent or incomplete bureaucracies – which tend to be amateurish and under organised and therefore are a liability if given public money.

Inherent in the notion of small charities and voluntary organisation as distinct forms of organising, as 'associations', is that (a) they inhabit the 'fuzzy frontier' (Kumar and Nunan 2003) between the private (e.g. friends, family and neighbourhood) and public worlds (e.g. institutions) (b) operate informal methods of organising – 'cultivating relationships and the idea of wide

"ownership" of the agency' (Rochester 1998) – and (c) that they have a value and distinctive contribution to make to community and collective living (Rochester 2003). It is acknowledged though that there are difficulties, i.e. liabilities to being small (e.g. blurred roles) and to have a loose knit form of organising at a time when managerialism is in the ascendancy (Batsleer 1995).

Indeed it is these problems of vague roles, juggling many different tasks, preference for trust over performance systems and measures, being prey to intense interpersonal dynamics that has meant small charities and voluntary organisations have a reputation for poor practice – especially for poor strategic management and accountability. A number of authors, including Handy (1988) Kirkland and Sargant (1995), have been damning in their criticism of small charities and voluntary organisations. More recently Cornforth (2001) described a 'growing gap between Boards of large and small charities' (p 21) based on his findings that small charities were much more likely to have problems recruiting Board members and had not adapted to prevailing expectations that Board members should have job descriptions and be given training and support. He concludes that 'the research shows that organisational size matters' (p iii).

Whatever the perspective what all the authors agree on is that there is a 'liability of smallness' (Rochester 1999/2003). Small charities and voluntary organisation face considerable difficulties in managing the range of demands for accountability and regulation required by funders and the Charity Commission. Nor does it help that funders and statutory authorities do not always understand the complexity of operating small organisations and are uncertain about the value of volunteers.

Clearly it is time to examine in the detail the specific governance and participation issues for small charities and voluntary organisation.

## Factors Shaping Governance And Participation In Small Charities And Voluntary Organisation

### What do we understand by 'governance' and 'participation'?

In the literature the terms 'governance' and 'participation' are used in various ways and reflect different interests and levels of analysis (Kooiman 1999).

#### Governance

Governance is variously defined as the functions performed in an organisation by members of their governing body and the systems used by organisations for direction, control and accountability. Kumar and Nunan (2002), evaluating at the impact of the Governance Project (i.e. a pilot project assisting community groups to strengthen their governance), concluded that the 'governance is an elusive concept which can be defined in a variety of ways ... This meant that a coherent approach to governance development may be inhibited leaving it vulnerable to being sidelined' (p13).

#### Participation

There are broadly two types of literature focused on voluntary organisations and participation: (i) assessing the impact of community development approaches in tackling social and economic issues and (ii) discussion of user or client involvement / empowerment in the management and governance of voluntary organisations. This paper will largely draw on the latter work at the same as bearing in mind the importance of broader concerns about social exclusion in small charities and voluntary organisation.

Participation, involvement and empowerment – of people and groups – in small charities and voluntary organisation have been both taken as right and good for voluntary organisations. Putting these ideas into practice has not been straightforward, partly because expectations have been clouded by the vagueness of key words (e.g. empowerment, user). Locke et al (2003) found managers of services used over twenty terms in common use to describe the people

who used the services of voluntary organisations. Moreover participation could range from involvement in decision-making, by receiving information about decisions made by others, to holding control.

Despite these difficulties with definitions the activities of small charities and voluntary organisations provide useful learning points about the processes that help or hinder effective participation and governance.

#### Focus on governance – what helps and hinders?

Kumar and Nunan (2002), based on the evaluation of the Governance Project, concluded that what helps small charities and voluntary organisations is the following:

- 'Hands on', low key consultancy, advice and training tailor made to individual organisations requirements (examples are some of the ESF Capacity Building programmes and Coalfield Regeneration Projects);
- Support and training geared to the short term, task orientation framework often found in newly emergent, small charities and voluntary organisation;
- Training and guidance for development workers in local authorities and umbrella bodies on meeting needs / addressing problems of governance in small charities and voluntary organisation;
- A 'one-stop-shop' for community groups in a locality, similar to the guidance and training provided for small and medium sized businesses;
- Changes in governance models available to small charities and voluntary organisation – i.e. government to introduce a 'lighter touch' regulatory regime for newly emergent organisations, but which did not jeopardise the benefits of registration. More stringent requirements would be imposed once groups were 'grown up'.

Rochester (1998/2003), based on a number of quantitative studies of small charities and voluntary organisations, argued that governance in small charities and voluntary organisation benefits from:

- The notion that governance is about how

the organisation as a whole approaches the distribution of rights and power, and not just the functioning of the Board and its members;

- Acceptance by the Charity Commission, funders and policy makers that using managerial models as the basis for interpreting the various legal framework is inappropriate and unhelpful when (i) giving guidance to and (ii) assessing small charities and voluntary organisation. Organisational models based on small organisations, as 'associations', would enhance their capacity much more effectively. This was particularly important for small charities and voluntary organisations dedicated to worker control and/ user control;
- The various policy and regulatory institutions accepting associations as best fit for certain sorts of work and that there are people, advantaged and disadvantaged, who much prefer them to larger voluntary organisations;
- Opportunities to 'buy in', from local councils for voluntary action and development agencies, financial and personnel services including book keeping, payroll, preparation of accounts and advice on employment procedures (for paid and volunteer workers).

What **hinders governance** in small charities and voluntary organisations is:

- The assumption that it is possible to make a distinction between governing and running small charities and voluntary organisations, and therefore roles and responsibilities can be clearly allocated between Board members and workers. Differentiated roles are not practical in many small groups dependent on a core of active members. The reality of the everyday life of small charities and voluntary organisations is not that of charity law which locates legal responsibility for all aspects of the work of the organisation with it's Board;
- 'Top down' approaches to training focused on compliance to externally defined standards as opposed 'bottom up', i.e. identifying governance needs from the

perspectives of the small charities and voluntary organisations, (Kumar and Nunan 2002; Hedley and Rochester 1992);

- Training programmes available to committees as a whole and rather less to individual members (Hedley and Rochester 1992);
- Poor and inconsistent support from assigned local authority development workers and local development agencies / councils for voluntary action. For example, poor constitutions were a root cause of many governance problems, partly because newly emergent groups were often given off -the -shelf constitutions that were not wholly suitable, and that they inadequately understood (e.g. Kumar and Nunan 2002);
- Volunteers in small charities and voluntary organisations regarding time and money spent on governance training and development as a luxury they could not afford (Kumar and Nunan 2002; Hedley and Rochester 1992);
- The low priority volunteers and paid staff give to the basic necessities for good governance, e.g. providing formal support for Board members including induction, training and job descriptions (Cornforth 2002).

Concerns about the inability of a small but significant number of very small charities and voluntary organisations to manage their funds in a proper manner. Urban myths abound (largely undocumented) about risky practice and minor fraud. A balance is required between the trust necessary for the smooth running of Boards and having procedures for 'systematic distrust' in place, and the resulting financial information meaningful to at least a core of Board members (Harrow and Palmer 2003). Proper external support for small charities and voluntary organisations will help Boards members, who are worried about the financial practice, to do something about it.

The significant difficulties small charities and voluntary organisations have in recruiting Board members. Something Cornforth put down to these groups still relying on word of mouth and not experimenting with external



advertising. The problem though may be more than about just procedural. The 1991 national survey on volunteering, by Social and Community Planning Research for the Volunteer Centre UK (quoted in Hedley and Rochester 1992), found that amongst potential volunteers management committee work was the least attractive option (favoured only by 8%).

Is there anything to suggest it is different in 2003? The bad press given to governance in charities since the 1980's, which reached a peak in 1991/2 with the publication of the On Trust report (NCVO 1992) and continues even today. Indeed stories about the behaviour of Boards and Board members are the voluntary sector equivalent to mother-in-law jokes.

#### Focus on participation – what helps or hinders?

What **helps participation** in small charities and voluntary organisations is:

- The attraction of small informal groups, with norms of trust and loyalty to many people who are inexperienced in group / community work or who are disaffected with bureaucracies (Cohen and Rogers 1992; Hoggett 1994). Social and political theorists like Hoggett regard these small organisations, or associations, as fundamental to a 'civic society' and a vital aspect of democracy.
- Clarity amongst all concerned about – not the value – but the precise purpose of participation (similarly with empowerment & involvement & social exclusion) and how these purposes should be realised in (i) organisations dedicated to community democracy and (ii) organisations set up to realise other aims, but which should at the same time promote social justice. Put another way is user (or clients or members of target communities) involvement a matter of 'consumerism' or 'democracy' (Beresford and Croft 1993)?
- Consulting users etc. about the ways in which they wished to be involved and exercise influence in their organisation. Locke et al (2003) found that disabled people preferred to participate in service

development, planning and quality assurance rather than sit on the Board. As it happened some of these users, after having taken part in these activities, then went onto become Board members.

- Having an active membership, of an organisation, with the capacity to influence direction and call the Board to account.

The presence of a strong user community – internally and externally – greatly encourages and sustains user etc. involvement and especially participation on the Board (Locke et al 2003). For example activists in the disabled community were not only models and advocates of empowerment but also provided advice, scrutiny, legitimacy and a supply of people willing and able to contribute to the operation and governance of voluntary organisations.

Providing 'capacity building', i.e. building up the ability of users etc. to take decisions about services at both personal and policy levels. This capacity building should combine personal development (e.g. communication skills) and knowledge of systems (e.g. decision making systems) and be offered to individuals and groups.

Transparent appointment processes for becoming members of the Board plus arrangements by which special groups, such as users and members of ethnic minorities, are assured places. This might be by co-option or the designation of one or more places for a 'protected minority' which would be filled by an election but a qualification for nomination would be the individual is a user or member of an ethnic minority.

Using creative and participatory tools for monitoring and evaluating the work – both the processes and the outcomes (e.g. Wotherspoon, 2000). And the social audit approach to evaluation has been particularly successfully in organisations using a 'stakeholder' approach to governance.

What **hinders participation** in small charities and voluntary organisations is: Confusion and, on occasions, conflict as

whether the role of the Board of a small charity is to ensure 'proper administration' or to ensure the desires of key stakeholders are represented. This was particularly acute in debates about users as beneficiaries being on Boards, and having users in a majority in governing bodies.

This dilemma has at times led to confused guidance from the Charity Commission. Kumar and Nunan (2002) describe small charities being on one hand accountable under trust law to their charitable objects, yet receiving guidance from the Charity Commission that they must be accountable to their stakeholders.

Hoggett listed the downside of associations (and therefore potentially of small charities and voluntary organisations): the tendency to exclusion (e.g. be racist), prone to splits and factions, lack of transparency (there are no formal means to ensure accountability) and unequal participation (not everyone has the time or resources to become involved). The volunteer committee members in Hedley and Rochester's (1992) study said the intensity of group relationships, and issues about power, could be wearing and was the cause of some people leaving. The managing of differences and making decisions when there were competing views was also problematic; for example committees preferred not to vote because this could expose factions or bring matters to a head and cause resignations. Sharing information and communication about decisions caused frustration as the habit was to assume people would know what was going on.

Concerns about the inclusiveness of small charities and voluntary organisations are found in a number of studies. This concern has two aspects; (i) whilst small informal groups can be very welcoming they too can act powerfully to exclude and scapegoat those not seen as fitting in, as is evidenced by the experience of many 'token' people (gender, colour/ethnicity, disability, age etc) on Boards and (ii) surveys of small charities and voluntary organisations described Board members as still largely all – white and over

35 years of age, partly because they recruit 'in their own likeness' (Cornforth 2001). Where this was not the case was for organisations especially for young people and ethnic minorities.

The challenge for small charities and voluntary organisations of operating with very limited resources including funding, active volunteers and access to appropriate advice and help (e.g. Rochester 1994; Hedley and Rochester 1992). Organisations were described as under ever increasing pressure and doubts were expressed about whether small organisations could take the strain without specific interventions to support and resource them.

## Conclusions and Recommendations

### Conclusions

Small charities and voluntary organisations are major players in the UK in the regeneration and development of local communities, provision of social welfare, leisure, access to 'self help' and single issue campaigning. Although small charities and voluntary organisations are an integral part of every community, the literature on their ways of organising is patchy, and can tend to regard them as romantic or dismiss them as amateur and disorganised. The evidence does suggest small charities and voluntary organisations are under increasing pressure, not least from regulators. Generally speaking they do not get the type of help they need from local councils of voluntary /development agencies or local authority development officers, unless there is a special project dedicated for this purpose. This is important as the argument that small is distinctive does bear scrutiny, whether the organisation is in the voluntary or commercial sectors.

However the charities and voluntary organisations maybe small but what they do adds up to a substantial slice of social provision and social action, how they are

organised matters. Small charities and voluntary organisations not only spend tax payers' money they absorb an enormous amount of volunteer's energy and good will; perhaps most importantly they are essential vehicles for giving 'voice' to disadvantaged groups, for tackling exclusion and campaigning for unpopular causes.

Many small charities and voluntary organisation must be more organised, especially about the operation of their Board and responsiveness to the values of social inclusion and participation; however the greatest changes may be required of the 'institutions', e.g. the development organisations and regulators.

### **Recommendations**

#### **a) Legal frameworks**

The present legal frameworks are particularly problematic for small charities and voluntary organisations – one size does not fit all. Yet it is essential that these organisations are accountable and that they retain the trust of the public in their probity. However it would be meaningless to argue for a watered down legal framework for all small organisations in the voluntary sector, even if the criteria for 'small' could be agreed upon. A way forward is (i) to develop systems for accountability for small organisations which vary in detail according to whether they are based on 'consumerism' or 'democracy', i.e. whether their role is to provide for beneficiaries or to be run by them and (ii) to ground these regulatory requirements in models of organising based on associations and not on the management of bureaucracies and commercial companies.

#### **b) Support, training and consultancy**

Clearly the support, training and consultancy small charities and voluntary organisations receive at present, in terms of governance particularly, needs to be better, and on a firmer footing. This is necessary, not only to provide them with tailor made courses etc., but also to persuade the volunteers and paid workers that using more formal systems brings added value to their work.

Two developments are required to move forward:

- (i) setting up a standing conference on organising in small charities and voluntary organisations that brings together trainers and development workers from councils of voluntary action, local authorities, ESF capacity building programmes and independent specialist in participation and governance to share and develop best practice – including quality standards – and
- (ii) funders to take up the example of the Governance Project and continue to pilot integrated focused support services in local areas.

#### **c) Acknowledge the value of trust over scrutiny**

The guidance from regulators, and the extensive prescriptive literature setting out measures and performance models for Board members, can seem to set standards for an idealised Board that is unattainable – and not always desirable. These approaches often promote an implicit professionalisation of the work of Boards. What impact this has on volunteer Board members, and on volunteer run organisations, is unknown and can only be guessed at. It is a real concern that the preoccupation with processes designed to control, that underpin regulatory systems, not only put potential volunteers off but also destroy the internal trust that is vital to cooperative working. A balance must be struck.

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# Review of Current Legal Frameworks

Any review of participation and governance must start with a review of the legal frameworks in which the sector operates. It was therefore agreed that a review of the current legal frameworks should form part of the desk based research within this study.

The charitable, not for profit, co-operative and social enterprise sectors in the UK are often accused of paying an unhealthy – even obsessive – amount of attention to the subject of legal structures. Despite this, readily available guidance on the subject can be hard to find. This is from a lead article in the journal *Social Enterprise*, January 2003:

“Deciding what legal structure to adopt is a nightmare that can take months to sort out and still go wrong, new research has found. A mapping exercise covering 70 social enterprises in rural Cumbria showed that during start-up, enterprises rated legal advice as a key element missing from the current support structure. ‘One organisation spent 18 months debating the various options, while momentum for the enterprise gradually faded’ said Dani Leslie, research manager of the Enterprising Communities project.”

## Legal forms

Confusion and lack of confidence with regard to legal structures inevitably will have a negative impact on governance and effective participation. The fundamental reasons for these difficulties are:

- The number of legal structures available can be very confusing to people new to the subject.
- None of the available structures is perfectly suited to voluntary or social enterprise activity in the 21st century, so few organisations will ever identify a structure, which is ideal for their purpose – most will end up ‘making do’ with the least inappropriate.

Organisations seeking a suitable legal structure start off with no less than 10 possible legal forms under British law:

**The unincorporated association** – a flexible option for smaller not for profit groups, but one that does not have a specific statute and is thus subject to a less-than-helpful body of case law.

**The unincorporated trust** – a somewhat archaic and potentially confusing legal form, which is subject to a mix of case law and minor statutes.

**The partnership** – a relatively simple form for smaller, profit-businesses governed by the Partnership Act 1890, never really intended for democratic or socially responsible enterprises.

**The limited company** – which comes in four varieties: the public limited company (PLC); the private company limited by shares; the private company limited by guarantee; and the unlimited company. Primarily subject to the Companies Acts 1985 and 1989 plus other

statutes, companies can be problematic in the voluntary and social enterprise sectors as the legislation is based upon the shareholder model, even where a company does not issue any shares.

**The industrial & provident society** – which comes in two varieties: the bona fide co-operative, and the society for the benefit of the community. Subject to the Industrial & Provident Societies Acts 1965–1978 plus other statutes, the industrial & provident society (or “IPS”) is essentially more appropriate for voluntary and social enterprise activity, but suffers from outmoded legislation and a general lack of familiarity amongst the public, professionals, funders, and others. It is also significantly more expensive to register an IPS than it is to register a company.

**The limited liability partnership** – a relative newcomer, introduced by the Limited Liability Partnership Act 2000, that offers the flexibility of the partnership with the limited liability and corporate status conferred by company registration. This option is only available to for profit businesses.

Not for profit organisations will generally choose between the unincorporated association, the unincorporated trust, the company limited by guarantee, or the society for the benefit of the community (although it is in fact possible to create not for profit share capital companies for specific circumstances).

Potentially adding to the confusion are two proposed new legal forms: the **community interest company**, and the **charitable incorporated organisation**, though neither of these is yet on the statute books (*Strategy Unit Report*, 2002).

Added to this is the complex issue of charitable status, which is not a separate legal form but is overlaid on one of the not for profit legal forms listed above. Not all philanthropic or not for profit activities are eligible for charitable status, but such status is the only guaranteed way of securing preferential tax treatment and access to certain funding streams. Obtaining charitable status can be a particular problem for stakeholder-controlled projects, owing to the strict interpretation of trust law applied to charities by the Charity Commission and the courts.

One further complicating factor is that the terms ‘for profit’ and ‘not for profit’ are not defined in British law and are sometimes interpreted in subtly different ways.

Consequently it should not be surprising that many organisations:

- (a) have difficulty deciding on which legal form to adopt; and
- (b) frequently do not understand quite what they have once the structure is in place.

On the other hand, all of the most-used legal forms do have their relative merits, and successful organisations will take advantage of the positive characteristics of their chosen structure to promote participation and effective governance. Methods of ensuring optimum advantage from one’s legal structure include:

- A carefully-drafted governing document that reflects the real intentions of the membership.
- Regular reviews of the legal structure, with adjustments made as and when needed.
- Ensuring the members understand their rights and duties arising from the legal structure.

- Being prepared to operate more than one legal entity when none of the options can, on its own, meet all of an organisation's requirements.

### Structures and participation

All the available legal forms require a governing document (variously called the constitution, memorandum and articles of association, rules, trust deed, etc., depending on the legal form adopted).

Most legal forms (excluding trusts and partnerships) assume a dual organisational structure, with a governing body or board of management (variously referred to as directors, trustees, management committee, etc.) accountable to a broader membership. This pattern reflects the shareholder model, where a board of directors must account to the shareholders.

An important function of the governing document, therefore, is to establish the relative roles, rights and responsibilities of the members and of the board of management.

A majority of commonly-used governing documents provide for a very limited role for the membership. Within many not for profit organisations, the only real function of the members is to nominate and elect members to the board of management. Governing documents rarely require more of the members than attendance at the annual general meeting, with an occasional opportunity to participate in special general meetings (usually when something constitutional requires urgent attention).

Thus, once again, not for profit bodies tend to follow the shareholder model of passive accountability to the membership rather than offering a means by which the members may become actively involved in and influence governance issues.

Furthermore, despite a requirement by most legal forms for the organisation to keep accurate records of members, and for these members to receive adequate notice of

meetings, it is not uncommon to find voluntary/charitable organisations that have only a vague understanding of who their members are, and for membership records to be out of date or non-existent.

The role of the members should be critical to achieving a participative organisational model. Options for participation are unlikely to be optimised when membership is only peripheral to an organisation.

Given that the various legal frameworks do not, for the most part, require more than the minimum of involvement and accountability, the extent to which an organisation recognises, involves and is accountable to its members varies. However while some organisations do not achieve even the minimum, others go a long way further to achieve very high levels of member participation.

### User-led organisations

There is a current trend towards user-led organisations, which encourages participation, particularly at board level, by users of the service provided. This poses particular problems for those organisations regulated under trust and charitable law. The tensions and potential conflicts between being a consumer of a service (and therefore a beneficiary) and being a member of the board of management can be a major area of difficulty for an organisation and, in the case of a charity, may bring the organisation into conflict with the Charity Commission.

Trust and Charity law was designed around philanthropic giving and assumed that the boards would be made up of trustees who would bring objectivity to their decision-making and would not be clouded by conflicts of interest.

Meanwhile where funders insist on a high level of user involvement at board level as a condition of funding, as is sometimes the case, this can militate against an organisation's capacity to achieve the balance of skills and expertise needed to fulfil its governance responsibilities adequately. This issue may be particularly highlighted in organisations concerned with the welfare of people with learning disabilities or

mental health problems, where there may be concerns about liabilities in the case of difficulties arising from management failure, and indeed about the desirability of placing additional burdens of responsibility on people who are already facing problems in coping with other aspects of their lives.

Charities have a particular problem when it comes to participation and influence in that they are not free to act and develop as they choose. The strict interpretation of trust law taken by the courts and the Charity Commission means that trustees may only expend the resources of a charity in accordance with its stated objects (as enshrined in its governing document or constitution). In general, they are reluctant to allow a charity to amend its objects if the original purpose is still achievable. Meanwhile if there is a conflict between the wishes of donors and the wishes of the members, the donor's wishes are paramount.

Thus if the members of a charity feel that circumstances or their priorities have changed, they may not always be able to bring about a corresponding change in the charity's policies or practices. It can be difficult sometimes to see just what the role or purpose of the membership may be in a charity, other than as a source of support and funds.

To add new structures and models to this already complex situation may not be helpful in that it is simply adding to the number of structures available whilst not really addressing the fundamental problems. It would seem preferable that support is made available for groups to gain a better understanding of the legal forms available and to select the most appropriate to their needs. This in itself seems a simple task but there is a wealth of anecdotal evidence that it is not happening, as advisers do not have the overall competence to be able to give the levels of support required.

The situation of legal structures is very muddled and although organisations find ways around the issues, many organisations struggle to comply with the requirements or simply give up and ignore them as much as possible.

Ultimately an organisation's choice of legal form cannot guarantee effective participation, but an appropriately designed structure can limit some of the constraints and take account of a desire to encourage participation



# Postal Survey Findings

## Introduction

The postal survey was designed to provide additional information on the experiences of participation, again from range of not for profit organisations. It was hoped that the survey would help to identify attitudes to participation as well as approaches that are being used.

Before undertaking this exercise we identified the likely constraints. These were considered to be:

- Requests to include both a board member and worker within each organisation in order to get a balance of views on participation, proved an added complication to the process, and may act as a disincentive to some people.
- The timescale between distribution and return dates was only 13 working days. We estimated that this effectively gave each organisation a maximum of 10 working days to complete the task.
- In the creation of the data set, several people mentioned survey overload. The recent excess of surveys and consultations could deter participation.

Taking these factors into account we decided to increase the number of questionnaires distributed from the originally planned 1,000 to over 3000, in order to achieve a reasonable response rate.

Pulling together the mailing list also presented challenges. Given the time available it was necessary to work through sister or sympathetic organisations to acquire access to their databases rather than create a mailing list from scratch.

The survey sample was therefore made up from the following groups:

## Table: 1: Survey Groups

Development Trusts	240
Credit Unions	435
Co-operatives	77
Councils for Voluntary Service	91
Membership Organisations (small voluntary & community groups)	69
Organisations working with:	
● Children and young people	252
● Conservation and environment	210
● Health and disability	537
● Arts	716
● Social issues	63
● Delivering social / welfare services	200
● Religion	94
● Coalition of disabled people	42
● Mosques	5
<b>Total number of questionnaires distributed:</b>	<b>3031</b>

## Response Rate

Overall, the survey elicited 160 individual completed responses – 74 from staff and 86 from board members, although the detail on the survey responses show that 8% of returns aimed at staff members were completed by a committee member and 29% of those meant for the board were completed by a member of staff or a person with another role in the organisation.

In addition 85 other organisations were interested enough to contact us either by post, email or telephone to say why they were not able to complete the survey forms. These contacts helped to identify the reasons for the poor return rate:

- Not enough time given 44
- Not the right type of organisation 11
- Change of address (in some cases forwarded to new address/person) 8
- Wrong stage in the organisation's development – too early or involved in major reorganisation 12

- Organisation now closed 8
  - Using different interpretation of participation 1
  - Questionnaire not accessible – inappropriate language and layout 1
- Total number of non responses received 85**

A further 9 organisations returned their forms too late to be included in the survey analysis. Despite the 'survey fatigue', the majority of those who made contact to say they could not complete the survey forms, included strong statements of support and interest for the research. The consideration that people have given the exercise (two examples below) demonstrates a wide interest in the subject.

"I have returned to you the documents which we received on 3rd February. Although the work you are doing looks relevant and valuable to us and our members we feel that you have been unfair in the time scale for return. I would be very interested to know if any other small, grassroots, charitable organisations have been able to divert staff, volunteers and resources from their normal work to consider and respond to this survey. I feel that the responses and therefore the outcomes of our research will not be suitably reflective of the sector for the reasons above."

"I am replying to your request to complete and questionnaire. I am very new in post and would not be in a position to provide the kind of information you need, also for the same reason I'm rushed off my feet. Sorry not to be able to help this time but please do ask another time."

Overall the response rate to the postal survey was poor although it provided sufficient data to form the basis for some credible analysis. It is not clear why the response rate was low but from the responses shown above there seemed to be a variety of reasons. One other issue that arose was a lack of familiarity with Co-operatives<sup>UK</sup>. Several organisations telephoned to ask who Co-operatives<sup>UK</sup> were and why were they involved in this study before completing and returning the survey form.

### Different forms of participation

We were interested in finding out which methods organisations have used to encourage the participation of users, members and their staff.

The survey questionnaires provided a list of 20 different approaches to engaging users and members. These ranged from traditional approaches such as consultation documents to more innovative approaches such as interactive websites.

To assist with the analysis we divided the approaches into sub categories:

- **Traditional approaches** – newsletters or regular briefings, elections to the board/committee, active involvement in the AGM for issues other than nominating and electing board members, involvement as volunteers, and consultation documents. These have typically been used for some time.
- **Customer focus approaches** – suggestion boxes or feedback forms, payment of dividends or profit sharing, complaints procedures, service satisfaction surveys and broader opinion polls or attitudinal surveys. These are most often used in relation to services and have parallels in the commercial sector.

- **Innovative methods for consultation purposes** – Involvement in inspection or audits, review and evaluation, focus groups, service user forums, issue-based or working groups and interactive web sites. These approaches are largely aimed at listening to views and gathering information.
- **Innovative methods of participative decision-making** – involvement in staff selection, involvement as representatives of or advocates for the organisation, user management of services and co-option onto management committee or board, These approaches offer some degree of power-sharing or involve users in decision making.

## Responses

The postal survey was in two parts; it was intended that the first part should be completed by a senior manager; the other by a member of the board or management committee. In the event, there was a fairly large variation in the role of the respondent. **Tables 2 and 3** show the distribution of responses by respondent.

**Table 2: Role of respondent in the organisation: Senior Manager**

Role	% of respondents
Manager	41%
CEO/Director	30%
Administrator	9%
Other Staff	9%
Committee Member	8%
Member	1%
Volunteer	1%

### Notes

The 'manager' category included descriptions such as 'coordinator' 'office manager' project manager' and 'general manager'.  
Total responding = 74

**Table 3: Role of respondent in the organisation: Board Member**

Role	% of respondents
Chair	28%
Secretary	20%
CEO/Director	14%
Board Member	10%
Manager	10%
President	6%
Treasurer	6%
Staff	2%
Volunteer	2%
Unspecified	1%

### Notes

Total responding = 86

This creates something of a dilemma, as 8% of the questionnaires destined for managers were completed by committee members and 29% of those meant for board members were completed either by the CEO or Director (14%) a manager (10%) or people with other roles in the organisation.

We are not able to ascertain whether or not these people were responding on behalf of management or the board. This has made it difficult to make direct comparisons between these two groups.

The low response rate and the fact that, by definition, those completing the questionnaire in a very short time scale will be those more enthused or interested in the subject, has led to the decision to focus the findings on a descriptive analysis of the data.

## Notes on the Findings

The questionnaires dealt with the participation of two groups: users and members; and staff, in the way organisations are run. In presenting the findings we have decided, for reasons of clarity, to report on each group separately. While there are many similarities between the two sets of findings, we feel the structure of the report is more easily maintained by separating these.

The findings can be dealt with in three sections: the approaches to participation used; factors that may influence the use of participative approaches; and the respondent's attitudes to participation. To avoid collecting duplicate data, we asked the senior managers alone to supply factual data such as the use of participative methods and the characteristics of the organisation. Both managers and board members were asked for their opinions about the effectiveness of these methods, the benefits and impact on the organisation, barriers and limitations. This has allowed some comparison to be made between managers' and board members' views.

## Findings: Users and members

### Approaches in current use

We asked respondents whether they had used any participation approaches during 2002 and whether or not they intended to use any during 2003. The results are shown in **Annexe 1**.

The results show that a larger proportion of organisations used traditional approaches, on the whole, compared with other methods. The most common forms of encouraging participation in 2002 were newsletters/briefings, nomination and elections to the board and involvement as volunteers. All three are 'traditional' ways of involving members or users. With the exception of co-opting users or members to the board and involving users or members as representatives of the organisation, the use of these forms of encouraging participation look set to rise this year.

The highest rise is in the use of interactive websites (17% to 33% of organisations), involvement of users and members in review and evaluation (57% to 66%) service user forums (28% to 36%), involvement in inspections and audits (42% to 49%) and the payment of dividends or profit sharing (9% to 16%).

Generally the largest rises will be in the category of innovative forms of consultation. The least commonly used methods in 2002 were the payment of dividends and profit sharing (9% of organisations), interactive website (17%), broader opinion polls (20%) and user management of services (21%). Each of these shows a significant rise in 2003, with the exception of opinion polls, which shows a single percentage point rise. The relatively high cost of this approach may be acting as a disincentive. Overall these figures show an increase in the number of organisations using a variety of methods to encourage participation.

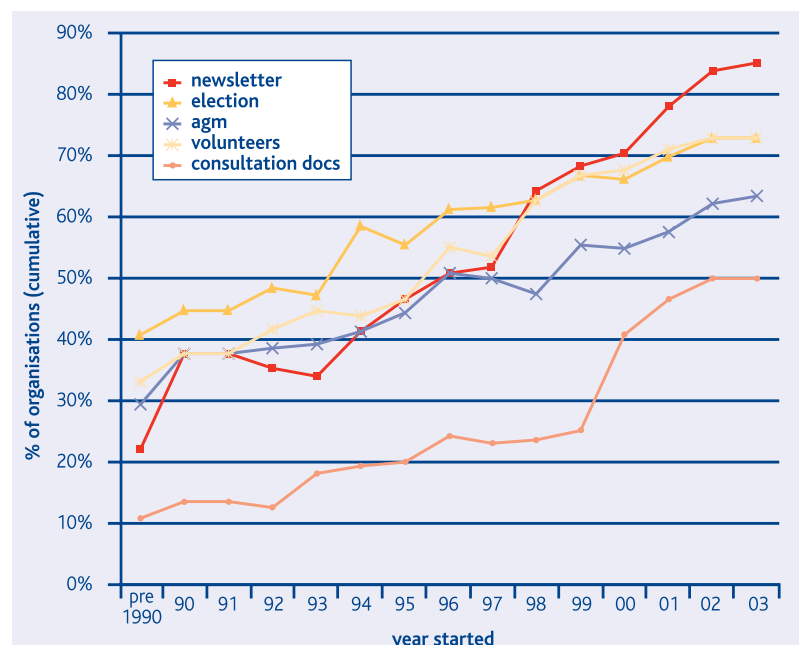
### Trends in the take up of participative approaches

We asked organisations to record the year they first used each of the participative approaches. From these responses we were able to determine how long particular approaches have

been in use and to identify whether there were any trends or patterns in the introduction of particular approaches. However, we were aware that some organisations had been founded a long time ago while others came into being relatively recently. To allow for this we asked organisations to let us know the year they were founded.

To identify trends, we expressed the number of organisations using a particular approach as a percentage of the total number of organisations in being for each year. **Charts 1 to 4** show the cumulative proportion of organisations introducing particular methods of participation each year. These show the take up of different approaches to encouraging participation, grouped by category.

**Chart 1** shows trends in the take up of traditional methods of participation. The proportion of organisations introducing these methods has continued to grow steadily over the period 1990 to 2002. The use of newsletters or regular briefings has grown the fastest, rising from 22% of organisations at the beginning of 1990 to 84% in 2002. The slowest growth has been in the use of elections to the board and involvement in the AGM. The use of consultation documents with users and members grew quickly from 1999 onwards but now seems to be



**Chart 1: Trends in the take up of traditional approaches to participation with users and members**

beginning to level slightly, at 50% of organisations in 2002.

The use of customer focus approaches, such as suggestion schemes, service satisfaction surveys and complaints procedures grew slowly until the mid-1990s when each took a marked upward turn. Each is now continuing to grow at an accelerated rate. The fastest rise is suggestion schemes, from 7% of organisations at the beginning of 1990 to 55% in 2002. There has been slower growth in the take up of opinion polls and the payment of dividends, with opinion polls beginning to show signs of

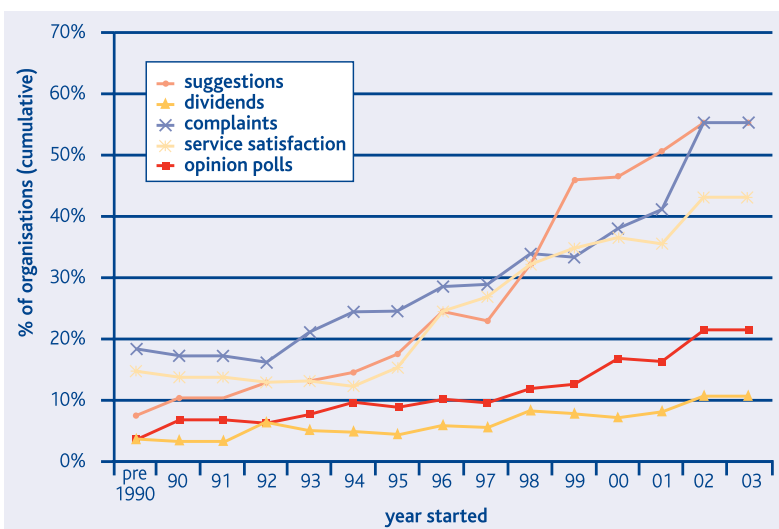
increased take up at the end of the 1990s. The payment of dividends has been the slowest to rise, but evidence from the previous section indicates that they could be used by as many as 16% of organisations by the end of 2003 depending upon the legal structure (see **Annexe 1**).

A recent study of local authorities has shown that customer focus approaches have been used by an increasing number of local authorities from the beginning of the 1990s, with the exception of opinion polls, which began to take off in the mid 1990s. **Chart 2** suggests that the organisations in this survey are lagging behind local authorities by around five years.

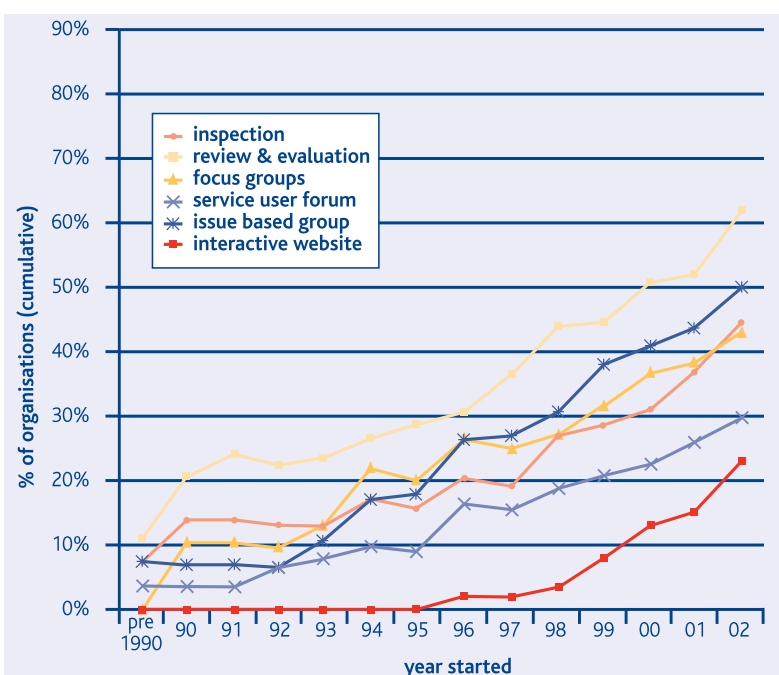
The take up of innovative methods for consultation purposes are shown in **Chart 3**. These approaches have seen accelerated use from 1997 onwards, the most obvious example of this being interactive websites, which were not used at all before 1996. This category shows a classic curve, with a few 'early adopters' in the early years, followed by a steady rise in take up as the technology became more accessible and affordable and the benefits more apparent. A similar pattern can be seen with the use of focus groups, which had been taken up by around 10% of organisations in the first few years, before taking off after 1993.

The fastest growing approach over the whole period is the involvement of users and members in review and evaluation, with 11% of organisations having taken this up by the beginning of 1990, rising to 62% in 2002. Focus groups rose from 0% to 43% and issue based groups from 7% to 50% over the same period. Service user forums have been the slowest to be taken up, from 4% at the beginning of 1990 to 30% in 2002.

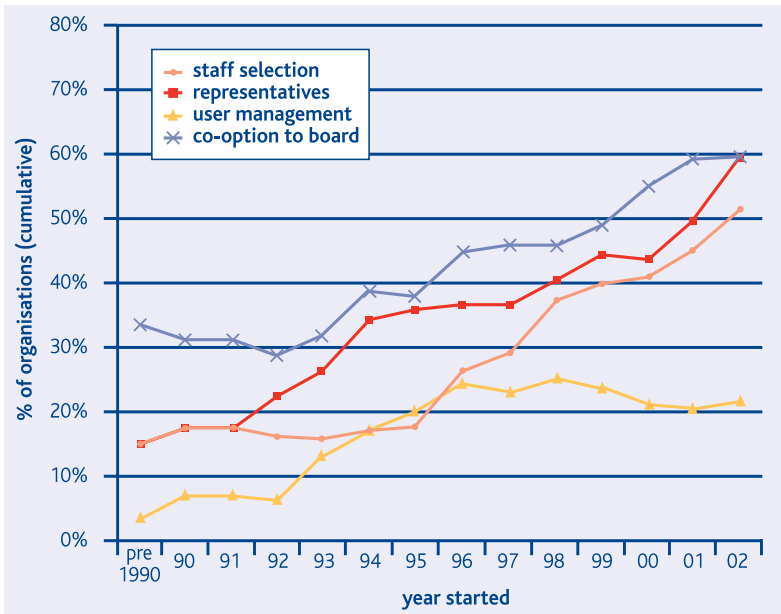
**Chart 4** shows the trends in innovative methods of participative decision-making, with less clearly defined trends, compared with previous charts. Also there is less consistency between the approaches in the rate of take up. Arguably the most direct way of involving users and members in decision-making is through user management approaches. Yet the figures



**Chart 2:** Trends in the take up of customer focus approaches to participation with users and members



**Chart 3:** Trends in the take up of innovative methods of consultation with users and members



**Chart 4: Trends in the use of innovative methods of participation in decision-making with users and members**

show that after a peak at around 1998, the take up remained static. (As new organisations came into being, the number of organisations having taken up this approach remained the same, so the proportion decreased.) This is an interesting finding as it is at odds with the assertion in **Annexe 1**, that 26% of organisations are planning to use this approach in 2003. Either this approach is beginning to make a come back, or its slow growth suggests a lack of expertise in how to make this approach work. It would be interesting to pursue this further. This is another area where these organisations seem to lag behind local government; in 2001, 38% of local authorities reported they were using this approach. However the research did not clarify how or in which contexts this approach was being used.

Co-option to the board was already in use by a third of organisations by the beginning of 1990. As such, it probably deserves a place in the 'traditional' category. However its slow growth, particularly in the first four years fits the pattern of other 'innovative' approaches. Steady growth since 1993 has meant that in 2002, 59% of organisations had taken up this approach.

The fastest growing approaches in this category are involvement as a representative or advocate of the organisation, which grew from 15% of organisations at the beginning of 1990 to 59% in

2002, and involvement in staff selection which grew from 15 to 51% of organisations over the same period. Note that user involvement in recruitment only really started to take off in 1996.

**Continuity of use**

We were interested to discover whether approaches, once adopted, continued to be used. To do this, we asked the question, 'Have you ever used this method?' and compared the results with the response to the question, 'Did you use this method in 2002?' the results are shown in **Annexe 2**.

The results show that newsletters, involvement as volunteers and election of committee and board members were the most popular forms of participation for users and members with payment of dividends, user management of services, opinion polls and interactive website the least well used.

In addition, there are some approaches where the figures for 'ever used' are considerably higher than 'used in 2002'. This implies that either the approach was used as one-off or in response to a particular issue or set of circumstances, or that some organisations decided after trying an approach not to use it again. However some are puzzling; for example 30 organisations used complaints procedures in 2002 against 39 that have used them in the past. One would imagine that once procedures are written and in place, they would remain. On the other hand, involvement as a representative of the organisation might require a specific opportunity to do so. This could conceivably be used as a one-off approach.

Other approaches show a different pattern and appear to have been maintained once adopted, for example user management of services, (no change), involvement in inspection and audit (1% change), service satisfaction surveys (3% change) payment of dividends and broader opinion polls or attitudinal surveys (both 4% change). Taking user management of services, we can see that although this is used by a small number of organisations, the same 16 organisations were still using it in 2002. This is

one example of a systemic approach – that is built into the way the organisation is structured. One might assume that it would be difficult to dismantle once in place, as it would require changes in the organisational structures; it would be a similar case with the payment of dividends. However, the relatively small fall in the use of opinion surveys is surprising; these could conceivably be used in response to a particular issue, rather than as a regular event.

### Factors influencing the use of participative approaches with users and members

So far we have seen that some approaches have been more widely used than others. In some cases, the growth in use has been fairly steady over the last decade. For others, growth began more recently. In this section we will look for differences between different types of organisations. Do charities use more innovative approaches than other organisations? Do newer organisations use a wider range of approaches than older established organisations?

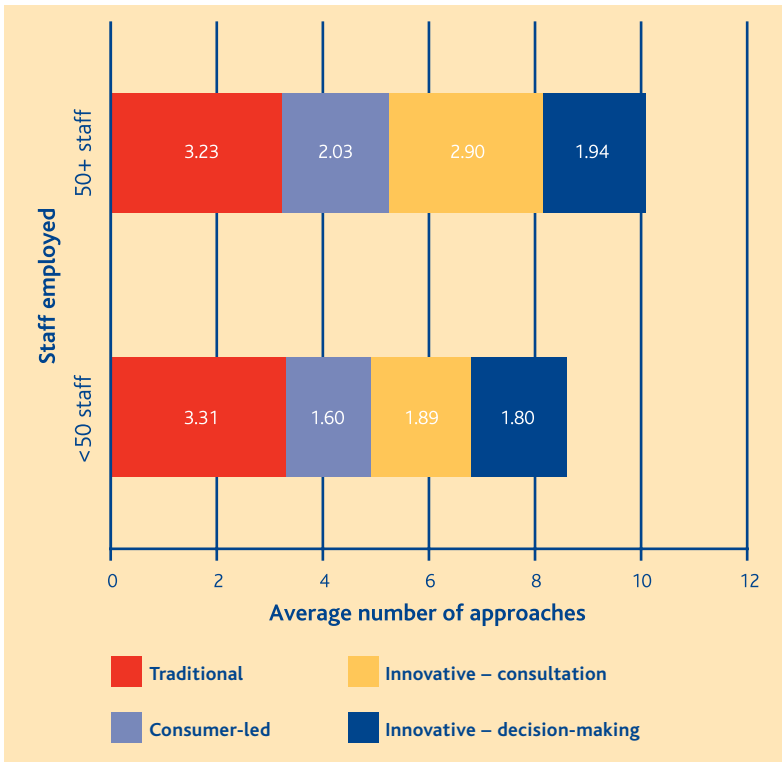
To begin with, we looked at the average number of approaches used in 2002.

**Annexe 3** shows the baseline figures. These figures show the popularity of the more traditional approaches over the innovative approaches for users and members. It is interesting that the average number of organisations using innovative decision-making approaches with users and members was higher than the average number using innovative forms of consultation and the average number using customer focus approaches. The small score for customer focus approaches is partly explained by the inclusion of dividend payments, as this approach is only used by a small number of organisations, due to the regulatory constraints attributed to the legal form of the organisation.

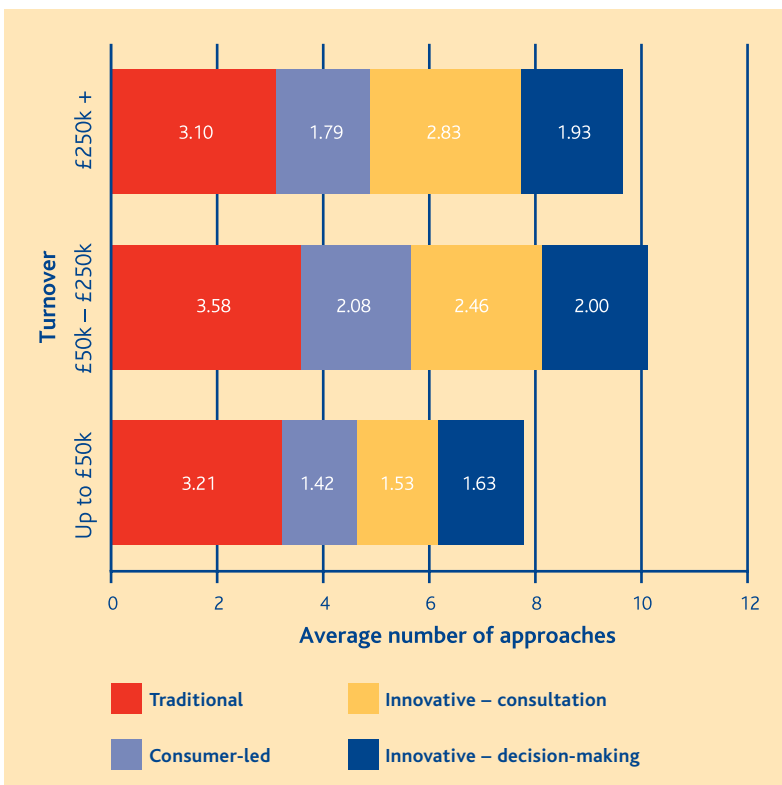
**Table 4** and **Charts 5 to 8** show the average number of the different types of approaches used in 2002 to encourage the participation of users or members, and how this varies according to different factors. The averages are based on the number of responses and the number of organisations in each type – this allows for the variations in numbers of organisations in each category.

**Table 4: Average Number of approaches used by category and type of organisation: users and members**

Category	Traditional	Customer focus	Innovative consultation	Innovative decision-making	Total	Number
<50 staff	3.31	1.60	1.89	1.80	8.60	45
50+ staff	3.23	2.03	2.90	1.94	10.10	31
up to 50k	3.21	1.42	1.53	1.63	7.79	19
50-250k	3.58	2.08	2.46	2.00	10.12	26
250k+	3.10	1.79	2.83	1.93	9.66	29
under 10 yrs	3.22	1.56	2.25	1.94	8.97	36
10-19 yrs	3.36	2.18	2.36	2.09	10.00	22
20+	3.38	1.63	2.19	1.31	8.50	16
Charity	3.49	2.00	2.89	2.11	10.49	47
Non charity	2.93	1.41	1.34	1.45	7.14	29



**Chart 5:** Number of staff employed



**Chart 6:** Annual turnover

**Chart 5** shows the variation in average number of approaches by the number of staff employed. This shows that the larger organisations tend to use more approaches than those employing fewer than 50 staff. The largest single difference is in the use of innovative approaches to consultation. Conversely smaller organisations use roughly the same number of traditional approaches as larger ones. It seems likely that the smaller organisations have fewer resources to draw on and so favour the traditional approaches, as these may appear to involve them in less risk. The innovative approaches to consultation also tend to be more time consuming than other approaches.

**Chart 6** shows the variations in approaches used by annual turnover. This shows that the organisations with the least turnover (under £50,000) are likely to use fewer approaches. Again the category showing the most variation seems to be innovative approaches to consultation, reinforcing the above findings.

**Chart 7** shows the variations in approaches used by the age of the organisation. Interestingly, the older established organisations tend to use fewer approaches, particularly innovative approaches to decision-making. It could be that these organisations have found it more difficult to make changes in structures that would allow users or members to play a more prominent role in decision-making than in newer organisations. At the same time, organisations that have been set up during the last 10 years are the least likely to use consumer-led approaches. It may be that some of these approaches take time to set up, so some of the newest organisations have not had sufficient time to set up the structures necessary for their adoption. The optimum age for organisations to use participative approaches with users and members seems to be between 10 and 19 years.

**Chart 8** shows the clearest variation. Charities are much more likely to use participative approaches with users and members compared with non-charitable organisations. This applies across all categories, but especially innovative methods of consultation.



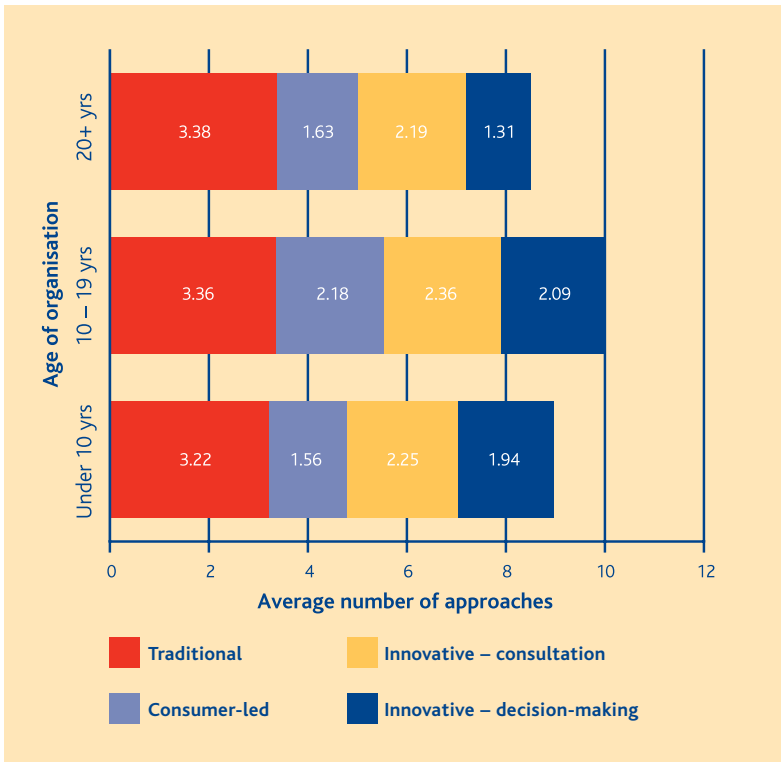


Chart 7: Age of organisation

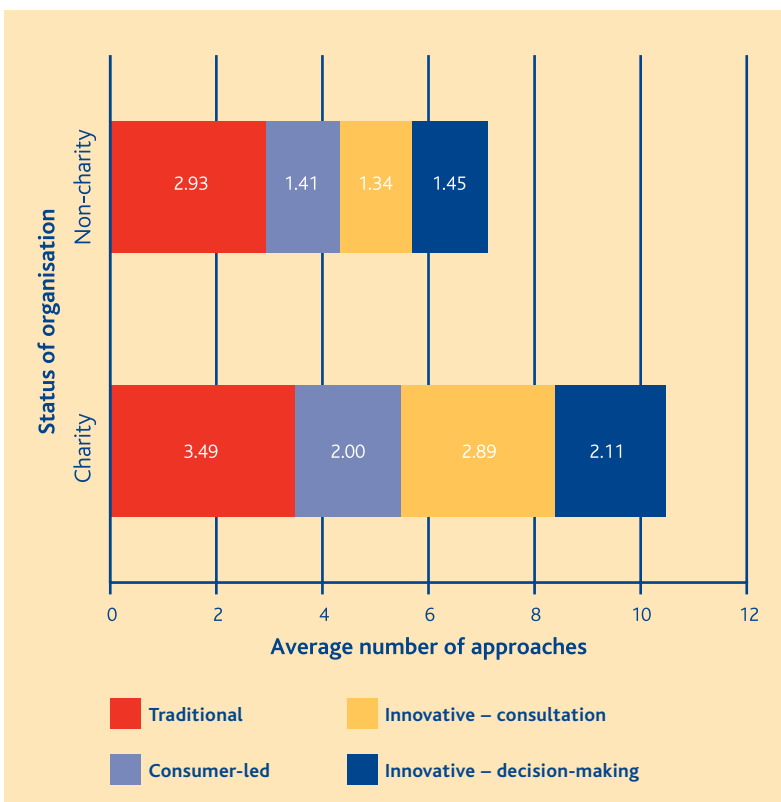


Chart 8: Charitable Status

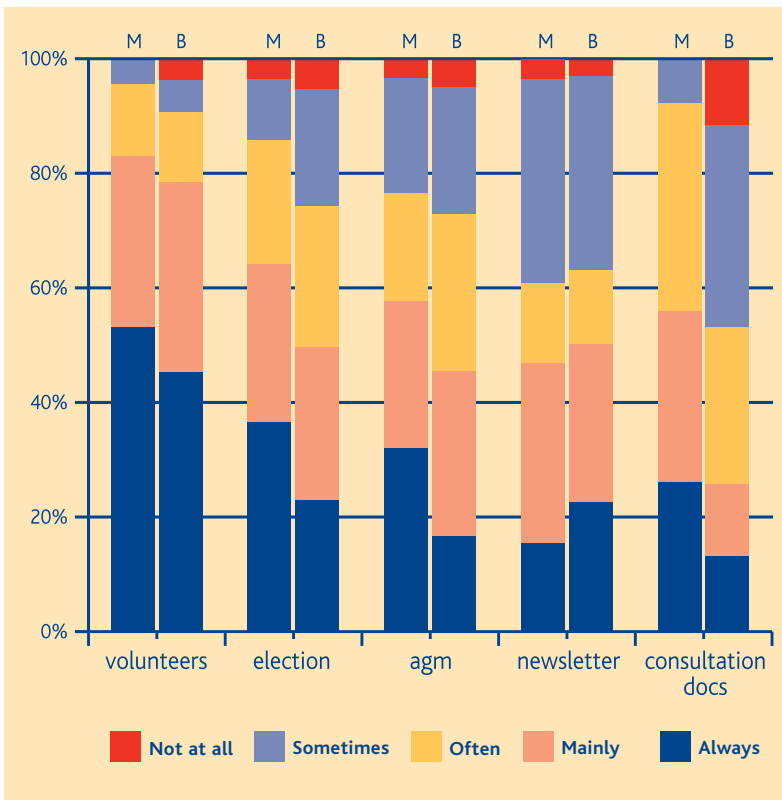
**Effectiveness of approaches used**

We asked senior managers and board members to indicate how effective they found each approach to be. The results are shown in the **Annexe 4**.

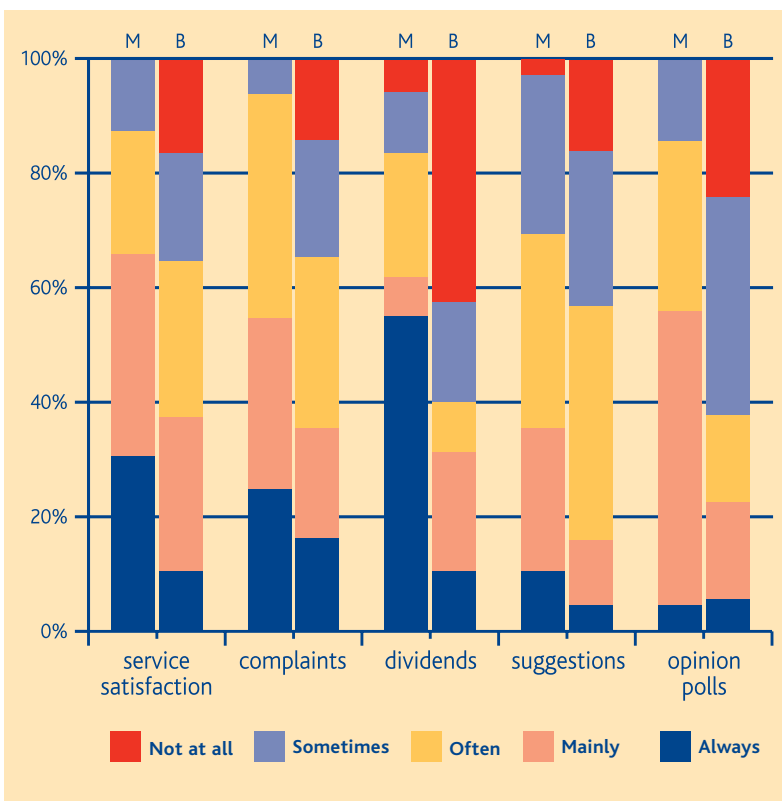
**Charts 9 to 12** show how these data are patterned. Each pair of columns shows the differences in attitude between managers (M) and board members (B). This shows that board members almost always rate these approaches as less effective than managers. This is most apparent with customer focus approaches.

Taking traditional approaches first, a comparison of responses (**Chart 9**) shows a similar profile between managers' and board members' scores. For example, the scores for newsletters are almost identical between the two groups. However, a much lower proportion of board members saw elections to the board and involvement in the AGM as 'always effective' than did the managers. This is a curious finding as it suggests that the management has more faith in these approaches to governance, as far as they encourage participation, than the board members themselves. Overall, involving users or members as volunteers is seen as the most effective of the 'traditional' approaches, with 83% of managers and 79% of board members seeing this approach as either 'mainly' or 'always' effective. On the other hand, consultation documents were seen as 'mainly or always' effective by 55% of managers and just 23% of board members.

**Chart 10** shows more varied patterns. The greatest difference can be seen in attitudes towards the payment of dividends; most board members see this approach as 'not at all effective', while most managers see this as 'always effective'. Most board members see opinion polls as 'sometimes effective', while most managers see these as 'mainly effective'. Managers and board members rate complaints procedures and suggestion schemes most similarly, but it is notable that 33% of board members saw complaints procedures as 'not at all' or 'sometimes' effective, compared with 8% of managers and 44% of board members saw



**Chart 9: Managers' (M) and board members' (B) views of the effectiveness of traditional approaches**



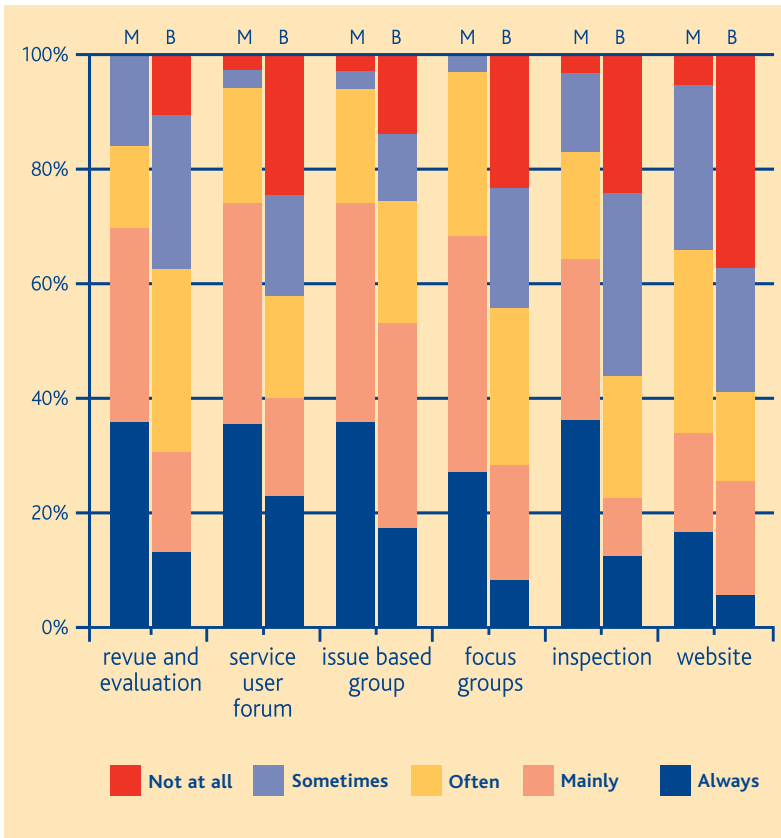
**Chart 10: Managers' (M) and board members' (B) views of the effectiveness of customer focus approaches**

suggestion schemes as 'not at all' or 'sometimes' effective, compared with 30% of managers. The customer focus approach seen as most effective was service satisfaction surveys. 65% of managers and 38% of board members saw this approach as 'mainly or always' effective. Suggestion schemes and opinion polls were seen as the least effective approaches.

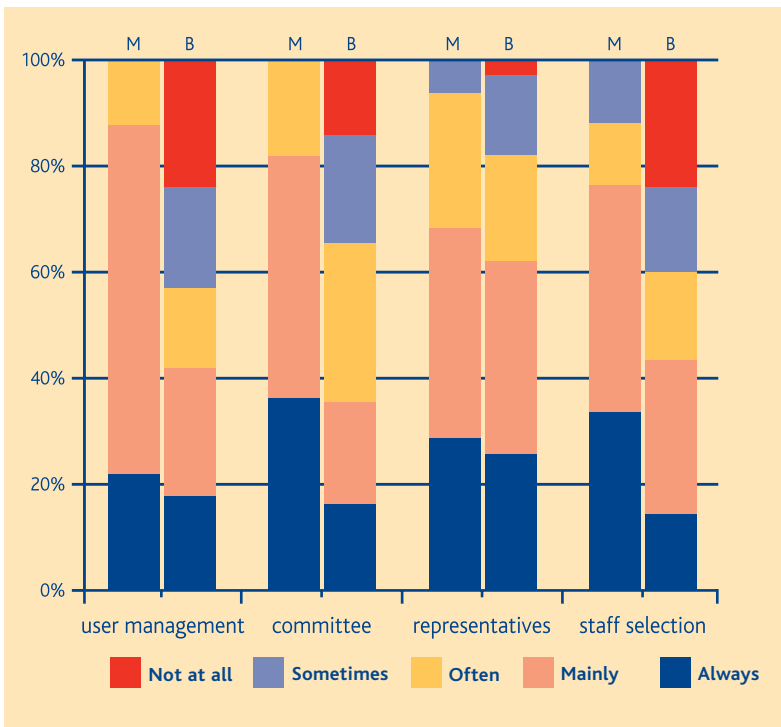
Innovative approaches (shown in **Charts 11 and 12**) show similar patterns. Managers tend to rate these approaches as 'mainly effective' while the scores of board members are more evenly spread, indicating that there is less agreement among this group. Notably 59% of board members thought that an interactive website was 'not at all' or 'sometimes' effective, while this was the case with 32% of managers. Given that 33% of organisations plan to use this approach in 2003, compared with 17% in 2002 (see **Annexe 1**), it would seem important that boards and managers were in agreement on this.

On the face of it, managers seem to rate user management of services as the most effective of the innovative approaches, with 89% seeing this as 'mainly or always' effective, although care needs to be taken interpreting this result as the number of managers answering this question was relatively small (18). Involvement of users or members as co-opted members of the committee was rated highly by managers, with 81% seeing this approach as 'mainly or always' effective. Board members identified users and members representing the organisation as the most effective innovative approach, with 63% seeing this as 'mainly or always' effective.

The lower scores among board members for innovative approaches generally when compared with managers suggest that managers are further along the 'change loop' in thinking. It could be that managers are more comfortable with these approaches while board members are relatively unfamiliar with them and so tend to rate them as less effective. If this were the case, this finding would suggest that more needs to be done to familiarise boards with these approaches if their use is to be increased.



**Chart 11: Managers' (M) and board members' (B) views of the effectiveness of innovative approaches to participation**



**Chart 12: Managers' (M) and board members' (B) views of the effectiveness of innovative approaches to decision-making**

**Reasons for encouraging participation**

We asked managers and board members why they encouraged participation in their organisations. We presented this as a set of six statements and asked respondents to rank these, from 1 to 6 in order of importance. A simple weighting system was used. Factors that were ranked first received a score of 6, those ranked second, 5 and so on. Factors that were not ranked at all were given a score of zero. The results are shown in **Annexe 5** and **Chart 13**.

From the chart it can be seen that the most important reasons for encouraging participation are to create a sense of ownership and to empower or develop the community. The least important is to help the organisation to make decisions between options. The views of managers and board members are roughly similar.

This is an interesting finding in that organisations clearly recognise the importance of ownership and empowerment as broad concepts but do not see participation as being about playing a significant role in decision-making. It is more about gathering and giving out information and using feedback to improve services. This finding is consistent with the way organisations choose to involve their users and members (see **Annexe 1**), where the emphasis is on information management rather than users controlling services directly or playing a larger part in decision-making.

**Barriers to encouraging participation**

We asked respondents to rank the main problems they had encountered in encouraging participation. Again these were presented as a set of 6 factors, which we asked respondents to rank. The same weighting method was used as above. **Annexe 6** and **Chart 14** show the results.

There was consensus between managers and board members that lack of support from the board was the least important problem encountered. (Not surprisingly, board members saw lack of support in the organisation as slightly more important while managers gave slightly more weight to lack of board support although the differences were rather small). The

greatest barriers were lack of time and resources. This would support the earlier assumption that the slow take up of some approaches might be related to the perceived cost. It is encouraging that the lack of relevant or available models was not seen as a particularly important barrier. This would indicate that most of the problems encountered were of a practical nature rather than understanding 'how to' encourage participation.

**Benefits**

We were interested in the benefits organisations saw as flowing from improved participation. Again these were presented as a set of 6 factors, which we asked respondents to rank. The same weighting method was used as above. The results are shown in **Annexe 7** and **Chart 15**.

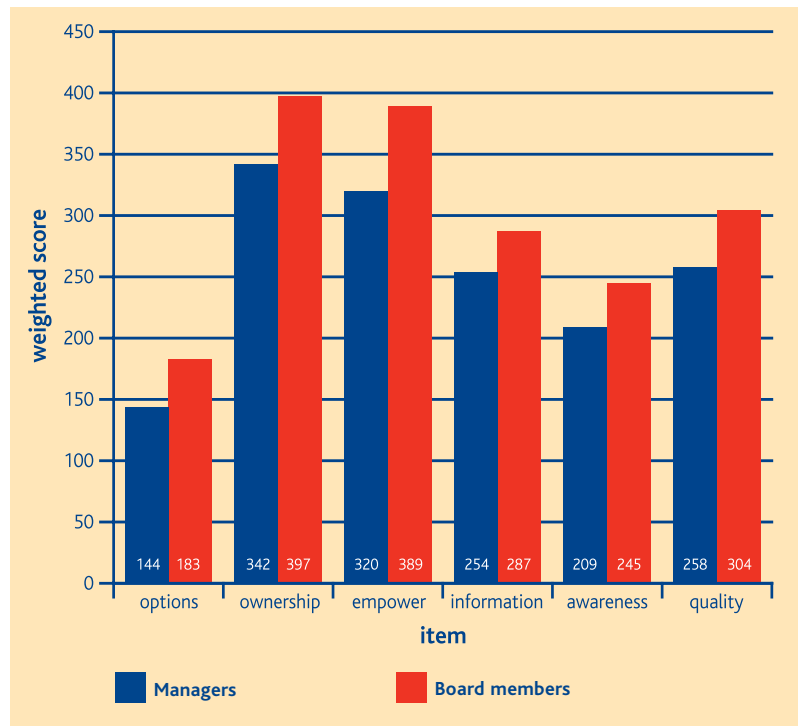
Again there was broad consensus between managers and board members on the relative importance of these factors. Consistent with the reasons given for encouraging participation, ownership and empowerment were seen as the main benefits flowing from involvement of users and members. Similarly, better decision-making was seen as one of the least important benefits along with greater awareness of the organisation's work.

**Negative effects**

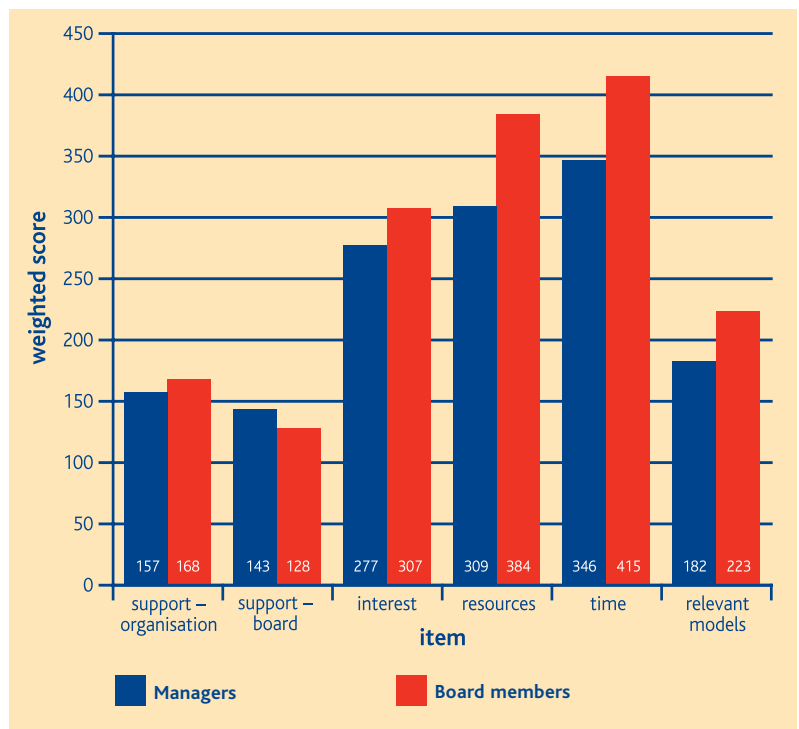
We asked if organisations had encountered any negative effects in encouraging participation. These were presented as a list of factors, and respondents were asked to indicate (yes or no) whether they had encountered each factor. The responses are shown in **Annexe 8** and **Chart 16**.

Again there was broad consensus between managers and board members in these responses. Managers were more likely to identify 'slows down the decision making process' than board members, while more board members identified increases in the workload as a negative factor than managers. Over half of board members and managers were concerned about raising expectations they could not meet.

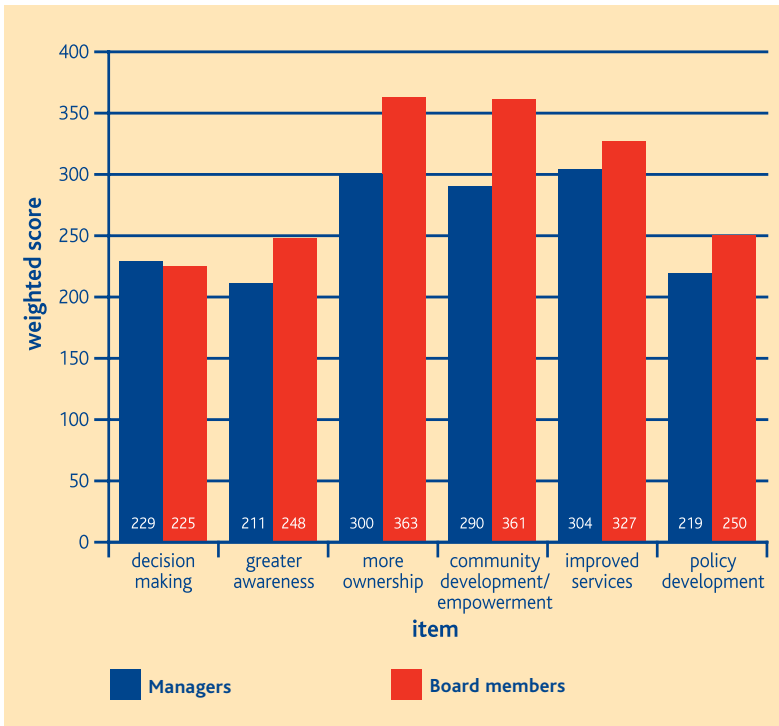
Among the 'other' issues, managers commented:



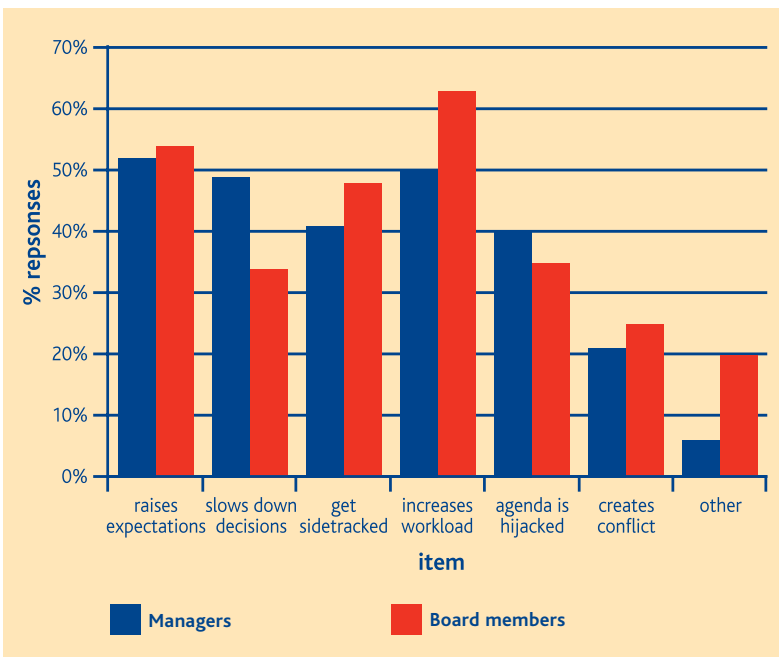
**Chart 13: Factors influencing the use of participative approaches in organisations**



**Chart 14: Main problems encountered in encouraging the use of participative approaches in organisations**



**Chart 15: Main benefits encouraging participation has brought to the organisation**



**Chart 16: Negative effects of encouraging participation on the organisation**

“Board members have insufficient knowledge/experience/education to make decisions.”  
 “Requires greater skills and puts pressure on staff who are new to the work.”  
 “Participation is limited so impact is also not negative.”  
 “Staff believe that their views are more important/outweigh those of service users.”

Board members commented:

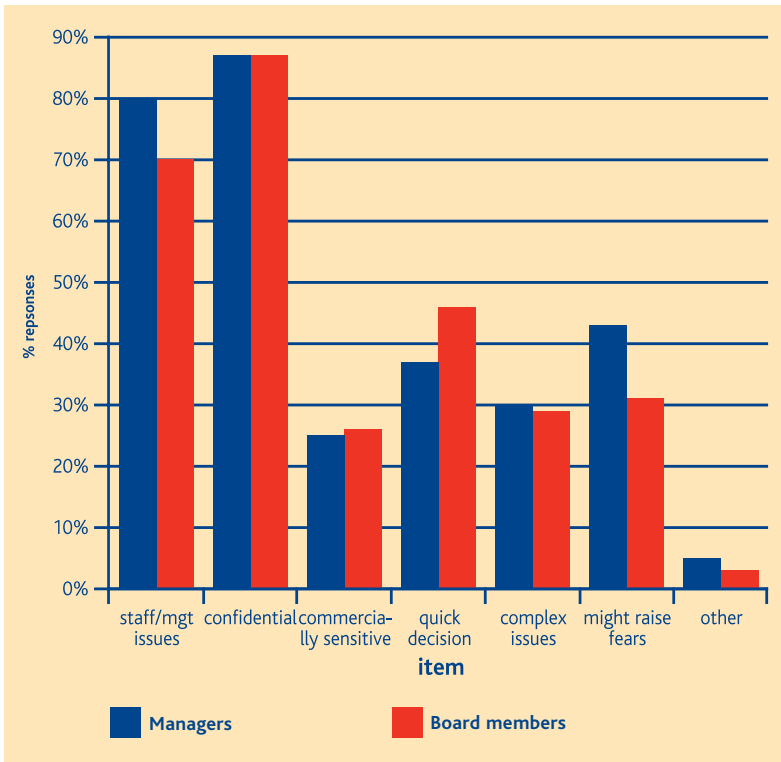
“Participation fatigue.”  
 “Can be seen as elitist.”  
 “Could improve with more funding”  
 “When volunteers have acquired skills through training they leave to find employment.”  
 “Community Enterprises need support to employ administrators to direct volunteer activities.”  
 “We have only increased participation to a certain (fairly minimal) extent. It has been difficult to get much participation beyond this.”

**Limits to participation**

The last comment highlights the difficulties of extending participation beyond a certain level (fairly minimal in this case). We were interested to find out what people perceived as the limits to encouraging participation. We asked if there were any particular circumstances where organisations would choose not to involve users or members. 25% of managers and 20% of board members indicated that there were no such circumstances. We followed this with a set of six factors. Respondents were asked to indicate (yes or no) whether each factor applied in their case.

**Annexe 9** and **Chart 17** show the results. These are expressed as a percentage of those who indicated that they would choose not to involve users or members under certain circumstances.

Clearly issues of confidentiality and staff management feature highly. However the other categories indicate some interesting results. 37% of managers and 46% of board members who would choose not to involve users or members would do so on the grounds of having to make a quick decision. 43% of managers and 31% of board members would avoid involving users or members if they felt it would unnecessarily raise fears. And 30% of managers and 29% of board members would choose not to involve users and



**Chart 17: Circumstances that would lead to an organisation choosing not to involve users or members**

members if they felt the issue was complex and it would be difficult to achieve a consensus.

This indicates a fairly significant degree of management of access to information and decision-making based on assumptions about users' and members' abilities and attitudes. This is an area of resistance that should be challenged if participation in governance is to be increased.

The fact that a fairly substantial proportion of responses indicated that there were no circumstances where the organisation would not involve users or members would indicate that it is possible to overcome these perceived limits. As one board member put it:

*“Elected resident board members are always involved in all issues, board meetings are open to residents and staff apart from rare occasions.”*

**Impact on the organisation**

We asked respondents to indicate the overall level of impact that participation has had on their decision-making. The results are shown in **Annexe 10** and **Chart 18**.

What is striking here is that almost half the board members and 44% of managers indicated

that participation is central to the way they worked. We asked specifically about decision-making, so the high response seems to show that there is a perception that users and members influence decision-making, even though we have seen that there is more scope for directly involving them in taking decisions. Board members were more likely than managers to see participation as 'central' or 'often influential'. 66% of board members fell into this category, compared with 55% of managers.

This result indicates a discrepancy between the perception of the impact of participation on the organisation, in terms of its influence, and the practice of participation in organisations.

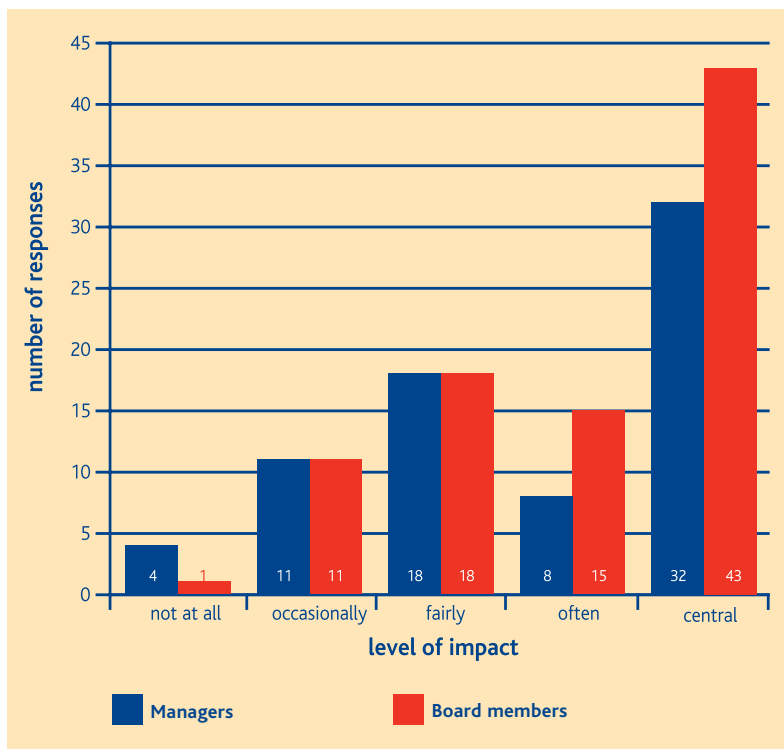
**Summary of findings – users and members**

Overall these findings are fairly positive. There is a broad range of participative models being used; their use is growing year on year and there are plans to expand their use in 2003. There is scope to develop some of the more innovative models of participation, but the indication is that any initiative to build on what has been achieved so far would be with the general trend.

Larger/richer organisations seem to be more likely to use more approaches than the smaller ones. There is also some indication that the greatest barriers to participation are practical, rather than philosophical or because of a lack of knowledge. Older organisations are not necessarily likely to have developed participatory approaches than younger ones, while organisations with charitable status are likely to have used a larger number of approaches than others.

We would suggest that much of the resistance to developing the use of customer focused and innovatory approaches might come from the boards rather than the management of organisations. The findings suggest that board members have less faith in these approaches than the managers and we would speculate that some of this would seem to stem from a lack of familiarity with the methods. There might be scope for providing board members with better information and training on participation.

The motivation for using participative approaches appears to be at a broad level of increasing



**Chart 18: Overall impact of participation on decision-making**

ownership or empowering users and members rather than because of the contribution to decision-making. These are also seen as the main benefits to the organisation, which would reinforce these beliefs. The greatest barriers to encouraging participation were seen as lack of resources and time, while the greatest negative effects are the increase in workload and the fear of raising unrealistic expectations. A fairly high proportion of both board members and managers indicated that there would be no circumstances under which they would not be prepared to involve users or members. The main reasons for limiting participation centred on confidentiality and internal management or staff issues. However, issues to do with avoiding raising people's fears unnecessarily, delays in decision-making and where complex issues were involved also featured substantively in people's thinking.

Overall, participation of users and members is seen as beneficial and influential in organisations. This is demonstrated with over half of managers and two thirds of board members seeing participation as often influential or central to their organisations.

## Findings – Staff

### Different forms of participation

We divided the approaches used to encourage the participation of staff in the running of the organisation into two groups:

- **Traditional approaches** – suggestion schemes, newsletters or regular briefings, working groups, consultation documents and joint staff/board meetings. These tend to have been used for some time. Note that some of these approaches appear in other categories for users/members.
- **Innovative approaches** – general opinion surveys, interactive intranet website, involvement in inspection and audit, peer review and evaluation, profit sharing schemes, focus groups and staff forums. While some organisations have been using some of these approaches for some time, their use tends to have grown more over the last 10 years.

### Approaches used in 2002

We asked respondents whether they had used these approaches during 2002 and whether or not they intended to use these during 2003. The results are shown in **Annexe 11** and **Charts 19 and 20**.

When asked about methods for encouraging the participation of staff, organisations were more likely to use traditional than innovative methods. This is in line with the findings for users and members. Some methods were more likely to be used with staff than users or members: working groups (although this seems set to change in 2003); consultation documents (also likely to change); involvement in inspection or audit; and staff/user forums. Others were more likely to be used with users/members than staff: newsletters/regular briefings; suggestion schemes; opinion polls or surveys; focus groups; interactive website.

In contrast with the findings for users and members, there is less indication in the growth of participative approaches with staff between 2002 and 2003. Working groups and consultation documents seem likely to be used by fewer organisations in 2003 than in 2002. This is offset by the relatively large rise in

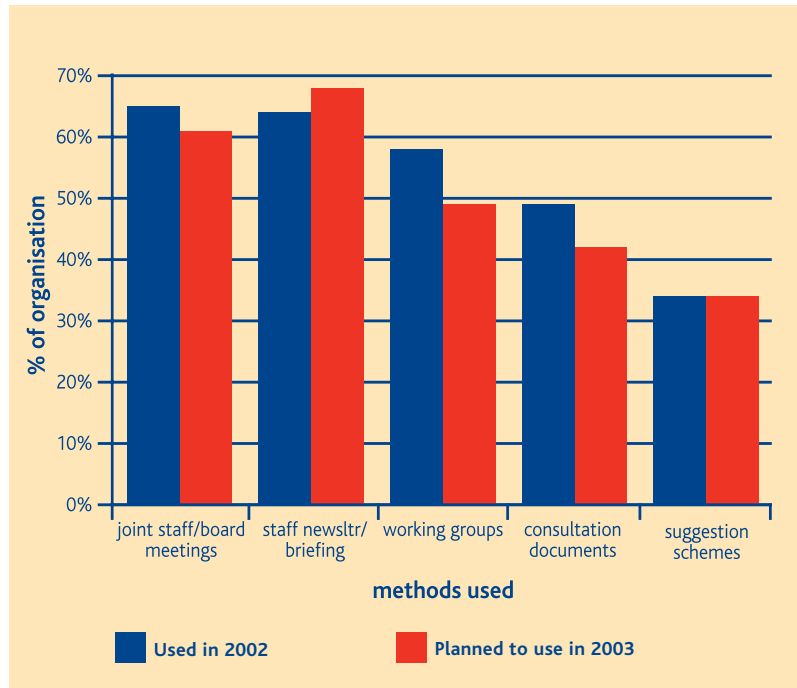
organisations planning to use interactive websites for internal communication. We could speculate that some organisations are planning to conduct staff consultations that would have taken place through traditional methods via the relatively new medium of the intranet. Other than this there are no significant indications of growth in the use of participative approaches with staff.

**Trends in the take-up of participative approaches**

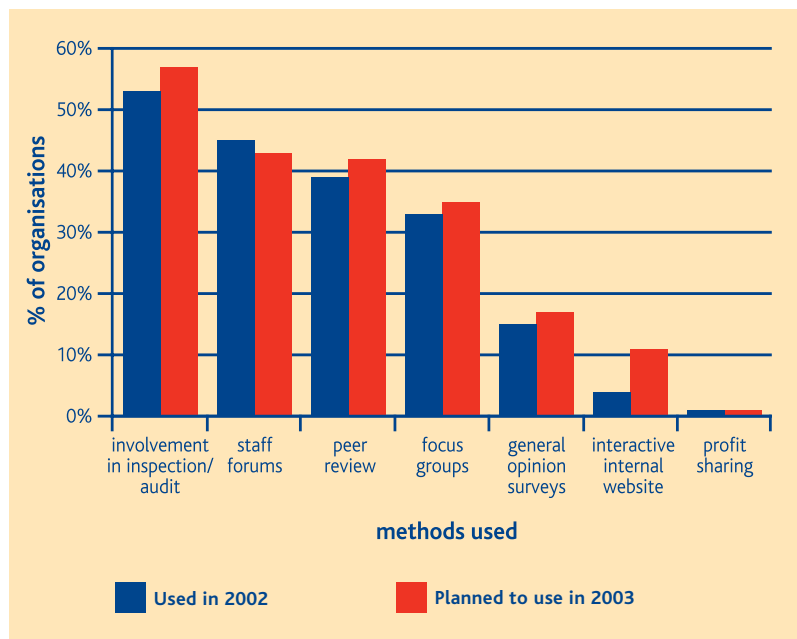
As with the approaches used with users and members, we asked organisations to record the year they first used each of the participative approaches with staff. From these responses we were able to determine how long each approach had been in use and to identify whether there were any trends or patterns in the introduction of particular approaches. As before, we have expressed the number of organisations using each approach as a percentage of the total number of organisations in existence for each year. **Charts 21 and 22** show the cumulative proportion of organisations introducing particular methods of staff participation each year. We have already seen that there is less indication of growth in the use of participative approaches with staff between 2002 and 2003 than with users and members. In the absence of more detailed information we can only speculate as to why this should be the case. However the longer-term trends give an alternative way of looking at this.

From **Chart 21**, it would appear that the take up in all these approaches has accelerated from the late 1990s onwards. For example, the massive growth in the use of suggestion schemes from 15% of organisations in 1998 to 36% in 2002. The fastest growing approach has been the staff newsletter or regular briefing with 15% of organisations having used this approach by the beginning of 1990, rising to 55% in 2002.

**Chart 22** shows the growth in the use of 'innovative' approaches for engaging with staff. Three of these, involvement in inspection or audit, staff forums and involvement in peer review and evaluation

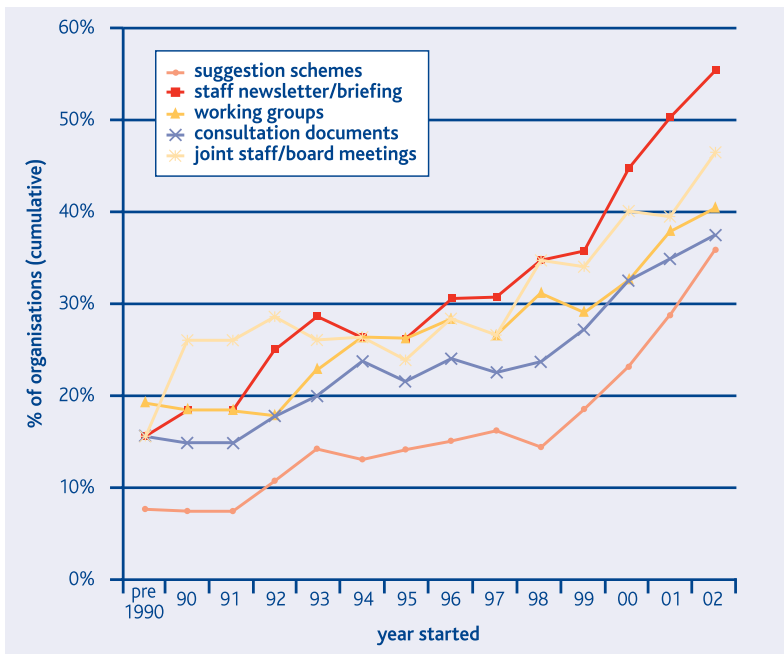


**Chart 19: Traditional methods of encouraging staff participation**

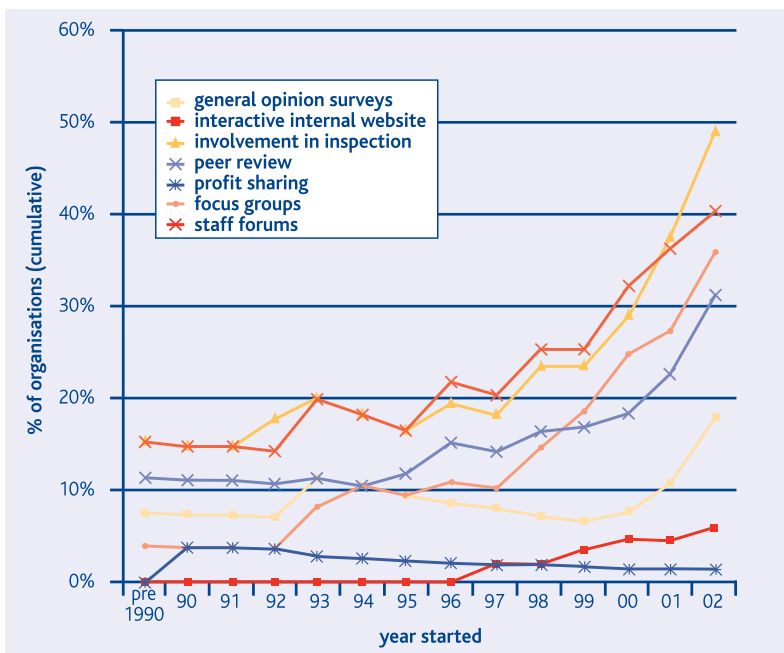


**Chart 20: Innovative methods of encouraging staff participation**





**Chart 21: Trends in the take up of traditional approaches to staff participation**



**Chart 22: Trends in the take up of innovative approaches to staff participation**

follow a familiar pattern for innovative approaches. Each starts out with a fairly stable number of 'early adopters' then takes off, in this case around the mid-1990s. The use of focus groups followed a slightly different trend. There was a slight increase in take up in 1993, after which usage reached a plateau before taking off again in 1998, this time rising steeply to 2002. Contrast this with **Chart 3**, which shows a continuous growth of focus groups with users and members since 1993.

It is possible that a few organisations experimented with staff focus groups in the 1990s while a greater number of organisations were using this approach with users. As the popularity of focus groups grew, more organisations have come to see that this was something that could also be used with staff. Another interesting trend is the use of general opinion surveys with staff. In 1993, this approach was taken up by a few more organisations than previously, but there was stagnation until 2001, since when there has been a marked upturn. Whether this is sustainable in the longer term, given that only 17% of organisations plan to use this in 2003, is yet to be seen.

Involvement in inspection and audit and focus groups has grown the fastest. At the beginning of 1990, 15% of organisations had involved staff in inspections or audits; by 2002, this figure was 49%. For focus groups, the proportion of organisations rose from 4 to 36%. The slowest growth has been in the use of profit sharing and the interactive intranet (internal website). Only two organisations in our sample have ever used profit sharing; of these only one was using it in 2002. However, only 11 organisations in the sample were limited companies that were also not charities, and so would be able to use this approach. In 2002, only four organisations (6% of the sample) had used an internal interactive website, however, 12% of organisations plan to use this approach in 2003.

It is interesting to compare these findings with those of users and members. It is becoming clear that there is potential to widen the use of some participative approaches currently used with users and members to the staff group within organisations. The trends seem to show

that, although lagging behind the participation of users and members, there is a growing trend of participation approaches being used with staff. However, when we asked organisations if they had plans to use these approaches in 2003, we did not see the same projected increases as with participative approaches with users and members. It would appear that organisations are less keen to commit to plans to encourage greater staff participation, while intending to continue to press ahead with programmes for users and members.

### Continuity of use

We were interested to discover whether approaches, once adopted, continued to be used. To do this, we asked the question, 'Have you ever used this method?' and compared the results with the response to the question, 'Did you use this method in 2002?' The results are shown in **Annexe 12**.

This table shows newsletters and joint staff/board meetings to be the most frequently used approaches to participation with staff. On the whole these appear to be more 'stable' approaches, with smaller differences between 'ever used' and 'used in 2002'. The largest difference is in the use of suggestion schemes, which have been used by 31 organisations, 23 of which used them in 2002. **Annexe 13** shows that there are no plans among the sample to extend their use in 2003 and yet, **Chart 21** shows the trends for this approach as rising quickly. This indicates that while suggestion schemes are being increasingly adopted they are also being abandoned by a substantial proportion of organisations that take them up.

### Factors influencing the use of participative approaches

**Annexe 14** and **Charts 23 to 26** show the average number of approaches used in 2002 by different types of organisation. The figures show the popularity of more traditional approaches over innovative approaches for staff participation, in common with those in use for users and members.

**Chart 23** shows the variation in the average number of approaches to staff participation used by the number of staff employed. Not surprisingly, those with larger staff tend to use more approaches than smaller organisations. The relative use of traditional to innovate approaches is fairly similar in each group of organisations.

**Chart 24** shows the average number of staff participation approaches used by the turnover of the organisation. Again it is no surprise that the organisations with the lowest turnover use the least number of approaches, partly as these will have fewer staff. The medium and larger sized organisations have very similar profiles, each using roughly the same average number of approaches in each category.

**Chart 25** shows the average number of approaches used by organisations divided into three age categories. As with users and members, it is those organisations aged between 10 and 19 years that use the highest number of approaches with staff. Interestingly, the older organisations are relatively more likely to use innovative approaches than the younger ones. This contrasts with the use of approaches to encourage the participation of users and members.

**Chart 26** shows that charities use more staff participation approaches than other organisations. This is a similar finding to the average number of participative approaches charities use with their users and members. However, they are relatively more likely to use traditional approaches with staff than non-charities.

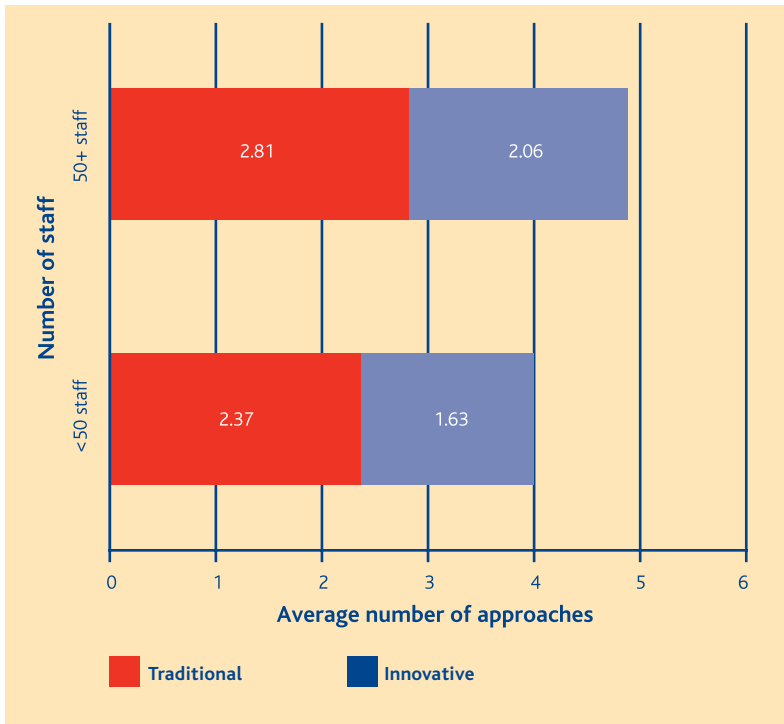


Chart 23: Number of staff employed

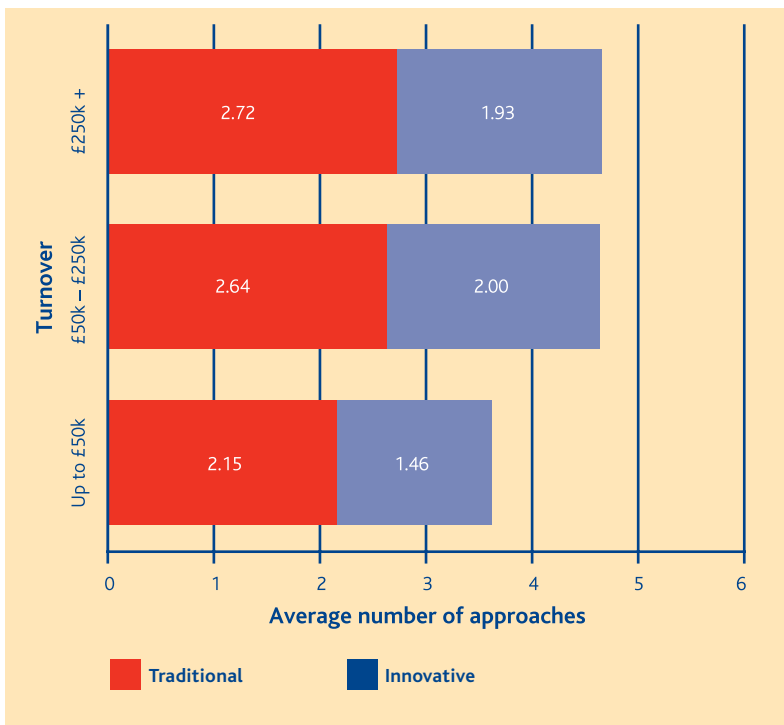


Chart 24: Annual turnover

**Effectiveness of approaches used**

We asked senior managers and board members to indicate how effective they found each approach to staff participation. The results are shown in the **Annexe 14**.

**Chart 26** shows the views of managers and board members on the relative effectiveness of traditional approaches to staff participation. From this, it can be seen that most managers see traditional approaches as being 'mainly effective'. Board members see these approaches as generally less effective than managers, particularly consultation documents and suggestion schemes. Most board members see consultation documents, suggestion schemes and staff newsletters/briefings as 'often effective' rather than 'mainly effective'. The traditional approach seen by both managers and board members as most effective is peer review; 86% of managers and 68% of board members see this as 'mainly or always' effective. Least effective are suggestion schemes, seen by 63% of managers and only 27% of board members as 'mainly or always' effective.

**Chart 27** shows even wider differences in attitude between managers and board members. The exception is profit sharing schemes, seen by most managers and board members as 'not at all effective' (however, note that only 5 managers responded to this question). Managers are much more likely to see involvement in inspection, peer review and staff forums as much more effective than board members. For example, 48% of managers see involvement in inspection and audit as 'always effective', but only 24% of board members agree. 38% of managers see peer review and evaluation as 'always effective', but only 23% of board members.

Generally the pattern of responses is 'flatter' for board members than for managers suggesting that there is less consensus on the effectiveness of innovative approaches among board members than among managers. General opinion surveys also elicited a rather 'flat' response among managers, with roughly equal numbers seeing this as 'sometimes', 'often' and 'mainly' effective.

### Summary of findings – Staff

Findings for staff participation follow roughly the same pattern as those for participative approaches with users and members. However there is evidence that there is less activity in this area planned for 2003 than took place in 2002. This is against a general upward trend, and so may reflect the currently uncertain financial situation, rather than a change to the longer-term trend. As with users and members, organisations are more likely to use traditional approaches with staff than innovative methods.

In general terms, the growth in staff participation approaches has lagged behind those for users and members.

There is some evidence of suggestion schemes being tried and 'dropped' by a fairly substantial proportion of organisations.

As with the findings for users and members, organisations using the highest average number of approaches tend to have a larger staff and higher turnover. They tend to have been in existence for between 10 and 19 years and are charities.

The approaches seen as most effective by managers are: joint staff/board meetings (86% rated these as always or mainly effective); peer review and evaluation (83%); and working groups (81%). Least effective are: interactive website and profit sharing (20% – but each had only 5 responses); and general opinion surveys (38%).

The approaches seen as most effective by board members are: joint staff/board meetings (68% rated as always or mainly effective); working groups (62%) and staff forums (60%).

Least effective are: interactive website (6%); profit sharing (7%) and general opinion surveys (20%).

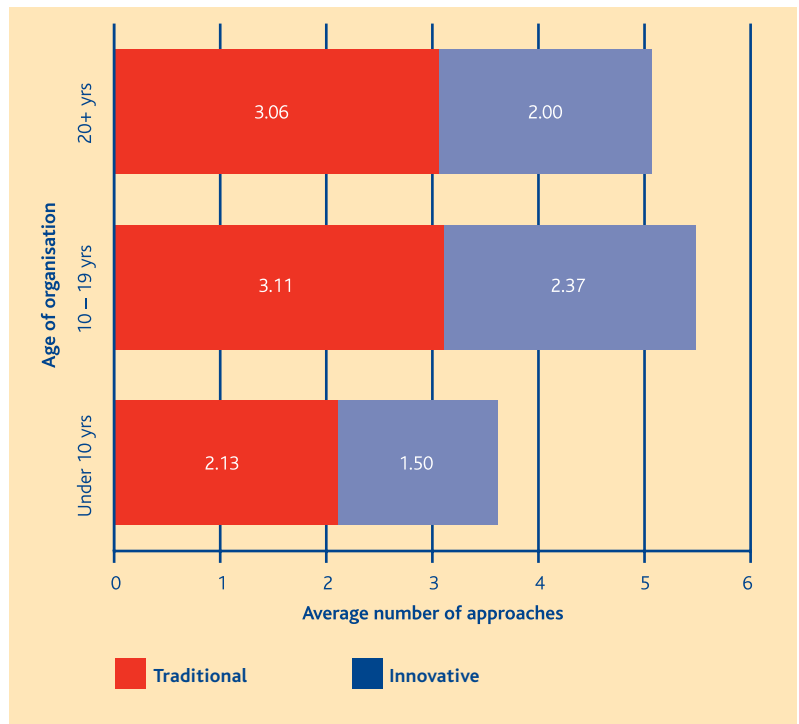


Chart 25: Age of organisation

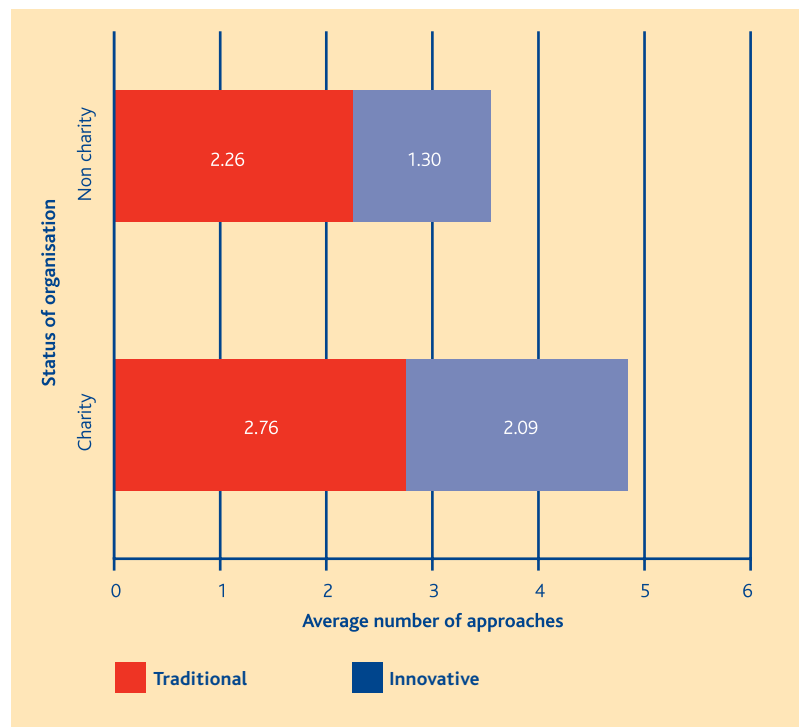
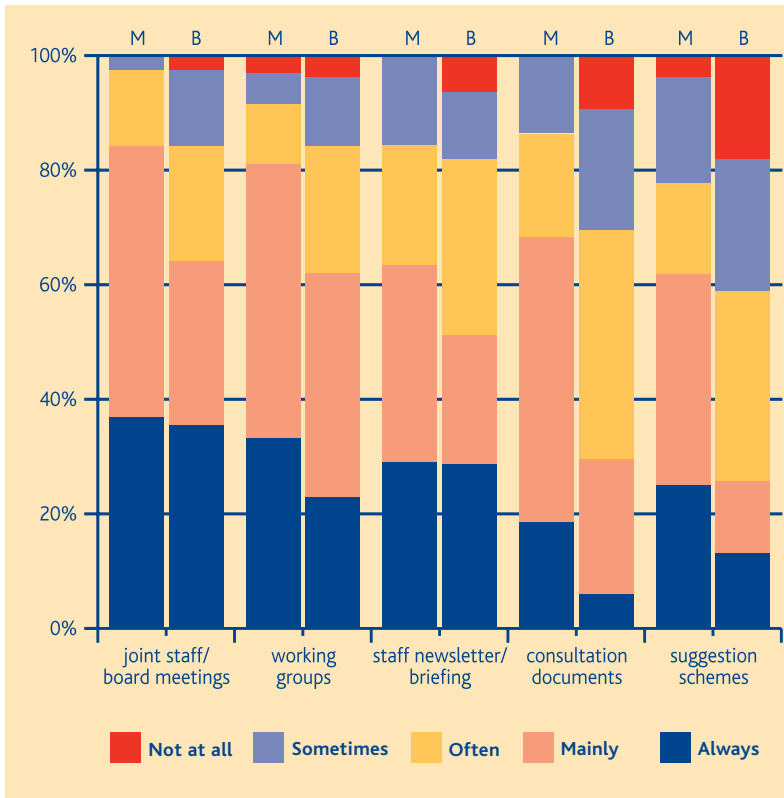
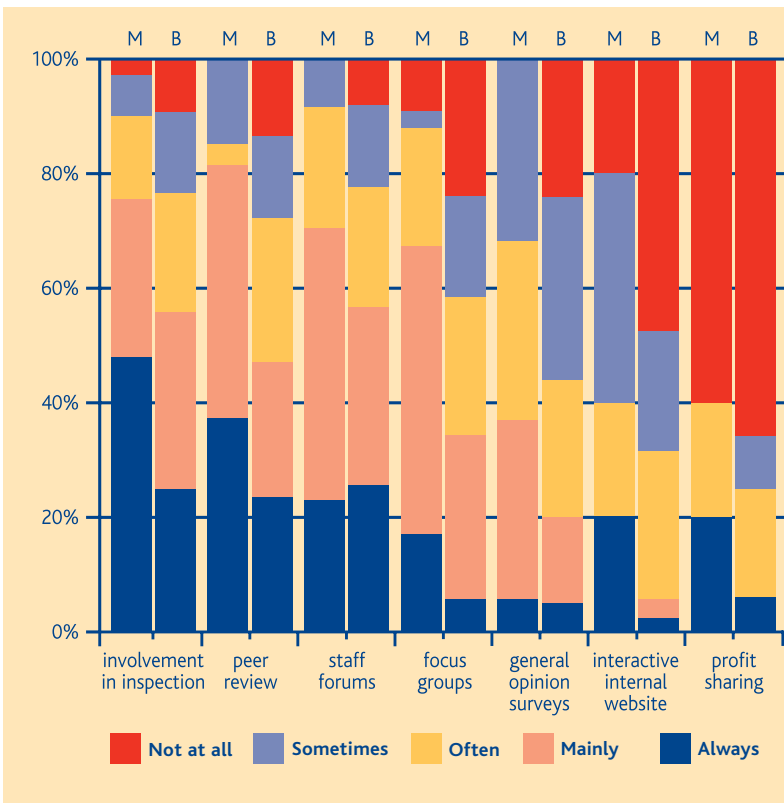


Chart 26: Charitable status



**Chart 27:** Mangers' (M) and board members' (B) views of the effectiveness of traditional approaches



**Chart 28:** Mangers' (M) and board members' (B) views of the effectiveness of innovative approaches

# Case Studies

## Introduction

Initially it was planned that survey respondents would be invited to take part in the in-depth interviews. However, time constraints meant that this was not possible. The research team therefore suggested organisations that met the following criteria:

- Reflect the range of legal structures.
- Provide a geographic spread throughout England and Wales.
- Include traditionally excluded groups such as black, ethnic minority and disability etc.
- Include different sizes of organisation, from the very large to the very small.

Interviews were carried out at the same time as the survey. In-depth interviews were arranged with twelve organisations and these were used to prepare the case studies. It was agreed with the organisations interviewed that their case studies would be presented anonymously.

The profile of organisations included in the in-depth interviews are given on the following pages.

Each interview included (where possible) a member of staff, a member of the Board and where applicable and possible another member or user of the service.

Name/organisation	Legal status
Local Charity for Older People's Welfare	Charitable Company with trading subsidiary
Asian Women's Association	Unincorporated Association
Community Association	Company Limited by Guarantee and registered charity
Consumer Co-operative	Industrial and Provident Society
Coalition for Inclusive Living	Company Limited by Guarantee and registered charity
Housing Association	Industrial and Provident Society
User-led Organisation	Company Limited by Guarantee and registered charity
Social Employment Co-operative	Company Limited by Guarantee
YP Housing Group	Company Limited by Guarantee and a registered Charity
Worker Co-operative	Industrial and Provident Society
Social Enterprise Finance Institution	Operating as a group – Company Limited by Guarantee/ Public Limited Company and Industrial and Provident Society
XYZ Credit Union	Industrial and Provident Society

## A Local Charity for Older People's Welfare

**This organisation is typical of a local group that is a member of a national organisation and has user members. This case study presents some of the challenges of working at a local level with a national structure and some of the ways developed to achieve participation.**

### Profile of the organisation

The national federation body of which this organisation is a member, comprises around 180 full members, each being local charities concerned with the welfare of older people within their area of benefit. The local charity under review here serves a generally disadvantaged district covering 141 square miles that combines both urban and rural areas. Its population of nearly half a million includes a wide range of ethnic backgrounds.

The charity was founded in 1974. It is registered as a company limited by guarantee and has registered charity status. The charity employs 31 staff directly, while its wholly owned trading subsidiary employs a further two. Turnover in 2001/02 was £624,000. 150 regular volunteers assist in a wide range of activities, including staffing the four charity shops which sell donated goods.

The organisation divides its charitable activities into four areas:

- Information and advice.
- l Campaigning and representation.
- 'Active ageing' – i.e. promoting positive views on ageing and encouraging older people to be more active.
- Direct services to beneficiaries, including drop-in centres and a handypersons' scheme.

The trading subsidiary sells insurance and related products to older people, passing profits on to the charity, and the charity shops raise funds towards the organisation's work.

Membership of the charity is open to local groups concerned with older people's welfare. There are currently 73 such groups in membership. A board of trustees – three officers plus five others – is elected annually by the membership.

### Governance

The charity is governed by an elected board of trustees who are nominated and elected by the members at an annual general meeting. Governance is further described and discussed in the sections below.

### The importance of participation

User participation influences the governance and policies of the organisation in several ways.

The primary importance attached to user participation is to inform the organisation with regard to services that are required by the beneficiary group, to ensure that needs are being met and that the charity is expending its resources on things that are valued. The charity is aware that only certain sections of its beneficiary group will actively come forward with their views, while others will need to be sought out – for example, isolated people in rural areas, those with physical or mental impairment, and also members of BME (Black & Minority Ethnic) communities, perhaps because the organisation has historically been seen as a white institution. Proactive work is therefore undertaken to reach these groups.

Membership is seen as a very important tool in achieving effective user participation. Membership is an enduring two-way relationship and yields information about users' real thoughts and concerns to a greater extent than, say, surveys about particular options. A specific example of this gives rise to some concerns about current Government policy. It is widely accepted that older people do not want to go into residential homes but would prefer access to services that enable them to remain independent within their own homes.

As a result, current public policies tend toward the closing of nursing and residential homes and the redirection of resources to home-based care services. But is this underlying assumption true? Extensive polling through informal channels revealed a rather different picture. While it is true that most older people are of the view that they would prefer not to end up in residential homes – which is reflected in the surveys and so on that inform Government

policy – it would seem that as they become older, more isolated and less able to cope, many change their minds and decide they would in fact like to be looked after somewhere safe and in the company of others. This is the kind of data that arises from gently exploring topics over time and in an environment of trust, which itself has to be developed through an ongoing relationship.

While it might be considered that such relationships could be built up without necessarily bringing users into formal membership of the organisation, the charity believes that the act of signing up, which requires a conscious decision, puts a different slant on the relationship. Being a member means something to a user group and is taken seriously.

In addition, membership gives users a constitutional means to influence the direction taken by the organisation. However, user influence also highlights a potential problem area. The membership of the charity broadly reflects the social make-up of the area served and is thus, like the local population, predominantly white and working class. Within the age group served, it has been noted that there is tendency to prejudice against minorities and people who are in need as a result (or so it is seen) of their own failings.

Thus the organisation has to maintain a set of corporate values that are sometimes at odds with those of its members and volunteers. If the majority within the membership were to dominate the board of trustees, it is feasible that services would be withdrawn from some of those most in need, in direct conflict with the organisation's status as a charity for the public benefit. This is dealt with by a system that requires trustees to be nominated and elected by the member groups, but not that nominees themselves are actually from a member group. This has successfully resulted in a hybrid board of users and external people with relevant skills and interests. Users coming onto the board often require education in the over-arching values of the charity. In this context, trustees are more valued for the attitudes they bring to the organisation rather than practical skills, which are in good supply

amongst the professional management team.

If all trustees were drawn from active members of user groups, there would also be a concern that trustees might see themselves as serving in a representative capacity, fighting for the interests of their particular group or section of the beneficiaries, rather than as trustees of the organisation's charitable purposes.

The presence of users in membership gives the charity legitimacy when it comes to claiming that it represents the interests of older people. When seeking to influence the decisions of policy-makers, the ability to claim such legitimacy has very real effects. This in turn renders the organisation more valuable to its user-members.

The importance of encouraging greater participation has been recognised by the creation of a new job of Membership Development Officer, who will be in post soon.

As member participation has declined (see "Barriers to Participation", below), increasing importance has been attached to engaging with the 150 regular volunteers, most of whom are themselves older people. They offer an alternative method of keeping the organisation in direct contact with the people for whose benefit it exists. A Volunteer Advisory Committee meets regularly and has a direct route into decision-making via one of the trustee sub-committees.

Once again, the values of individual volunteers do not always reflect those of the charity, and a delicate balance has to be maintained between keeping the volunteers actively involved without giving them the impression that they can establish policies and practices based on their own attitudes.

Volunteering has increased dramatically in recent years, and a volunteer development policy is in place that includes offering training and an exchange scheme with other Age Concern groups.



### Encouraging participation

Conventional methods used to encourage user participation are as follow, ranked approximately in order of effectiveness (most effective first):

- Involvement (as members) in general meetings.
- Participation in trustee elections.
- Service satisfaction surveys.
- Involvement as volunteers.
- Issue-based working groups.
- Newsletters.

The most effective technique is personal contact. Prior to a meeting, member group representatives will be phoned up, reminded about the meeting, asked if they have problems with transport (and offered help if so), asked if there is anyone else who should be contacted, and so on. This brings a very positive response.

At one stage, the membership list was divided amongst the staff, with each staff member acting as liaison person with a certain number of groups and responsible for keeping in touch with them on a regular basis. This scheme fell down as a result of pressure of work, the number of members, and some internal resentments between those who attempted to undertake this role and those who couldn't be bothered.

General meetings are made attractive with guest speakers and a tradition of breaking into small groups, arranged café style, where members can enjoy refreshments while discussing a set topic (such as "the charity's policy on ..."). This is particularly successful in encouraging participation amongst the less confident members and again provides valuable feedback into the charity's governance.

A new policy involves the development of smaller, locality-based advisory committees that bring members together near to their homes and can inform the charity about local needs and conditions. It is intended that trustees will become involved with these as well. One such committee is operational, and looks like being very successful, but it needs a lot of time and energy to establish these bodies. This will become part of the job of the

new Membership Development Officer.

One of the most successful initiatives resulted from having some spare money available one year, which was offered to member groups for specific projects or developments in line with the charity's own objectives. That year saw a record turn-out at the AGM and enhanced member engagement for several years following.

It is considered that being part of the national Age Concern network has a positive effect on participation, not just because of the high national profile of the federation, but also because the local group can offer its users a meaningful influence over policy-making at regional and national levels.

### Barriers to participation

The biggest barrier to increasing participation is making sufficient resources available to develop and nurture the membership. This is partly a result of workloads in general, but also an unintended side effect of the Government's wish to promote a more participative society. For example, there are seven health trusts operating within the district (four Primary Care Trusts, two acutes and a mental health trust).

The Government has produced a service framework for work with older people that comprises eight standards, and requires the health trusts to consult with users on each of these.

Thus each of the health trusts has very properly established eight dedicated working groups, one for each standard, and Age Concern is expected to take part in these as a representative of users' interests. Each working group meets at least quarterly – some more frequently – resulting in  $7 \times 8 \times 4 =$  at least 224 extra meetings each year at which an Age Concern presence is required. As national Age Concern guidelines require local groups to achieve maximum participation in local decision-making processes wherever possible, pressure also comes from this quarter to attend.

Meanwhile the "modernising local government" agenda requires user involvement in scrutiny processes. The interests of older people are

affected by a wide range of local government issues, including health, housing, social services, transport and so on. Each of these scrutiny committees meets at least monthly, in the evening, and once again an Age Concern professional is required to attend.

The negative impact of all this participation on the organisation's own ability to engage with its users is enormous.

The regulatory requirements of being affiliated to Age Concern nationally have also grown immensely in recent years, and there is real concern that organisational red tape is interfering with the charity's capacity to achieve its objectives.

As mentioned previously, proactive outreach work is conducted to make contact with hard-to-reach sections of the beneficiary group, but there remain some older people with whom it proves very difficult to communicate: especially those living in residential care, and those living with their families, especially within the BME communities. Other agencies report similar difficulties.

Other factors which have been identified as discouraging active participation include deteriorating public transport services and growing fear of crime.

However, a more ominous factor has also been noted. The charity's members grew steadily both in number and in degree of participation until around 1998.

Prior to that time, places on the trustee board (other than the chair) were regularly contested, and it was not uncommon to achieve a turnout at the AGM exceeding 50% of the membership.

As such levels of participation began to drop sharply away, the organisation first assumed that it had become too big and remote for its users to relate to successfully, but discussions with other agencies and organisations suggested that this was a common pattern across the district. The belief now is that the population is undergoing a major cultural shift, losing a tradition for joining things, attending meetings,

### Summary

This is a well-established local charity that operates as part of a national body and is therefore influenced by the culture and values at a national level. The national body also has an impact upon the approaches to and process for participation. Over time the organisation has developed and put in place processes for ensuring high levels of participation and clearly places high priority on participation.

Unlike some other bodies, the organisation has a clear understanding of why participation must be encouraged.

As a body that is a voice for elderly people, membership and full participation by members is important if that voice is to have legitimacy.

It is interesting to note that membership levels are declining and that the organisation is treating this as a very serious matter. It is also interesting that there is a view that this drop in membership participation is as a direct result of a 'cultural shift' away from joining in. If they are correct then this could have a profound impact on the future of such organisations and their ability to identify need and legitimise their role as the voice of elderly people.

and generally taking part in civic society.

Councils for Voluntary Service, for example, were founded in the 1950s on the basis of this same tradition, but they increasingly cannot achieve community participation and are run by professionals. It is also believed that the younger the age group, the more pronounced is this loss of willingness to 'join in', reflected even in the ten year gap between Age Concern members in the 1990s and now.

## Asian Women's Association

This case study illustrates a range of participation issues common to many small, local and unincorporated associations.

### Profile of the organisation

The association describes itself as a community project. The purpose of the organisation is to support Asian women in the community to empower them and encourage them to move forward through information, education, with their families and their communities. "It is a stepping stone for women who do not have confidence, where there is a language barrier, where they don't know how to utilise their skills and experiences."

It was set up 1983 and remains an unincorporated association. A decision was made recently by the management committee to register as a charity. The process of registration "has been taking ages". The committee has chosen to become charity because "the work that we do is quite a lot as a charity. As a voluntary organisation there was an issue about public safety and public health and so we considered becoming a company limited by guarantee which covers us. But if we become a charity responsibility stays with the charity rather than with the trustees (directors of a company) who would run the organisation – it remains a community organisation, with a couple of trustees. It also means that we will have more access to funding and funding opportunities."

The annual turnover of the association is £20,000. Of this over £7,000 comes from the city council the remainder coming from small grants and donations for specific pieces of work. In addition the local authority has an allocation of £70,000 for workers, costs and building maintenance.

The Annual Report for 2001–2002 provides the following description of the project:

"The city council is committed to creating a society where everyone, regardless of their colour or background, has equal rights, opportunities and access to services.

"The Association has a vital role to play in achieving these by empowering women from black and minority ethnic groups. We are working in partnership with other key agencies to tackle the social exclusion experienced by a large number of black and minority ethnic communities.

"The Association as a community project is a well-established local point for delivering services and support to the local women ... with a citywide remit.

"This unique project run and managed by a management committee is made up of representatives from various communities, organisations and the city council.

"The management committee has responsibility over the building management and its maintenance. While the city council has the responsibility for direction of the community project and the work of the programme, the running cost of the project and the staff."

The workers and management committee members are clear that ownership of the project rests with the local community. On paper the building is owned by two founder members (trustees) who signed the lease, "they bought the place using local government money raised by a local authority development worker. The two trustees are effectively the lease holders of the building. These two trustees are no longer on the management committee and had to be tracked down as part of the process of registering as a charity."

The users of the project are women and their children from black and ethnic minorities from across the city. The group also includes refugees and asylum seekers within this description.

There is a database of users of group activities. The database is used to distribute information about the project. Users of group activities do not get actively involved in the development of the project but do get involved with the workers in planning the programme or agenda of the groups they attend.

### Governance

There is an active management committee of fifteen women, twelve elected members and two or three co-opted members. The majority of members have been on the committee for only one or two years, with one or two involved for four or five years. Women join the committee to gain experience and then move on. The management committee takes key role in "influencing some of the decisions that are made about the project. The committee works in partnership with the local authority, so a compromise has to be found on decisions about the project. The management committee is still learning and does not have enough experience to make all the decisions."

There are four paid development workers in the project the equivalent of two full time posts. The local authority employs the community development workers. In addition there are two sessional workers employed by the management committee.

Employment of the development workers has always been through the city council. "I remember the Aunties getting into a minibus and lobbying the city council for funding. Eventually they agreed to support the work with one worker that would be managed by the city council. Over the years the number of posts have increased but employment and management of the workers remains with the city council."

There is a system of dual accountability in relation to the workers. The management committee can make decisions about what services are provided, they also have a right to determine some of the work patterns of the workers. The local authority supervises the workers. In addition the committee has an influence over building maintenance.

From a management committee perspective there are advantages and disadvantages in this system. The advantages are that "we have workers and do not have to worry about funding." The disadvantages are that "the workers are directed by the local authority and therefore they are working to the local authority agenda." The project is not their only focus. This has on occasions brought the project

into conflict with the local authority.

### Participation in the project

Perceptions of who runs and who owns the project have an impact on the degree of participation.

From a worker's perspective "at the end of the day the management committee is in the background, it is the workers in the front. When people come in through the door who do they see? Everything falls on the workers."

Individual users wouldn't necessarily make an assumption that the project is run by the community or by the city council. "They are more likely to perceive the project as a private rather than a public venture." Perhaps as an example during the course of the interview one of the new management committee members told us how helpful the interview had been as she had discovered how the project was run, she had no understanding of this before.

"Although the project has been established for quite a while in many ways, say from the management perspective, it is still like a new project."

The level of involvement of the local authority seems to determine the level of participation of the community. From a management committee perspective "There is not enough community involvement into the project, the local authority is not doing enough to involve the community and so the perception of the community remains that whilst the local authority is involved we don't have to do anything."

The workers understand that their agenda is not solely linked to the project so from their perspective greater participation from the community would allow more to happen and the range of services provided could be broadened.

Participation in the project is expressed in several different ways.

### Use of the services

As the project has been established for so long it has become a feature of the area. Many women have used the services as they have grown up: the girls group, the sewing class,

English as a Second/Other Language class and the management committee. It is the services that are essential to the community.

"All the groups and people who come to the project are an example of community involvement. From each group there is someone on the management committee, they take information back to their group and to their community. That is community involvement because they are participating in the decision-making about the work."

### The management committee

There is a training programme to help members understand the roles and responsibilities of a management committee member, to learn about how to produce accounts etc. Committee members recognise that at the moment the training provided is at a basic level and "that many of the committee members don't even realise they can influence the future direction of the project."

Recruiting members to the committee is rarely a problem. In preparation for the AGM workers attend each group explain the process and encourage women to nominate themselves for election. The aim is to have a woman from each of the activities on the committee. They are there to ensure a good flow of information, they are not required to represent the group they attend.

Becoming a member is regarded as an attractive individual learning opportunity, a way to network and make connections and something that members can add to their CV.

### Feeding into other decision-making forums

Women who have used the services are asked to participate into other decision-making groups or initiatives within their communities e.g. New Deal for Community so women from the project are contributing to other agendas. They also take information back into their families, extended families and communities.

### Barriers to participation

The following were identified as factors that prevent participation.

- **Lack of time and commitment.** To participate in the management committee

requires not only time but a commitment and a responsibility. There was a recognition that people are busy in their own lives and do not necessarily have the amount of time or interest required to participate.

- There is a **general lack of understanding** amongst women in the Asian community about how organisations work. This means there is little awareness of the part they could play in an organisation or project.
- Linked the above point, many of the women using the project do not have the **language, skills or education** that would enable them to become more involved.
- People are more concerned about what is happening on their back doorstep than they are about the wider community. So if they are **not connected to the issue**, they will not want to participate.
- There is a tendency not to tackle issues of concern but to move to another area of the city where things might be better.
- **Changing and declining population** in the west end of the city – migration to different areas of city by more established ethnic groups, very new groups appearing e.g. refugee and asylum seekers.

### Summary

This is a project with a long history. It began 20 years ago, because a group of women had a vision to create a centre for women within their own community. It started out as a community/voluntary project with a high degree of participation.

The vision of creating a centre was achieved over the years the nature of the project has changed. It is now a service led project that is largely in the control of the local authority but it does achieve its aim of providing a stepping stone for women.

Participation in the direction of the association is not a particularly important or relevant feature of the association and it does not effect the achievement of the projects aims.

This would change if the local authority decided to reduce its funding or its involvement at any stage.

This is an example of a project where participation is non systematic, where methods of participation have not been embedded in the structure and practice of the association.

## A Community Association

The association highlights some of the participation issues common to many umbrella and representational organisations – issues of participation stemming in part from the member organisations themselves but impacting upon the umbrella organisation.

### Profile of the organisation

The association is a local branch of the National Federation of Community Associations (now Community Matters). It is a registered charity with 30 members (2 district councils, a housing association and 27 community associations). Members pay an annual subscription. There are two paid members of staff: a part-time development worker and a part-time administrative assistant (salaries paid by the county council). Community associations (CA) are local organisations established to support and develop a range of community based activities. Many of them have established community centres where they hire out rooms for a wide array of local activities; others work beyond that in community development activities. Most local Community associations are self-financing.

The group exists is to support community associations, help them survive/grow and develop, give them advice, provide advocacy, training and funding. CMB is working alongside the county council to expand work of community associations through new initiatives.

### Governance

The organisation is governed through a general management committee and executive committee and these are restricted to 12 members appointed through annual elections at the annual general meeting, but usually only 7 or 8 members attend the committee meetings which take place every two months. Meetings are held at different locations to encourage better attendance and both committees have virtually the same membership.

## Participation

At a broader level there is tension between existing CA work and the push for participation in new initiatives. Representation of women, young people and ethnic minority groups is virtually non-existent within CAs in the area. Some initiatives are being led by national organisation of Community Matters to involve young people and encourage young volunteers in communities. Work is also being done locally to support young people in more deprived areas. For example the development worker is involved in outreach work jointly with other agencies

Despite participation being regarded as central to the organisation and a definite strength and source of credibility when bidding for various sources of funding, there are some key issues that the association feel must be addressed if there is to be broader participation. Taking the committee structure as an example there are no people with an ethnic minority background and very few women. Those who do get involved are highly committed – very active at grassroots level and vocal in expressing their views. However, as with many CAs it is often the same people who participate in a number of community initiatives.

In considering the impact of participation on governance there is a clear view that this is affected by the predominance of white middle class people in this particular locality. There is an acceptance that there needed to be better representation of minority ethnic groups at both a local and county level. However, there was a view expressed that this might take some while to address in this county. New initiatives are helping to address these issues however. For example, a new project, the Faith Forum, which seeks to bring together communities of different faiths to work on community issues in a way which is a different direction for CAs. This is helping to broaden the base for participation. There are also examples of change in the local community with the development of a multi-cultural centre where one of the executive members is treasurer and the chairperson is also the first black Mayor.

The governance of the organisation hasn't changed much over the years but there are plans to reconfigure the committee structure in order to be more effective and to achieve better allocation of work amongst the committee members. However there are difficulties in achieving this as there has not yet been full agreement. As an umbrella body member CAs regard themselves as there to represent their own organisations and this sometimes causes conflicts with their roles as a board members of the association.

### Encouraging participation

The group uses a number of methods to encourage participation and is working in a number of ways to broaden participation. It is hoped that involvement in projects will ultimately mean participation at other levels. For example the development worker is working with two Asian women's groups and across the county in areas affected by Public Service Agreement (PSA) targets e.g. county council funding in areas of deprivation. It is trying to broaden its base by working with other community organisations and for example with arts development projects. They are trying to create a sense of excitement in communities by 'piggy-backing' on to community events. Although it's work is largely in urban areas, it is also trying to build bridges between rural and urban areas working alongside another more rural based agency.

A new media project is also being established – targeted at young people and for example dealing with the fallout from age 11 school selection system. This is a different tack for the organisation and regarded as quite innovative. There was a view that for many CAs their only interest is in the building they run and so suffer from a degree of tunnel vision. Lots of clubs use the community buildings but do not participate in either the local CA or association. Some CAs are trying to expand their activities but the relatively small number of committed activists affects this.

In relation to methods of participation CMB use newsletters and get lots of feedback from that, other methods are regarded as less effective. Invited speakers have stimulated good debate

and helped encourage member participation in the annual general meeting. In addition member organisations do attend regional/national events to represent the association. It does consult with its members through broader opinion polls.

In the debate about how CAs directly relate to their communities and how the association moves from grassroots work to encouraging those they work with to participate in CAs/ the association, different views emerged. These were essentially about how encourage different groups/individuals to participate in its executive and that there needs to be a move away from old ways of working to try and make the whole process more responsive, welcoming and user friendly so as to address questions of both gender and ethnic minority representation. There is an acceptance that the organisation is too concerned with the now rather than the future, although the chair has been nominated to serve on RAISE (Regional Action Involvement South East – sponsored by GOSE) as the representative from Buckinghamshire and is thus participating in future planning.

### Summary

As an umbrella body with a representational committee structure, the association is in effect being governed by the users of the service (representatives of CAs) and as such there could be tensions between the need for committee members to take an objective role at a governance level and also to act as representatives from their own body – ensuring that their centres' needs are met. Achieving this distinction is not easy and can lead to a lack of action, decision-making being delayed, poorly attended meetings and a lack of clear planning and differentiation between local and regional levels.

Participation with in the national body and the regional organisation is ultimately and directly linked to participation at a local level. It is therefore at a local level that any action must first be directed, to achieve greater participation by women, young people and ethnic minority groups. Clearly the demographics of any specific area will have an impact upon participation.

## Consumer Co-operative

This case study illustrates the strategies that many consumer co-operatives are developing and pursuing in order to achieve wider and more meaningful participation.

### Profile of the organisation

Founded in 1866, the society is a retail consumer co-operative (community retailer) operating in both urban and rural areas. It is an Industrial and Provident Society employing 3,800 people and has a turnover of over £270m.

The society has a particularly strong consumer involvement remit because it was an amalgamation of two failed societies who, it was stated, did not listen to their members. Something radical needed to be done to turn the businesses around and it was agreed that this could be achieved in part through increased consumer involvement - this now has become central to the way the business operates.

The society sees itself as a "retailer with a purpose" – a community based business and a "good independent partner". It does of course have a profit motive but at the same time cares about the communities it operates in.

### Governance

The society is governed by a board of 14 directors, nominated from and elected by the members at the annual general meeting. Board members serve for two years. In order to stand for nomination, individuals:

- Must have been a member of the Society (or a society which has merged with this society) for at least one year on the date the nomination is submitted.
- Must have at least £10 in their share account for the six months prior to the nomination date.
- Must have spent at least £400 on purchases with the society in the previous 12 months.

The society does apply other qualifications and these are made known to all members.

## Participation

The society has a formal membership of 175,000. Less than half that number, around 75,000 could be described as current, though not all participate in the process. Truly active membership numbers around 6,500 of which at any one time up to 1,000 might participate in events etc. In addition, the active membership – those most involved in the governance of the organisation – is small in comparison to:

- The **potential** membership base.
- The consumer catchment area in which the society operates.

Because it places a high value on participation, it does not want for resources in terms of mining its membership base for information. However lack of interest does remain the key problem in trying to engage with its members, resulting in a need to find ever more novel means to communicate with them.

The process of greater involvement has been evolving for more than 50 years. Some of the founding principles of the co-operative movement, which found favour over a century ago, are being reinvigorated. They do of course, need updating from time to time to suit the needs of a modern and inclusive society.

A number of vehicles are used for communicating with the membership. For certain issues the most effective medium is the society newsletter, which has been used to communicate with members since the 19th century.

The newsletter gives a good degree of insight into the policies and day-to-day work of the society. This includes a chance to see the faces of the teams responsible for various aspects of the society's work. There is a good degree of apparent openness and transparency evident on first reading. The published material also promotes other social enterprises unrelated to the society, covering everything from education to environmental projects and maintaining a balance of green and social credentials for the movement as a whole.



The society employs other vehicles to increase the level of meaningful ownership and participation. These include the Member Education Council (MEC), which offers training on governance and related issues to members.

New members also receive a brief but comprehensive handbook that outlines all the opportunities that membership brings, including the chance to participate in the governance of the society. This is made very clear and easy to follow. It also mentions the Co-operative Futures organisation, which has a wider community remit covering social policy, inclusivity, credit unions and other initiatives related to community social enterprises. There is also a section dedicated to explaining the values of the movement as a whole and the society in particular. It seems that they have made a very real effort to produce accessible materials in plain English.

Given the media to communicate – through the customer careline, by email or snail mail, or face-to-face there is little excuse to say that the organisation is inaccessible to its consumer base, its core market. There is apparently more teamwork and a more integrated approach today than say thirty years ago. Members are of course invited to attend annual and extraordinary general meetings and to review and evaluate other non-governance related issues.

The society shares the problem experienced by any public, community or voluntary based organisation – you can engage with your users but that does not necessarily mean they will engage with you. However the armchair supporter is just as important as the activist.

The only other area where there is no track record is in direct, hands-on user management, though the board is recruited from a wide cross section of the community and is very active. In fairness one questions the value of user representation on say housing committees when the rest of the committee is made up of (often younger) housing professionals and where the lay members ability to contribute to and influence debate is therefore profoundly limited. The society seems to be saying that this is not about tokenism and that there are

other ways in which members can be meaningfully involved.

Certainly in terms of policy and governance issues there are opportunities for users to feedback on consultation documents etc. prior to new policies being established.

Since about 1995 the society has been using suggestion boxes. All members are sent a postal survey on a regular basis. There are quarterly progress reports giving detailed financial information. In addition, 1% of the active membership is telephoned at random every three months and canvassed for their views on key issues. Polling has greater justification than assumption based policy creation.

The society promotes the *Make it Fair* website – open to anyone who wants to access it, the internet now becoming less of a barrier to those without PCs etc. even though this includes a high proportion of their target market. The website asks what people care about – this is wider than just commercial issues.

Some of the issue-based groups are virtual – i.e. web based, which might preclude involvement by some members of the community and this needs to be addressed. The society is considering bringing this new technology right into the heart of the store – the internet café approach, which is popular with more up-market consumers.

They have an active membership team, customer contact manager, media team and staff involvement team who all meet regularly to ensure consistency of approach.

Issues are there to be challenged and there is no evidence of a *fait accompli* being presented to members. The members do have a chance to challenge policy and win over sceptical colleagues.

Training, conferences and events provide additional opportunities to involve consumers in debate on issues and policy creation. There is also the issue of the society being more widely involved in public/community partnerships. The society has piloted projects as a partner with

the local authorities and is now involved in more than one Local Strategic Partnership. Having been proactive in the past on government related initiatives, it is now naturally and routinely invited to join emerging partnership programmes. The society's community relations officer (with responsibility for membership and corporate marketing) has recently been re-elected chair of the local Single Regeneration Budget partnership.

In addition, the sheer complexity of managing disparate, cross-sector community partnership programmes (a problem shared by many organisations in the public, private and voluntary sectors), means that there is much that is beyond their control in terms of building and managing effective partnerships.

The society also promotes its community credentials through the Community Dividend Scheme. Local organisations can apply for modest grants, which are funded by a 1.25% levy on profits.

The grants programme is advertised in local and community press and receives a high response rate. PR opportunities trigger additional responses and the scheme is particularly targeted at supporting unpopular causes.

### Management

These ethical stances would not be real if they were not reflected in the inclusive management style of the business. This has been moving to a flatter more inclusive model for some time so the same values are more embedded than they were. There is still some way to go in that there is still little apparent recruitment to the managerial staff from amongst its customer base (though by the nature of their work the shop floor staff are likely to be from a similar profile as the principal customer base). It highlights the percentage of female employees now achieving managerial positions, though this percentage of the whole workforce (both genders) is still on the low side.

The approach to the membership mirrors that applied to relationships with the staff; there is a good track record of involvement and consultation on the development of governance and policy, though they are currently a little weak on involvement in peer review and evaluation. Also at present, there are no joint staff and board meetings although these are on the agenda. As mentioned earlier, staff are also actually or potentially members of the society.

This perhaps explains why there is a feeling that staff can have greater involvement if they wish. By inference then, issues not covered by the membership are dealt with in relations with the staff – not comprehensive but possibly seen as good enough.

### Barriers to participation

To some extent, as with any business, the management and executive staff must be left to get on with running the business – there is a limit to how much participation is truly practical especially when a quick decision is required. There is certainly evidence of a very real attempt to:

- Engage with the consumer members.
- Give them a chance to participate.

The other area where it is less appropriate to involve the membership is that of commercial sensitivity. Members are not necessarily retail professionals and indeed may even work for the 'opposition'.

There is always the risk, sometimes realised, that issues and agendas will be hi-jacked by a small but vocal minority. As with many other organisations this is often the same people time and again using these vehicles as a platform for airing their own agendas. It is then sometimes difficult to accommodate the needs of the less vocal members of the community in the process. The organisation is sanguine about the fact that this inevitably impacts on the decision-making process though this is not felt to be significant. There is no doubt of the value of the society's input to a modern inclusive community. However the degree to which it is able to influence the rest of the private

sector to modify its approach is not proven. The society is not big enough or influential enough to achieve this at a national level on its own, though it can still continue to provide a useful role model for developing good corporate community relations and building capacity by involving marginalised communities in the governance of such organisations.

### Summary

Consumer co-operatives must be both successful businesses and successful co-operatives and the challenges this presents are not easily met. The focus on participation through building and listening to a wider membership has costs in terms of resources – money, people and time and there are no guarantees that the effort will be successful. The society has an ageing customer/membership base and there is concern that it has not been all that successful in finding the movement's members of tomorrow.

There is much that the Society can do in practical terms to enhance the relationships they enjoy with their consumers but this must be balanced with the argument that the average co-operative customer does not want to run the supermarket; they only want to shop there. So the other big challenge might be in defining what it is about the movement and its bigger role in society that might persuade the consumer to be more actively engaged.

Consumer co-operatives' however, do much to teach us about participation since they have been involved longer than most and have learned many lessons.

## A Coalition for Inclusive Living

This case study presents some of the key challenges faced by disability-based groups seeking full participation and the methods they have put in place to facilitate this.

### Profile of the organisation:

The current coalition is a merger of two former linked organisations; the Coalition of Disabled People established in 1981 and a Centre for Integrated Living established in 1985.

The two organisations merged in 2000 and operate as a company limited by guarantee and as a registered charity. The Centre for Integrated Living was a registered charity, the coalition was not. In its early days registering as a charity would have restricted the campaigning or political role that members wanted, therefore a positive decision was made not to register. The clarification of what constituted political activity in the Charities Act 1991 and the merger of the two organisations led members of the new coalition to decide they could legitimately be registered as charitable.

The coalition is clearly an issue based organisation within defined geographic boundaries. As a County wide organisation it incorporates both rural and urban areas.

The membership at September 2002 was 605. There are various membership categories and these have recently been extended. A previous break down of membership is shown as

follows:

The coalition has a core staff of 18. In addition there are 89 employees who are personal assistants, this number is gradually falling as more disabled people take on direct payments.

The organisation has a turnover of £1M per annum.

### The governance structure

The coalition has been concerned to keep its structure 'as flat as possible.' Only full (disabled people) members have voting rights. They elect a general council at the AGM. There are 15 disabled people, on the general council and they meet quarterly. Those members who are also paid workers can not be nominated for election to the General Council. The role of the council is to focus on the strategy and direction of the organisation.

The general council appoints from amongst its members an executive sub-committee, of 7 members. The executive meets monthly and its role is to concentrate on the implementation of the development plan and on the management of the organisation.

Sub groups are established from time to time to focus on particular areas e.g. finance, editorial etc. These groups consist of one or two members of the executive with others from amongst the general membership who may have relevant skills, knowledge, experience or interest in the topic under discussion. Members are encouraged to join in a local

Disabled people		Non disabled	
Employed	438	Supporters (non-disabled)	70
Unwaged		Groups (funded)	28
Family	2	Groups (non-funded)	
Life membership under 65	52	Staff and ex volunteers	25
Life membership over 65			
Residential care / accommodation	0		

members group. These groups are not part of the governance or management structure. They do however play a role in the dissemination of information and discussion across the coalition.

### A background to the organisation

The original Coalition of Disabled People was the first organisation of its kind to emerge in Britain. It was set up in 1981 as a result of an International Year of Disabled People (IYDP) conference. The Steering Committee adopted the IYDP slogan 'full participation and equality', and began a sustained task of campaigning, education, and practical support, putting into practice the new social understanding of disability.

The coalition linked with the wider Disabled People's Movement, from their debates emerged an action programme based on seven needs:

- Information.
- Peer Counselling.
- Housing.
- Technical Aids.
- Transport.
- Personal Assistance.
- Access.

This in turn led to the establishment of a sister organisation the Centre for Integrated Living which opened in March 1985.

Changes to Government policies and direction resulted in a reduction of funding for both the coalition and the centre. Reviews of each organisation concluded that the best way to safeguard the original wide-ranging objectives and community emphasis was to combine the coalition and the centre. (*The Coalition for Inclusive Living: A Profile of the Organisation April 2002*)

### Participation

"Participation for us is essential – we are in for the long game – we have to be able to outlive any government or policy to get the changes we need." Research Manager

The coalition has 22 years experience of developing and maintaining an organisation committed to "Full Participation and Equality".

"In order to give consistency and coherence to the way disabled members developed the coalition, the founder members built four important principles into its organisational aims ... The key words underlying these principles were: participation, independence, integration and control. These were written into the coalition's aims and given expression in the constitution:

'to promote the active participation of disabled people in securing the greatest possible independence in daily living activities, full integration into society, and full control over their lives.' 1988"

(*Ten Turbulent Years: A Review of the Work of the Coalition of Disabled People. 1993*)

Participation remains at the heart of the organisation, the structure, the strategy and the methods all reflect a passion and determination to achieve full participation for disabled people. The Memorandum of Association (adopted in 2000) now includes the following as the objects of the company:

"by promoting ... active participation in providing or encouraging the provision of facilities and services which facilitate their independence in daily living activities and active participation as full and equal citizens in all aspects of social life."

The principles and belief that underpin the organisation stem from a common experience that connects the members – discrimination, oppression and exclusion – as disabled people. The Coalition is built on mutual support and benefit that is achieved by coming together to tackle individual and shared problems that:

- 1 Deal with the immediate – the symptoms;
- 2 Influence and make changes for the long term – tackle the causes.

At any one time those involved may be users, members, volunteers, managers and board members. There is a recognition and reliance (not dependency) on individual and collective experiences and learning, "amalgamated we are strong – individually we are weak". This results in a culture of honesty, openness, trust and respect which encourages in-depth exploration of problems and ideas.

### Membership development

Much of the current debate in the coalition about participation centres around membership and as a result membership development has become a priority within the current plan.

"The members are the organisation – members report to the executive committee – the committee assists the members."

Like most other organisations the coalition does not want to rely on the few – the activists. However there is an acceptance that the membership will always contain both active and passive members. People are careful about the assumptions they make about the reasons for this "members participate as much or as little as they can or want to. People's disabilities may prevent them from playing an active part from time to time or they may benefit by receiving the newsletter."

Members get involved in a number of ways but a common pattern is:

- Individual recruitment of members – one on one – often through sharing of information or personal experiences.
- Information, advice, support from peers/other members, the coalition's workers, resources, including Newsletters.
- Personal/group decisions about changes, improvements that need to be made for members to be able to fully participate, equally in society/their community.
- (Some may) take ideas to local member meetings for discussion.
- Ideas for joint action feed through to the executive committee where they are: passed on to other parts or sister organisations for action; referred back to member groups to debate again; proposed to general council to

be included within the organisation's plan.

- Ideas adopted by the general council as part of the agenda for action and written into the strategic plan.

### Drivers for participation

There are several key drivers for participation and these are:

- To keep things local – such that people can engage with from their own experiences
- To ensure lots of discussion and debate amongst the members.
- Don't say 'no' to anything until it is fully explored.

The organisation takes the view that responding or participating in minority issues is directly correlated to the employment of people from those minorities. It also feels that the wealth of the organisation can be in part measured by its contacts, information and networking and there should be a high value placed on these.

Participation also assists in the creation of a clear agenda and strategic plan, that is actively used by general council and executive committee and holds people together. It also assists in decisions about direction and allocation of resources.

### Summary

This is a membership organisation where participation is fundamental.

The coalition was founded by a group of "strong, charismatic, communitarians" twenty years ago. Their legacy is a clear vision, principles and aims. The coalition continues to refer and revisit these, developing a strategic approach for the achievement of the aims. Both the principles and aims are about 'full participation ...'

There is a strong sense of ownership based on a common set of experiences and beliefs. Members are directly connected to the issues the coalition seeks to address and not simply users of the services that it provides.

Participation is embedded the within structure and systems with a recognition that the development of strong participation is a continual process which requires an on-going investment of time and energy.

## Housing Association

**Housing associations are at the forefront of developing methods for achieving participation, particularly in relation to governance. This case study illustrates how one association is approaching this issue.**

### Profile of the organisation

The housing association was established as an Industrial & Provident Society (IPS) 39 years ago, providing housing for those in need, particularly in areas of deprivation, poverty, high unemployment and crime.

Effective management, changes in legislation and funding provided opportunities for expansion. The gradual expansion through neighbouring counties, coupled with the addition of a large scale voluntary transfer from one district council prompted a new approach. In embarking upon a group structure, three objectives were identified:

- To become more accountable to the communities.
- To give greater clarity in both governance and management.
- To make best use of resources and assets.

A group structure was created in 2000/2001 by the proposed transfer of housing stock. The members of the housing group are:

- A local housing company and a registered social landlord created through a transfer from the local authority.
- A housing Company Limited by Guarantee
- A housing association, a leasehold association
- A housing association -S.C.H.A. Ltd.

### S.C.H.A. Ltd

S.C.H.A. Ltd is an Industrial & Provident Society with charitable status and a wholly owned subsidiary of the housing group. It was registered by the Housing Corporation in September 2001 and operates as the London arm of the Group. S.C.H.A Ltd has approximately 9,500 homes in management and operates in 11 boroughs, and increasingly outside of the capital as well. It employs 149 staff and has a turnover of £18.5m.

### Current structure

Each operating association has its own board of management and sub-committees which are responsible for setting strategic objectives, capital and revenue investment, staffing, budget and performance management. Members of each operating association's board are nominated to the parent (group) board so that the majority of Parent board members are nominees from subsidiary companies. The parent board is responsible for approving each of the operating association's business plans but works towards the development of a strategic approach across the group. It is an explicit aim of the group structure to clarify the respective roles of the parent and its subsidiaries.

The structure may give rise to potential confusion, but with the agreed terms of reference for the revised governance structure it produces an arrangement which is more transparent and accountable both internally and externally to residents, local authorities, the housing corporation, funders and other stakeholders. There are intercompany arrangements and transactions which are the subject of specific service level agreements that set out clearly the rights and obligations of the parent and the operating associations, the level of service to be provided together with performance targets and costings.

S.C.H.A Ltd's board has a minimum of 12 members plus provision for three co-optees drawn from local people and with enhanced representation from residents, a third of the board places being reserved for tenants who are elected by the 40-member residents' council. S.C.H.A Ltd has the right to nominate two group board members. The board is advised by a chief executive, who shares responsibility with group services director for corporate services, development, finance, IT and human resources. Other individuals are co-opted to the board if there is a need for particular skills. The Residents' Council is open to any resident provided they are not subject to legal action in connection with their tenancy or lease. It acts as the primary consultative group for residents.

There are also interest groups that residents are encouraged to join, focusing on particular operational issues such as maintenance, design and disability.

In addition there is a group-wide 'umbrella' residents' compact with a series of 'local' compacts such as for S.C.H.A Ltd General Needs or Future Homes. These provide standards for consulting, involving and informing residents.

The housing group is the umbrella organisation for a number of social landlords and businesses. This group structure is relatively new and those involved in creating it are aware of the potential difficulties between strategic development, local participation and service delivery.

#### Participation and governance

Participation is regarded as fundamental to the work, as a consequence there is a clear participation strategy that operates throughout the group. It is hoped that the strategy will ensure that there is participation in every aspect of the work, from local estate to the broader strategic issues. As a further demonstration of the importance placed on participation, the S.C.H.A employs a resident involvement manager. The manager acts as a driver for participation within the organisation.

S.C.H.A is proud of its achievements in developing mechanisms for participation "participation has improved radically over the last fifteen years. For example in the previous structure there were 3 area committees feeding into a housing services committee with no direct line to the board. There was no way residents could feel a part of the decision making process."

Chair of the Association

The benefits of participation in governance were described as:

- Improving the quality of work.
- Improving services.
- Better decision-making.

And the downside was identified as:

- The lack of time to deal with complex issues.
- Sometimes lack of interest from residents.
- The time participation takes – getting meeting cycles right to ensure full participation – "effectively it takes six months to get a decision from the establishment of an idea".

It is also recognised that participation can and does have a positive impact for the individual. For example one resident board member has now gone on to serve on the housing corporation.

Although there is a concern to embed participation in the governance of the association there is also a recognition of how difficult this can be from time to time. Maintaining a balance between the consideration of residents' views whilst working within the legal and statutory framework is not always easy. Training for all board members, including those who are residents is fundamental to getting this right

The organisation is also clear where wider participation is inappropriate to decision-making. S.C.H.A is unlikely to use participation in major financial decisions and has carefully reviewed the role participation plays in relation to staff recruitment. Similarly in the residents compact there is a list of things where participation is not anticipated e.g. specific policies.

#### Participation in practice

S.C.H.A has developed a range of ways in which residents participate in the business of the organisation. Consultation with residents is widely used. However there is an awareness of the impact of volume on residents and the often short timescales that have to be set.

Special interest groups are of particular note. These are set up around specific issues such as tenants with disabilities. This group has produced an action plan that includes the identification of a budget for aids and adaptations, the introduction of disability awareness training as part of core training offered to staff.



Another example was the review of the regular newsletter by six tenants (not regular activists) who helped with the redesign.

The residents compact has addressed the issue of participation in staff selection. From simply being involved as a panel member there is now a process that residents can be involved in from the identification of key competences to the final appointment. This process is now used for the selection of front line staff.

S.C.H.A Ltd. uses focus groups in the development of policies and systems. For example, the annual tenants survey 4 years ago suggested that BME respondents were less satisfied than white respondents. A focus group followed this up.

The complaints procedure has recently been changed with the intention of ensuring that issues are dealt with at a local level wherever possible.

The association holds bi-annual residents conferences, there are divergent views about the value of this and particularly whether it provides good value for money.

### Participation in the future

To maintain participation whilst the group continues to grow is a challenge. The group is considering the establishment of "regional panels" to replace the Residents Council in order to create a broader base than is currently possible.

S.C.H.A Ltd. wants to ensure that the whole Board make-up adequately reflects the community it serves. There is a need to broaden the base of participation beyond those residents who are regular activists. Residents want more detailed feedback following consultation on specific topics.

### Summary

This is a large organisation, that operates as part of a group of organisations, where participation is clearly a part of the ethos, and value base of the work. In many ways the members of the Association are regarded as the 'owners' of the organisation so participation is not 'bolted on' but embedded in the systems and processes.

This is not to say that maintaining participation is easy or that the methods used are always the best ones. There is however a commitment throughout the organisation to the values base and a willingness to 'experiment' with alternatives and review effectiveness. As a well established organisation there is lots of experience of what has and hasn't worked and this gives confidence in developing or testing new approaches.

Although working within a highly regulated sector, participation is well supported. Regulation does not appear to deter the development of participation.

As a further demonstration of the added value that participation can bring the Association is able to employ a worker to focus on this area.

The expectation is that participation will continue to increase, as residents are ready to take on responsibilities.

## User-led Organisation

Voluntary organisations are being encouraged to be 'user-led', whilst there is still much to be discussed about what this means in practice. This case study provides a description of how one organisation is addressing issues of participation and user leadership.

### Profile of the organisation

SP is a voluntary organisation, which supports people with physical and / or learning disabilities to speak up for themselves and have more control in their lives. They are different from many organisations because disabled people are not only users of the service but carry out most of the work of delivery and are at the heart of decision-making.

SP is a company limited by guarantee and registered as a charity. Their values are:

- To help people to speak up for themselves and to decide about the work that they do.
- To recognise that everyone has something important to offer and that what people say matters.
- SP is about having and building confidence.

The organisation's aims are set out as follows:

- To help people with learning and / or physical disabilities to speak up for themselves.
- To support disabled people to have more of a say in their lives.
- To help disabled people make friends and build relationships.
- To help disabled people become more confident.
- To help disabled people know their rights.
- To let people know about the challenges faced by disabled people.

### Participation

The organisation is structured to ensure that people with disabilities, who are the users of the services as well as the deliverers of much of the services, are represented throughout at all levels and have high levels of power and control in governance and strategic planning. This participation goes well beyond simple communication and consultation and the

organisation invests heavily (staff team and other financial resources) in ensuring that participation is real and effective.

### Participation in governance

The board has thirteen members who are elected at the annual general meeting (AGM). Four of these members are nominated by the programme committee that is made up of volunteer members who are all adults with disabilities.

Although the board is elected at the AGM, all those nominated to the board must have been a member of the organisation for at least one year, in order to be eligible for nomination. It seems that it is common practice for the current board to discuss its needs in relation to filling places and ensure a range of skills at board level prior to the AGM. This, therefore, means that in many cases those standing for election have already been identified by the board, had discussions with key board members, have agreed to stand for election and have been a member of the organisation for at least one year. In some cases they will have been a member of the programme committee and have therefore gained skills and experience of serving on a key committee.

The programme committee is a long-established body within the structure of the organisation and is the major mechanism through which the organisation plans its work and programmes. Since the committee is made up entirely from members/users it also ensures that members are centrally involved in planning and agreeing upon the work that the organisation will undertake. The programme committee meets monthly and reports to the full board. The co-chairpersons (two) of the programme committee are also both currently members of the board.

### Support for participation in governance

The organisation places high priority on full participation by its members at all levels and has devised a range of mechanisms and processes to support this. For example, a member of staff meets with the co-chairs of the programme committee in advance of committee meetings in order to assist with

agendas and planning the meeting. Staff members also attend meetings of the programme committee on a rotational basis, so that they can offer support and act as a line of communication between the committee and the staff team. In addition, the committee can request that specific members of staff attend meetings in order to have input to particular agenda items.

Other support mechanisms include a programme of induction and training for board members in their roles and responsibilities and continuing support in skills development, including understanding finance. In order to achieve higher levels of effectiveness, training materials and support is available in a range of ways suited to the needs of the individual member including one-to-one meetings, back up materials provided in plain English. Other documentation is available on tape, using big print or pictures dependent upon individual needs and requests. There are plans for an away day for members of the board and the programme committee, so that they can build a better understanding of the governance structures, their individual roles and responsibilities and develop working relationships between the two key committees.

The chief executive summed up the organisation's approach to participation when she said: "the 'way' things are done are important at SP – other organisations focus on the outcomes, but we have a sense that if you do the right thing, it will come out right." It was also recognised that participation can, and does, take time and resources, but if it is important then these have to be made available. Participation is seen as being "a step for disabled people and users having more control of the organisation."

When asked why he was involved, one of the co-chairs of the programme committee responded: "to help disabled people gain more freedom in their own lives." As a disabled person, the co-chair has taken on a large amount of voluntary work to support the organisation, but feels he is given real support to be able to fulfil this role. He sees himself as supporting others to achieve their goals and although he has a disability, puts in many

hours a week as a volunteer into the project.

The organisation has put in place a range of mechanisms for communication with and by the members that they feel helps to break down barriers to participation. This includes regular newsletters produced in accessible forms (using pictures, recorded on tape or in big print). The AGM, is an event open to all members and efforts are made to ensure that people can, and do participate. In the summer, there is an annual Fayre and all members are invited to take part. This is a social event but does have an impact on how people feel about their involvement in the organisation. In addition to the staff team, the organisation has about eighty regular volunteers who are mostly users of the service. Some of these serve on the board and various committees, whilst others take part in the delivery of courses and support members to use the services. It is noted that even the regular programme of training is delivered by volunteer members who themselves have a disability, with training officers supporting these volunteers to design, develop and deliver the training.

### Constraints to participation

An organisation that seeks to ensure full participation by its members, most of whom have a disability, faces real challenges. In terms of complying with the legal requirements of being both a company, registered under the Companies Act and a registered charity, the organisation must ensure that its elected board has the skills and abilities to fulfil their responsibilities and are aware of any possible liabilities. As with many organisations that seek to be 'user-led' SP have to ensure that their board and members have appropriate and sufficient levels of guidance, and that ultimately they do comply within their regulatory and legal frameworks.

In order to support the board to meet their legal obligations, the board operates within a framework of agreed policies and procedures, and ensures that these are reviewed on a regular basis and that all members of the Board and other committees are fully aware of their responsibilities within these policies.

SP have worked hard to introduce innovative practices for ensuring full participation at all levels and have had to do much of this in isolation as they feel that there is a lack of access to models of participation for user-led organisations and that much of the guidance is confusing and contradictory. This has meant that they must constantly be vigilant about how they operate, but would like to be able to draw on others' experiences.

SP is an organisation, typical of many such in the UK today, that is striving to ensure democratic and effective participation and control by the membership group of users that it exists to serve, but is trying to do so within a legal and regulatory framework that is not really designed for user-led organisations and in fact presents major hurdles that must be overcome. The users who are on the board must ensure that there is no conflict between being a user and therefore beneficiary of the charity and being responsible for stewardship. SP also struggles with including those with learning disabilities at a board level whilst ensuring that these individuals have the ability to fulfil their legal responsibilities.

There is also a concern that individuals who are vulnerable must have a full understanding of the responsibilities and liabilities that they carry as members of a board of directors and charitable trustees.

SP are, as an organisation, making every effort to ensure that all of the members of the board receive adequate support in being able to fulfil their responsibilities and that they continue to try and break down barriers to participation and access by people with disabilities.

### **Social Employment Co-operative**

**Social enterprise has become a focus of attention in recent years with particular attention on 'social firms', those trading enterprises run by and for people with disabilities. This case study demonstrates some of the participation and governance issues being addressed by one such enterprise.**

### **Profile of the organisation**

The principle of the social employment co-operative is to offer an alternative to the traditional 'sheltered workshop' as a structure for offering training and employment opportunities for people with special needs. The co-operative model allows for a degree of self-management by the beneficiary group, in addition to the benefits they receive as recipients of training, work experience and earnings. This in turn should lead to enhanced opportunities for personal and social participation in the wider community.

In some parts of mainland Europe, 'integration co-operatives' (as they tend to be called) are a standard element within social services provision and are used as a means of advancing the welfare of such groups as ex-offenders,

### **Summary**

This is a user-led organisation, working towards ensuring inclusion and control by its main beneficiary group – people with disabilities. The organisation has developed highly innovative approaches to participation based on a strong shared set of values centred on equality and the value of people. These approaches have become embedded in the culture and it is difficult to see how the focus on participation could be diluted.

The organisation has had to draw on what models it could find and in particular has learned from other user-led organisations. The value of shared experience and peer learning is apparent since this is largely a grass roots response to an issue.

recovering drug addicts, refugees, and people with a range of disabilities. In the UK, the model has mainly been promoted for use with the latter group, and in particular people with learning disabilities. Commonly one will see people with disabilities and those without, working side by side and participating in the governance of the co-operative.

This organisation was established on this model in 1988, providing a range of packing and despatch services to the public and private sectors. It operates from a large rented warehouse that contains office space in addition to the extensive storage space required by the business. It has a staff of 18 and a turnover in excess of £1 million p.a. It is registered as a company limited by guarantee and does not have charitable status.

The beneficiary employees are engaged in labour-intensive, mostly repetitive tasks, assembling a wide range of products for a variety of customers. Workers will require varying levels of supervision and support, depending on their personal capacity.

The co-operative is entirely self-financing, unlike many other social employment co-operatives that require ongoing subsidy from public funds. It does not benefit from the fiscal and other advantages that charities enjoy.

Furthermore this co-operative does not even use its social service credentials as a marketing tool, which again is common elsewhere: it competes directly with other providers on the basis of service and price, as a conventional business. Contracts are not secured because customers wish to support the social aspect of the business, as most are entirely unaware of it. Consequently quality control has to be of a high standard, as customers will not make any allowances for individual problems which employees may be experiencing.

Some of the employees with learning disabilities have been with the co-operative for as long as 15 years, and it clearly plays a major and immensely positive role in the lives of this group.

### Employee participation in governance

Although the business was structured as a co-operative to encourage participation from the employee-beneficiaries, this is not how things work in practice. There are just five members of the co-operative, who also constitute its board of directors. These five are two senior employees (who do not have learning disabilities); two non-executive directors, who are recruited from industry and commerce through networking activity, and who are paid for their contribution; and a local councillor who does not generally attend meetings.

Two reasons were given for the lack of participation by employees in membership:

- 1 They are not interested in the possibility, and they don't especially want the accompanying responsibility: they want the employment and the wage cheque.
- 2 They do not have the required capacity to make a constructive contribution to the management of the business. Levels of literacy and numeracy are not high.

The simple question was posed: would either the business or the individuals benefit if they were to become voting members of the co-operative?

An example was offered: if there were a trading surplus, and the employees were given the freedom to decide how it should be spent, it would almost certainly go on a party, because they like parties. The capacity of the employees is such that they are unable to make connections between causes and effects; and so it would not be possible to get the message across that failure to re-invest in the business would eventually mean that their jobs would go.

The point was also made that the present members of the co-operative do not tolerate tokenism, and acting as if the beneficiary-employees could actually run the business would be just that. The way the business is managed reflects the reality of the situation and gives the employees what they actually want, i.e. stable and rewarding employment in a supportive environment.

This issue of capacity is clearly highly significant when looking at self-management

opportunities for people with learning disabilities or mental health problems. In 2000, the charity ICOM Training produced a pack entitled "Co-opability", a manual for establishing social employment co-operatives for people with mental health problems. The section in this pack dealing with structures concluded that the degree of self-management that might be possible or advisable would vary from project to project, depending on the level of difficulty faced by the intended beneficiary group.

### Other employee participation

Although this enterprise does not feature employee-beneficiary participation within its formal structure, it does involve its employees in decision-making by other routes.

Regular staff meetings are held, where the situation of the business is explained carefully and in a way that helps the workers to understand what they need to be doing and why. At the same time feedback from these staff meetings can influence decision-making by the board.

Employees are also involved in staff recruitment, suggestion schemes, evaluation processes, and complaints procedures. They are entitled to attend board meetings, and some do, and they are also involved as ambassadors for the organisation on occasions. All employees are invited to the AGM, where attendance is good as it is held in work time, to review the annual reports.

Importantly, the workers also participate in profit distribution when there is some available surplus.

Thus the range of means by which employee-beneficiaries are encouraged to participate in the overall running and success of the business

is considerable, even though the original intention behind adopting this structure – i.e. that they should be voting members – has not so far been fulfilled. The negative aspect to this is that should the management at some future date reduce the opportunities for the employees to be involved, they will have no constitutional power to reverse this trend (e.g. by voting the board out of office!). Therefore current levels of employee participation are dependant on the continuing goodwill of the management.

### Promoting further participation

The management team have expressed a wish to "try again" at involving the employees more in governance issues and membership. Given the reasons why this hasn't happened in the past, the question was posed: why?

- Because the organisation is structured as a co-operative, they feel they should, partly out of respect for its origins.
- Because all involved still support the principle of employee involvement "within limits".
- Because the business plan and the infrastructure are now more settled than has been the case in the past, so it is much clearer just what people are getting themselves involved in.
- Because the employees have demonstrated their capacity to respond to circumstances so far as they are able; they notice when things are going wrong and are sensitive about their own mistakes.

However, any ideological support for employee participation must be tempered with pragmatism, as the business must remain competitive and maintain its financial integrity. The fact that it is completely self-financing through trading activities brings independence and sustainability, but also means that internal discipline must remain high. Also, as previously noted, there is no enthusiasm for token gestures for their own sake.

## YP Housing Group

**This case study illustrates some of the problems of participation that are common within the not for profit sector, and particularly within those organisations where membership is limited to the board members only.**

### Profile of the organisation

YP Housing Group is a company limited by guarantee and a registered charity. YP was developed as a result of a homelessness project set up by a church group in 1994. The group developed along conventional lines with the establishment of a committee who were also volunteers. The project sought to support young people who were homeless or threatened with homelessness, providing advice and practical support.

The project volunteers were linked with a youth group and most of the actual work was carried out through a youth work setting. In this context, there was a very direct and practical link with users through personal contact.

Early applications for funds were successful and in the second year of operation the group were in a position to take on a small office and appoint a worker. This worker had been the key volunteer and a central figure in driving the project forward.

It was at that stage that the organisation started to formalise their committee structure and look at the legal frameworks. With assistance from an external consultant they registered as a company limited by guarantee and gained charitable status.

The legal structure allowed for members but these were effectively limited to those named on the registration papers and any directors/trustees appointed to the board by the board.

Over the next three years the organisation continued to formalise and develop more sophisticated systems of management. The group moved to new premises and took on new members of staff. The office base included

### Summary

As a social employment co-operative, the organisation must strive to be effective on many levels at once. There are distinct differences between a user-led charity where the funds are drawn from charitable sources and a co-operative that must achieve business financial targets in order to maintain employment for a vulnerable group.

Whatever the reality of the past 15 years, the fact remains that this business has a co-operative constitution that permits the employees to become full voting members and involve themselves in management at every level if they choose. A fundamental co-operative principle is that of "open and voluntary membership" – no-one should be required to take up membership if they do not want it, provided no artificial barriers are placed in their way.

Thus, while this enterprise continues to trade on the basis of a co-operative legal structure, it offers the opportunity for participation to those of its workers who would like to take it up. Perhaps there never will be many who wish to do so, but that potential still marks a clear delineation between this enterprise and the more conventional, trustee-controlled sheltered workshop model – and, indeed, the conventional private sector.

small consultation/meeting rooms and so much of the work with clients was now carried out in the office although there was also a strong element of outreach work.

### Governance and management

By 1999 the organisation had a team of 5 staff led by the co-ordinator and a small committee of 6. The majority of these committee members were original volunteers of the project.

The staff team had close bonds. One member of the staff (the second to be appointed) had become a close personal friend to the co-ordinator. Another member of the staff had been a volunteer and founder of the project and had served on the board before resigning to apply for and then take up a paid post.

At that time an external chairperson had been appointed and it was through his urging and support that much of the governance systems and procedures had been put in place. However, as a person who had come to the organisation

more recently and not therefore a founder volunteer, there was some distrust of his motives. Despite the agreement to a range of policies and procedures, he found it difficult to establish the levels of scrutiny that were required, particularly when it related to staffing matters. The co-ordinator tended to 'protect' the staff from the committee and suggest that any additional scrutiny or questions about performance were not the committee's role or that they just did not understand the work and workload. Again, due to the fact that the chairperson had been appointed largely because of the skills he could bring, he did not have prior working relationships with the committee. The chairperson was never really part of the group and did not build social friendships in the way that the other members had.

The committee now had a more distanced role and relationship and whilst this was good in terms of helping them to be objective, some complained that they "did not know what was going on". The organisation was very much led by the staff, and in particular the co-ordinator, who developed the strategy and only looked for this to be 'rubber-stamped' by the committee. Given his key role as a founder, and previous volunteer the majority of the committee tended to defer to the co-ordinator. Even when further scrutiny was merited, this was not done if it would seem to go against the Co-ordinator's view.

Given the nature of the work carried out it is not possible for board members to 'drop in' at the office and so have to make appointments if they wished to meet with a member of staff.

The staff also complained that the board were "distant" and stated that they felt the committee "only seem to be there once every couple of months at meetings and just picked holes in everything we want to do". In effect they were right in that governance had now become a role that was limited to little more than receiving and approving reports although there was a good level of financial scrutiny through a skilled treasurer.

The organisation therefore had to struggle with many tensions at a governance level that was evidenced through:

- A co-ordinator who felt that in order to do his job he must have full control and felt frustrated by having to work to a committee.
- A staff team that viewed the committee as a barrier to progress.
- A committee that deferred to the co-ordinator and did not challenge.
- A chairperson that did not have the full trust of the committee and was increasingly being viewed by the co-ordinator and staff as being too questioning and challenging.
- A disillusioned chairperson.

### User participation

In addition to issues of governance, the organisation did see itself as being highly participative in that it involved its 'users'. The extent of this participation was the root of one tension within the organisations with some taking the view that users should have a place on the board and thereby be involved in decision-making. Others took the view that this type of involvement would be 'lip-service' and it would be preferable to have a policy and strategy on how they would involve users in the broader work of the organisation. Given that many of the users were under 18 years of age, involvement at board level would be limited to those over 18. A policy statement was drawn up that identified a number of key ways in which users would be involved:

- As active participants in an annual review.
- Taking part in interviews for new staff.
- As members of any discussion groups.
- Consulted as part of developing new projects.
- Being members of working groups for new projects.

In addition it was agreed that users would receive a copy of the annual report. Since there was only a very limited membership (the board members), the AGM tended to be focused on the legal minimum and little more so users did not attend.

This level of participation seemed to work well, however, it tended to attract only a very small group of users and their involvement was sporadic. The real participation seemed to take place in a more informal way between staff and



users and this did lead to input on various issues as and when they arose.

### Conclusions

YP group is not untypical of many small community based groups in that it grew from local action and went through a developmental process that started with a reliance on volunteers and 'making do'. The annual turnover from grants increased to over £250,000 in a few years, placing heavier demands on both the staff and committee. For many there was a real struggle between meeting the demands of the organisation that they created and yearning for the old days when it was all much simpler.

Again like many small community based groups, YP have never fully addressed issues of governance in that there is no clear acceptance of and understanding of accountability other than that there must be an audit and an annual report. The role of the committee has never been properly agreed or accepted and this has caused tensions and difficulties. The organisation is staff-led and the committee are compliant, do not challenge and fulfil their responsibilities

without making too many demands.

Despite a legal governing document that specified members, the organisation has never been clear about who its members were, who they should be and how they would be involved in the organisation. Members are therefore limited to a self-appointing board.

There is some clarity about how 'users' could participate. However, there remain tensions since many of the staff, and some of the committee, did not feel full participation was possible if users were not represented at board level.

### Summary

YP is typical of many small issue based voluntary organisations in that it grew out of a volunteer base and now employs some of those volunteers as paid staff. The organisation has placed limits on the levels of participation by users, the board members and any other members. In many respects this is a staff-led organisation with the board undertaking their role of scrutiny within a culture that does not encourage too many questions.

At another level, participation by users has been successful in that there are always volunteers available to take part in interviews, meet with external agencies, get involved in focus groups and generally add to debates and discussions when required.

Membership is limited and is unlikely to be broadened out as the organisation does not see a value in having additional members. They do however make extensive use of advisory groups and consult widely with a wide range of stakeholders when planning new projects etc.

## Worker Co-operative

Whilst worker co-operatives are in one sense fully participative in that all of the workers are equal members, this case study highlights some of the problems of participation and governance that would seem to be common within this form of organisation.

### Profile of the organisation

This wholefood business was originally founded by 4 people who formed a partnership and then registered as a co-operative in 1979. There are currently 24 members. Turnover is over £1m. The rules state the purpose as being "To provide or sell wholefoods and organic food of the highest standard at reasonable prices; to offer an environment for the community to shop in that is friendly and that offers a good service".

The co-operative runs a shop, bakery, café and warehouse. Some members have been with the co-operative since its foundation. Customers are not active participants in the organisation although there is dialogue with 'regulars' and a complaints/comments book in the shop. Comments and feedback from customers are noted and assist in planning.

### Governance

As a worker co-operative, participation by the members is seen as the cornerstone of the business although the roles of governance and management are not clearly divided. There are short term working groups for particular projects and committees for particular tasks such as staffing/personnel issues. There is also a committee that provides overall scrutiny of the business and financial position. This committee has 2 members from each of the operating areas within the co-op. There is a general meeting of all members that is held at least monthly where issues are decided either by consensus or by voting.

On a day-to-day operational level, all members participate in the running of the organisation although responsibility for both work and the running of the business is divided. For example within the shop everyone has a particular role in looking after a specific section and this is

rotated regularly. Individual members take on specific responsibilities for particular management tasks so for example the financial reporting is done by one person producing quarterly reports. The members see participation as part of the principle of creating a broader sense of ownership by co-operative members and regard that as a major strength especially in relation to the development of policies to support the growth of the business. A major perceived benefit in comparison to traditionally structured businesses is that the members have the success of the business at heart and this engenders a high level of job satisfaction as well as commitment.

In common with all worker co-operatives, the range of skills and experience of various aspects of management varies. The system of involving larger numbers of people, on an equitable basis does have an impact on efficiency and effectiveness. Meetings can go on too long, are not as structured as they should be and sometimes not chaired as effectively as they could be.

Another aspect is how disagreements over business issues are resolved since members tend to be friends as well as colleagues and also socialise together. Reaching a resolution can be difficult and time consuming although the members felt that most difficulties were ultimately resolved amicably.

### Participation

The co-operative uses a number of methods to sustain participation including regular briefing meetings, short term working groups, occasional consultation documents and involvement in the regular evaluation of the business. Most of the methods of participation have been embedded in the organisation since it began.

High levels of participation, although desirable, are seen as sometimes being inefficient and extremely time consuming. The size of the membership can make monthly meetings somewhat unwieldy and sometimes difficult to manage.

An interesting focus is the way in which new members are selected. If there is a vacancy it is advertised and the small personnel group carry out shortlisting and work with others who are interested on the selection. The individual selected is then offered a six-month trial period, at the end of which all members are invited to complete an evaluation form about the individual. This information is then used by the personnel group to make a recommendation to the whole membership. It is pointed out that individual members supplying written comments would also be prepared to relay them in person to the individual concerned. There is also a buddy system for new members.

The co-operative is exploring peer assessment within the co-operative but the detail of this, although accepted in principle, has yet to be resolved. If one member is currently concerned about another they are expected to try and resolve it between themselves rather than involve others.

Feedback from customers is only sought from those who use the bakery and this has led to a change in products. Otherwise complaints tend to centre on availability rather than any other aspect of the service being provided.

There is a profit sharing scheme that operates quarterly in arrears, each member receives an equal share.

Generally it was felt that participation was good for the success of the business. However, time constraints made it very difficult to have in-depth discussions about any particular issue and often meetings concentrated on trivial issues rather than those that required debate and decision. In addition because of the way rotas for the shop etc. work some individuals find it difficult to participate when they want to.

The view was also expressed that this organisation may offer a rather idiosyncratic model and indeed may have succeeded because it is in a town where there is a sizable 'alternative' community.

### Summary

This is a long established wholefood co-operative with the models of working and participation similar to many smaller wholefood co-operatives and based on collective working practice. There is a flat structure with no defined hierarchy for decision-making or management and based upon high levels of participation by all of the members regardless of their levels of skills and experience.

As with many small co-operatives there is also no clear delineation between management and governance and the two issues are often addressed simultaneously at the same meetings and by the same people.

Flat structures of management and decision-making present difficulties in achieving effectiveness and efficiency. The members are concerned with how to achieve business and financial targets whilst sustaining the principles of working as a co-operative. Finding ways in which to ensure full involvement and participation by all members and provide for effective and efficient management and governance is fraught with difficulties. Long meetings, difficulties in reaching decisions and difficulties in delegating authority and management tasks are all common experiences within this type of structure.

Many of the systems for management and participation are long established and making changes could present major difficulties, particularly if members felt their levels of participation were being diluted. It may however be possible for worker co-operatives to gain a better understanding of what constitutes governance and to develop ways in which the processes of governance are separated out from day to day management. This would need to be tested out and models examined and developed.

## Social Enterprise Finance Institution

**This case study presents a unique organisation, but one that has had to grapple with some key issues of governance and participation within a national, member based structure and operating within the field of social finance.**

### Profile of the organisation

The legal structure of this organisation is relatively complex and sophisticated. It was originally established in 1973 as a company limited by guarantee on the conventional voluntary sector model. Interested individuals could apply for membership and pay a small annual subscription (currently still only £8 p.a.), with a board of directors elected by and from the membership at the annual general meeting.

Member participation at that time was limited to attendance at the occasional general meeting, and providing individuals to serve on its board of management.

The motive for establishing the organisation was to build up a fund that could be used to provide sympathetic loans to democratic, employee-owned co-operative businesses. In contrast to conventional lenders, no personal guarantees are required (loans are secured solely on the assets of the business) and loan officers monitor and assist borrowing businesses, as the overall aim is to develop a flourishing co-operative sector rather than to maximise the return on investments.

In 1976 this company received £250,000 from the Government that provided the basis for its revolving loan fund. Since that initial injection of public money, the organisation has been entirely self-financing from its lending and consultancy business.

The company also manages smaller funds on behalf of 10 local authorities, for lending within their administrative areas.

As the original loan fund began to dwindle, a new mechanism was needed to access capital from which to make further loans. In 1987 a public limited company (p.l.c.) was registered

as a wholly owned subsidiary of the original company limited by guarantee. The p.l.c. issues non-voting shares to people sympathetic to its aims. Around £1 million has so far been raised by this means.

As the p.l.c. shares are non-voting, the shareholders do not really have much of a role in the governance of the p.l.c., other than to elect annually a shareholders' representative to serve on the board of the parent company. Shareholders' primary participation in the p.l.c. is financial.

The p.l.c., like the original company, is restricted to lending to worker co-operatives. A review of the market in the early 1990s demonstrated clearly that there were many other organisations within what may be called 'the social economy' that had a need for sympathetic finance. Thus in 1994 a further organisation was created, this time registered as a community benefit society under Industrial & Provident Society legislation, with a broader remit to support a wide range of social enterprises. Like the p.l.c., a community benefit society may issue shares to the public but on rather different terms. The value of the community benefit society on its last published balance sheet was just under £700,000.

Shareholders in the community benefit society hold voting rights (one member, one vote) and elect a board of management from amongst their own number. Members thus participate both financially and constitutionally in the organisation. Just to add to the complexity, another company was established as a subsidiary of the original company to hold dividends that some shareholders waive voluntarily, a guarantee fund that can be used to offset any lending losses without damaging core capital. (See diagram below).

The organisation now comprises four separate legal entities, which together are called 'the family'. The three limited companies are directly linked and are referred to as 'the group'. While there is some overlap between shareholders in the p.l.c. and in the society, these groups are not identical. Furthermore, the society is in the process of launching a number

of regional funds and attracting shareholders from within these regions, to contribute to ring-fenced funds that will be lent only within those regions.

The boards of the community benefit society and the group are elected separately by the relevant memberships, but to date it has proved possible to ensure that the same people serve on the two boards (through the use of co-option powers) thus enabling the family to be run in a harmonious and integrated fashion.

### Some Figures

Membership:

- The (original) company limited by guarantee has **136** members.
- The p.l.c. has **625** non-voting shareholders.
- The community benefit society has **488** shareholder members.

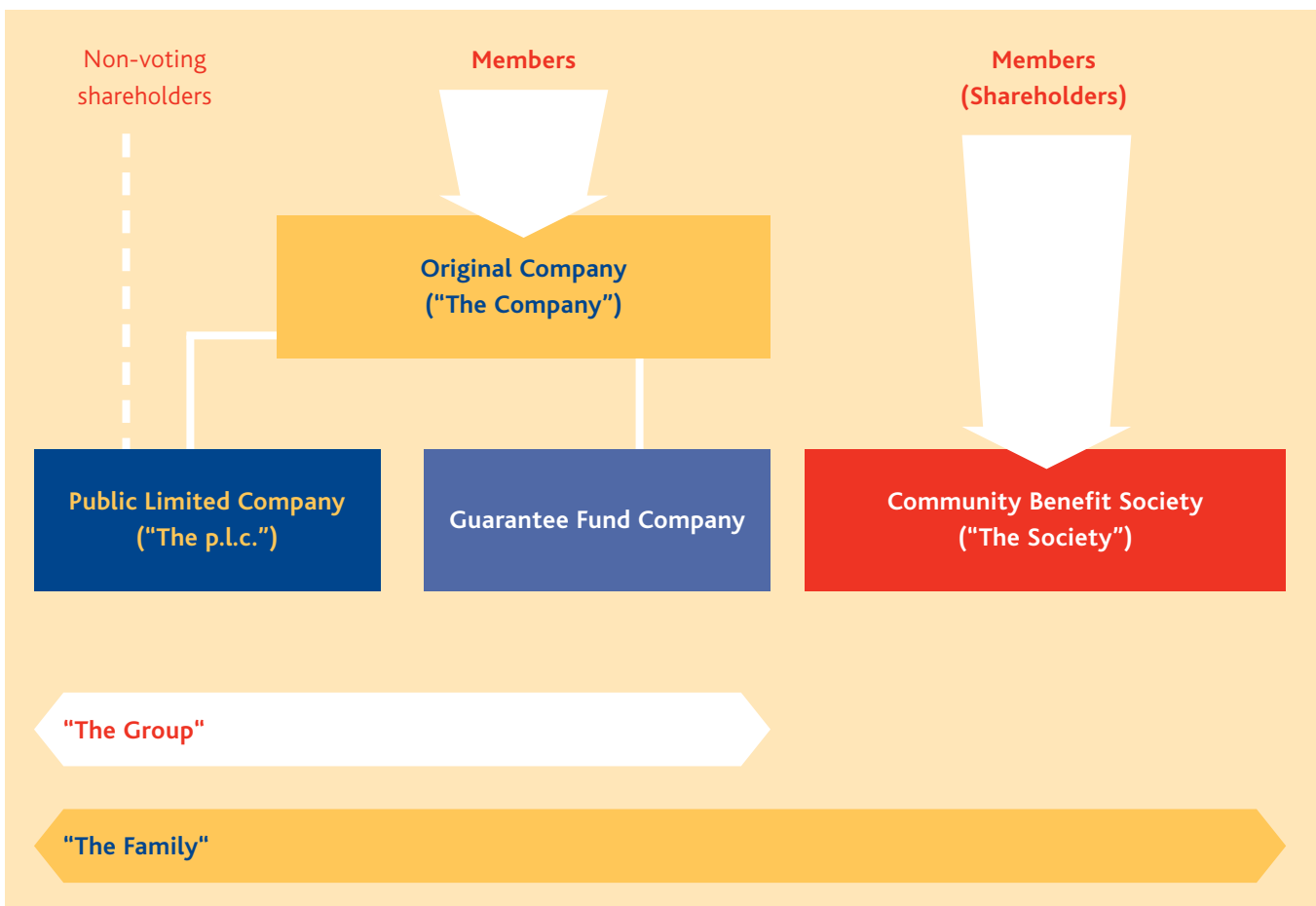
Proposed rule changes will mean that p.l.c. shareholders and members of the society will have a right (and will be encouraged) to become members of the original parent

company, which should see an increase in membership numbers there.

At the end of 2001:

- **Group** income for the year was **£220,499**.
- Group profit for the year was **£29,157**.
- A 2% dividend was paid to p.l.c. shareholders that amounted to **£17,825**.
- Shareholders' funds in the p.l.c. were worth **£1,148,100**.
- The **community benefit society's** income was **£47,789**.
- The society made a loss of **£57,383** (owing to one spectacular loss on a loan; otherwise the society made a small operating profit).
- No dividend was declared.
- Shareholders' funds in the society were worth **£683,809**.

At the end of 2002, the group had over £1 million out on loan, while the community benefit society had nearly £400,000 out.



### Participation

The family essentially has three client groups: members of the company; investors in the p.l.c and shareholder-members of the society; and the borrowers.

#### The importance of participation

The importance of maintaining investor participation is to ensure that they leave their money in the fund and add to it when necessary. For example, during 2001 the p.l.c almost ran out of money to lend, and an appeal to shareholders yielded an additional £100,000. Shareholders are also encouraged to waive their rights to a dividend so that unclaimed dividends can be put into the guarantee fund as a buffer against lending losses. Investor loyalty is essential to the organisation so that it can achieve its purposes, i.e. an expansion of the social enterprise and co-operative sectors through the provision of sympathetic loan finance.

At root, investor loyalty arises from a shared commitment to the principles of ethical investment and lending. As the number of community development finance initiatives ("C.D.F.I.s") has recently begun to grow rapidly, and they all seek to tempt ethical investors, this organisation finds itself with a degree of competition to which it has not been accustomed. It will have to work increasingly hard to attract and retain investors.

Maintaining **borrower** participation is not directly essential to the organisation's well being but it does bring benefits:

- It contributes to the overall cohesion of the sector and thus furthers the organisation's own objectives.
- Today's borrowers may well be tomorrow's investors.
- Borrowers are more likely to contribute to the organisation's aims, e.g. through acting as examples for PR purposes.

The significance of participation to governance is two-fold:

- members and shareholders can provide a pool of committed people from which to draw future board members.

- they provide accountability for the present board.

#### How is Participation Encouraged?

- A (fairly) regular newsletter is distributed amongst all stakeholders to keep them informed of developments, successes and failures.
- Annual reports are circulated with detailed accounts.
- Members and shareholders are encouraged to attend the annual general meeting, and effort is made to make these meetings interesting through the presence of guest speakers, using attractive venues, providing refreshments, etc.
- Occasional surveys are undertaken to seek the views of members and shareholders on such issues as the organisation's ethical investment policy.
- A website is maintained.

Participation is encouraged amongst borrowers by making membership a condition of receiving a loan, thus locking them into the constitutional structure.

At least one board meeting in each year is held at the premises of a borrowing organisation to maintain a degree of contact, though of course this only affects a very small number of borrowers.

#### How is participation demonstrated?

One measure is the number of members who put themselves forward for election to the board. On this measure, the organisation does not do well. Prospective board members are invariably approached rather than coming forward spontaneously.

Most AGMs see at least one awkward question posed to the board and staff, and occasionally queries are raised by post. This is generally welcomed as it keeps the board members on their toes and aware of issues which are of concern to members and shareholders.

There is a policy that board members may be paid for work undertaken for the organisation, which is not the case in many not for profit bodies. This avoids discouraging people from standing for board membership on the basis

that they may then be disqualified from bidding for contracts. This is known to be an issue in some other organisations.

### What are the barriers to participation?

Opportunities for participation are limited. The organisation runs a fairly technical business, receiving and assessing loan applications, managing the loans, and supporting borrower businesses. There is no scope here for, say, voluntary input, and it is unlikely that the FSA would approve of such an approach to dealing with investors' funds.

As a national organisation, its members and stakeholders are scattered widely.

Both members and shareholders tend to be in the older age bracket. Not only does this perhaps make it less likely they will turn out for meetings etc., it is also a real worry with regard to investment levels. Each year a number of investments are withdrawn because the investor has died. Some strategy is needed to bring more, younger people into the fold.

### Past, present and future

Historically, participation in governance issues has been poor. It is very rare for anyone to offer themselves for election to the board without being asked, attendance at general meetings has been low, and even board meetings sometimes run with barely quorate levels of attendance.

This is no doubt partly due to the organisation's genesis. The idea for such a loan fund was developed within an existing membership organisation, but problems were foreseen with a decision-making board made up of actual or potential borrowers. The separation of the loan fund into a separate company was to ensure greater objectivity, but membership development was never seen as a priority in the way it was within the original organisation.

On the other hand, investment levels and numbers of applications for loans have both grown steadily, and this is perhaps a more important measure of stakeholder participation.

Recent innovations to counter low levels of participation include:

- Making the AGM a more attractive event, which certainly paid off last year.
- Requiring borrowers to become members, although this has not made much of an impact yet.
- Taking pains to explain the convoluted structure of the organisation more clearly in the annual report and at meetings, which does seem to have been well-received and may encourage greater participation in the future.
- Moving board meetings around the country, but this has actually had an adverse impact on attendance and will be reviewed.

The organisation is generally pleased that the past couple of years have seen a modest increase in participation (e.g. attendance at AGMs), but does not necessarily see such organisational factors as being the most significant methods of measuring its success in achieving participation. Increased levels of investment and borrowing are perhaps more meaningful measures.

In terms of promoting participation more generally in society, greater lending activity will have far more impact than the internal operation of the lending body.

### Summary

This organisation is long established and has a complex structure with various requirements as to membership and participation. As an investment and lending institution that in addition must comply with various regulatory frameworks, most notably the Financial Services Authority, the organisation has limits on the extent to which members can participate. Maintaining some objectivity in order to be able to fulfil their role as a lender is also important.

Within the constraints however, the organisation does seek to encourage participation to a certain extent and has recognised that more could be done to increase this.



### XYZ Credit Union

**As a finance co-operative with individual members, credit unions would seem to be have an appropriate structure for encouraging full participation. This case study present some of the key issues faced by one such organisation.**

#### Profile of the organisation

XYZ Credit Union was formed in 2002, from the amalgamation of five smaller credit unions to form a credit union covering a large geographical area.

The credit union is a financial co-operative, which is owned and controlled by its members. The credit union offers both a savings a lending facility for its members and membership is open to all those who are eligible (through a common bond) and only members can make use of its services. The common bond is defined in this case as being all members living in the same community. Anyone aged 18 or over, who lives or works in the area (this is known as the credit union's common bond area) is able to join the credit union. (Under 16s can join as junior savers – i.e. not as shareholders). The credit union currently has 625 active members (this is defined as members who save regularly, whose share account is active). Between them, the members have shares of £79,200 in the credit union.

By their nature, and through legislation (Industrial & Provident Societies Act and Credit Union Acts) and regulation by the Financial Services Authority (FSA), credit unions are highly structured and rule-bound organisations with participation tightly controlled. (Each credit union works to an approved rulebook, registered with the FSA.)

#### Governance

The credit union is directed and controlled by a volunteer board of directors. All officers of the credit union are members of the credit union, who are elected by the membership at the AGM. All members of the credit union have one vote, regardless of how many shares they own. The members elect the board, supervisory committee and credit committee annually – only credit union members may vote and only

credit union members are eligible to stand for election. The board currently consists of seven members, with a supervisory committee (internal audit) of three and a credit committee (loans) of three. An additional twenty-one volunteers undertake a variety of operational functions such as running community based collection points, where members can deposit savings, acting as loan officers, and assisting in the administration of the credit union.

The meetings of the board are closed to members, (unlike in many credit unions, which allow observers). It usually operates through consensus, although voting is used to resolve issues where necessary.

Features of the board, as described by the respondents, are:

- Board members are local so have local knowledge.
- Board members have come up "through the ranks" and are still ordinary members in terms of receiving services from the credit union.
- There is open communication, both within the board and between the board, other committees, volunteers and staff.
- It is in touch with the membership, both directly, and indirectly through reports from credit committee, supervisory committee and project manager.
- It is experienced and well-trained (training is provided both in-house, by experienced staff and volunteers, and through the national ABCUL training programme, delivered locally).

Since the credit union is tightly regulated, the governance of the credit union is therefore constrained in the sense that it must meet and maintain the requirements of the FSA.

### Participation

In XYZ Credit Union, the history of five smaller credit unions has been one of ordinary members (i.e. users of credit union services) becoming volunteers in an operational role and eventually becoming involved in the board of management or the supervisory committee.

Until comparatively recently all the work of the XYZ Credit Union has been undertaken by members in a voluntary capacity. Since the amalgamation, a project linked to, but not directly managed by, the credit union has been funded to provide development and operations staff and a project manager. This team is employed by the XYZ Credit Union Forum Committee (the Forum existed prior to the amalgamation and acted as a networking and training body for the five earlier credit unions). This organisational format is unusual within the credit union movement, where most of the larger credit unions employ their staff directly. However, this approach was agreed for pragmatic reasons to do with funding.

The Credit Union Development Project employs a manager, member development officers, a member services assistant, and an administrator. The manager reports to both the project management committee (which is made up entirely of credit union volunteers, one of whom is a director and two of whom are on the supervisory committee) and to the board.

Whilst there is no written agreement, it is acknowledged by the project committee that the credit union board has the ultimate say in how the staff team develops and runs the credit union on a day-to-day basis. Both the chair and the manager stated that this arrangement worked well in practice, as there was good will from all parties to do the best for the credit union. This begs the question of what would happen if that good will broke down. The board, the body with responsibility for running the credit union on behalf of the members, would not control the staff that were acting on behalf of the members. In that sense the project management arrangements

could undermine the integrity of the credit union structure.

Members and staff agreed that participation was crucial to the success and continuing existence of the credit union. As the chair pointed out, all board and committee members are also ordinary members of the credit union, using the services of the credit union and in direct and indirect contact on a regular and frequent basis with other ordinary members.

Each respondent pointed out that the involvement of members in the running of the credit union offered individuals new skills, confidence and an opportunity to go on to other things e.g. employment training education, other community work. However, from the point of view of the credit union, it empowered volunteers to take control of the credit union, which, as noted above, is a crucial factor in any successful credit union.

The credit union keeps in touch with its ordinary members in a number of ways:

- A regular newsletter to keep members informed.
- AGM– invitation sent to all members and posted at all collection points.
- AGM papers contain information about volunteer/committee vacancies, including a job description, expected time commitment etc.
- Development staff members are out and about in the communities, meeting both members and prospective members daily.
- Collectors, loans officers, and member services assistant are in contact with members daily.
- The board and other volunteers run promotional events (talks, stalls at public events e.g. Adult Learners Week.)
- All members' complaints and formal comments are brought up at board meetings for discussion and action. (The FSA now requires all credit unions to adopt a policy on dealing with customer complaints.)

The respondents characterise governance issues in a number of ways. The following are some quotes from respondents:

“Governance = ownership = empowerment = growth, both personal and credit union growth, through education.”

“Members are part of a family, part of a movement.”

“The credit union provides a personal service where people are valued.”

“Mutuality – services are as important as ideology.”

“All avenues are there – members need to be made aware of what is available, in terms of both credit union services and volunteer/management opportunities.”

“The idea is, through personal contact, to persuade members to volunteer for operational work and then to entice them to stand for election. It’s no good waiting for people to come forward, we need to get out there and find them.”

“The credit union is open to people getting involved.”

The active credit union members seem to have a good understanding of governance, and can clearly articulate the reasons why their organisation wants and needs to involve the membership. However the respondents are well aware of the boundaries of openness. Confidentiality has a particular relevance in credit unions, as volunteers are dealing with personal financial information. All volunteers and staff in XYZ Credit Union are required to sign confidentiality statements annually, which oblige them not to disclose any member information to any third party (including to other credit union officers and volunteers unless this is required in fulfilling their role). Similarly confidentiality extends to personnel / staffing matters, this being an issue for the project management committee.

### Improvements to communication and participation

The credit union identified a number of areas where it felt improvements were needed in relation to participation and raised the following issues:

- New board members are needed – to ensure succession, and to bring in new ideas and attitudes.
- The board to a degree can be too passive at times, placing trust in the staff to do the right thing. This makes life easier for staff but can lead to a lack of pro-action and constructive criticism.
- The directors need ability to understand/interpret information and contribute critically (i.e. need to continue to update skills through training) in order to be confidently pro-active, instead of passive and accepting of staff proposals.

In terms of broader membership participation, the board have plans to run social evenings and new member meetings. However, volunteer recruitment is a common problem in most credit unions, especially as more credit unions employ paid staff. This can lead to a difficulty in nurturing prospective board and committee members.

Despite being a member based organisation, only a small percentage of members ever gets directly involved in governance; most choose to take the services and let others take the responsibility.

Unless ordinary members come forward to serve on the board etc., or act as volunteers, the credit union cannot operate and unless the elected members take account of members’ needs and wants, there is a danger that the credit union will fail to service its members effectively. Because the running of the credit union takes so much work, due to the practicalities of providing even a limited range of financial services, there is a strong drive on the part of the Board to involve as many members as possible. In this sense the governance of the credit union is intimately bound up with its ability to succeed as a community enterprise.

A further impetus to participation is the necessity to fulfil regulatory requirements. The

FSA demands a minimum level of performance and quality assurance to protect credit union members. The credit union therefore has to ensure that its board, committee members, volunteers and staff are well trained and developed. This in itself leads to a greater awareness amongst those people of the issues of governance within the credit union.

### Conclusion

XYZ Credit Union, because of its history, has been successful in involving its members in the running and governance of the credit union in a variety of ways and at different levels. Some shortcomings are acknowledged; however it is reasonable to conclude that the credit union has clear reasons for wanting the involvement and participation of its members, and welcomes this involvement.

As noted above, the professionalisation of credit union operations, whilst necessary to allow the credit union to offer the best service to the widest membership, can have the effect of distancing the membership from the operation and governance of the organisation. XYZ will have to find other ways of engaging with the members if they want to secure commitment and participation. Education and training are enshrined as key objectives in the credit union movement, and are vital if the credit union is to develop its membership and volunteer base; the reality is that for many credit unions the difficulties of running the credit union day-to-day mean that non-urgent matters such as education and training tend not to receive the priority that the credit union would wish to give them.

It seems that effective governance, widely regarded as a central issue within the credit union movement, may not be as prevalent as credit union boards and staff might wish, or might like to imagine. In theory, because credit unions are mutual consumer co-operatives, the members own and run the credit union. In practice, the credit union is run strategically and operationally by a small group of committed volunteers, and increasingly, as credit unions expand, by a group of paid staff who, whilst answerable to the board and membership, will tend to set the agenda for the organisation. In the case of XYZ this is further exacerbated by the project management arrangements, which cut across the agreed constitutional structure of the credit union.

### Summary

In common with many credit unions, XYZ faces challenges in achieving higher levels of participation from its members in the key roles of governance. Similar to other service based membership organisations, there are those members who simply want to be involved as a 'consumer' and who do not wish to have a broader membership relationship that requires them to take responsibilities of governance and thereby 'delivery'.

As the organisation has grown the role of the members has changed and there is less focus on delivery of service since paid staff are in post to undertake this role. XYZ has, after the amalgamation, become one larger credit union and whilst this facilitates membership and the better delivery of services, it does have an impact on participation.

The structures and mechanisms embedded in Credit Union rules and organisation can facilitate higher levels of participation but in practice, XYZ Credit union has to plan and develop realistic strategies if it is to turn the potential of membership into practical participation.

# Case Study Findings

The in-depth interviews were written up as case studies as presented in the previous section. These highlight a range of experiences relating to participation. In particular they demonstrate:

- The variety of reasons that explain why the organisations were willing to invest in participation.
- That participation can mean different things to organisations depending upon their structure, aims and overall objectives.
- That levels of participation vary.
- The range of processes and systems that have been developed to achieve the desired levels of participation.

In addition, the case studies describe the structures of governance applied by the various organisations and the participation arrangements.

All of the organisations interviewed had gone some way to developing participation amongst members or wider stakeholders but while for some there was a clear and well-developed strategy, for others it was more ad hoc.

## What is Understood by Participation

Those organisations interviewed were not asked to define participation, rather to describe how members, users and other key stakeholders participate in the organisation. The case studies show that for most, participation is focused on the formal members as defined within the rules of the organisation and participation is about encouraging their engagement.

Where the organisation is engaged in service delivery there are often targets for reaching out to a wider group of potential users/ consumers. This is highlighted in the consumer co-operative case study, where there are strategies and targets related to

participation with and by the wider community and customers. In addition the user-led organisation and the elderly persons organisations are both seeking to reach out to a wider group of potential users who may never become formal members.

## How is participation managed?

All of the organisations interviewed had a clearly defined membership structure and some form of rules that specified the roles and responsibilities as well as the rights of membership. For some, membership was limited e.g.: the YP housing group limits membership to a largely self-elected board. Others have structures that allow for both user/consumer members as well as other stakeholders such as local authorities or corporate bodies.

The case studies show that levels of participation vary and that the organisations are seeking different levels of participation. In some cases limits are placed on the extent to which members, users or staff can participate. For the most part these are for pragmatic reasons of avoiding conflict and maintaining objectivity, but there are examples of participation being limited as the structures and practices are not conducive to broader participation. For example in the Asian women's organisation, member involvement may be limited because it is seen as a local authority project and not a community project. In the case of the social employment co-operative, two reasons were given for limiting participation – the members "are not interested and don't want the responsibility" and the members "do not have the capacity to make a constructive contribution".

Overall, the case studies demonstrate that participation goes way beyond simple levels of information exchange and in all cases, even where there is no clear plan around participation, organisations are working to

achieve targets of involvement at several levels including consultation, powers to nominate, elect and serve as a board member.

### Reasons for investing in participation

Reasons for investing time and energy in participation varied and included a desire to have full member involvement as well as an attempt to meet broader values of inclusion and equality. Some of the organisations interviewed had a clear understanding of why they were seeking to increase or achieve more effective participation whilst others seemed to have given much less consideration to the issues. For some, participation was seen as principally complying with the rules for membership and governance but in many cases the organisations sought to go further than this and were seeking to have participation at a deeper level, achieving more active levels of ownership and/or control by the members. This was particularly evident in two of the organisations with a disability focus where there was a strong desire for people with disabilities to have control and ownership over all aspects of the organisation.

The interviews also show that there are benefits of participation for the members and that participation seemed to work best where the benefits were clearly understood and valued by the members or other participants. From the interviews, benefits of participation identified include:

- Ability to influence change or direction.
- Ability to control resources and planning.
- Access to greater levels of information.
- Status derived from being a member of the committee or board.
- Opportunity to learn new skills and build experience.
- Opportunities to use skills and experience.

### Levels of participation

Levels of participation varied with some organisations being unhappy with the levels they were achieving whilst others had placed limits on the levels that they want to achieve. Levels of participation also varied with the legal structure and type that often determined the extent of membership rights and roles. The social finance organisation for example has a clear structure that requires membership from borrowers and allows membership by investors. Their rules are very clear about the levels and rights of membership in order to ensure that the board can maintain objectivity in its work. This seems to contradict the results obtained in the postal survey, which seemed to suggest that models and legal forms are not seen as a barrier to participation.

This may indicate that although organisations across the sector find it difficult to pursue effective participation due to lack of resources, including time, their understanding of the constraints imposed by their legal form or governing document may also further constrain effective and full participation.

Levels of participation are also affected by the board or staff's attitudes to participation. In some cases this is a response to fears of losing control or simply due to an unwillingness to change.

### Achieving participation

Despite a desire for participation by most of the organisations interviewed, not all of them had developed a clear plan for achieving the levels of participation that they are seeking, such as in the worker co-operative and the Asian women's organisation. Even when plans did exist, there were examples of 'trying things out' to see if they might work, rather than

having a very clear strategy that is formally monitored and evaluated. For example the credit union board were going to hold a social event to see if this helped bring in members.

Again it was amongst those organisations focusing on issues of disability, where there seemed to have been a more conscious and detailed plan for participation. Although others, such as the consumer co-operative, had also developed a plan, recognising the critical importance of member participation to the overall success of the Society as well as to the business.

### **Participation in governance**

The majority of the organisations interviewed have developed mechanisms for participation in governance and have devised systems and rules for ensuring members can be involved at a board level in the organisation. For some this has meant putting in place support structures that will help members to play a full role at board level such as training, mentoring and worker support.

For one or two organisations there seems little likelihood that they will ever be able to achieve effective participation in governance unless they first address fundamental issues of leadership, ownership and control. For example, whilst there is still a confusion as to whether the Asian women's organisation is a local authority project or a community project, it seems unlikely that it can or will reach out for wider community membership and involvement as committee members will continue to be few.

The worker co-operative is typical of many co-operative enterprises where there is little distinction between management and governance. The danger in this situation, is that the members fail to develop longer term and strategic plans and are never able to put in place systems for broader scrutiny and control that are separate from day to day management and decision-making.

Given that the systems in place would seem to have been embedded for a long time then it is unlikely that they can undergo any fundamental change. Indeed it seems unlikely that any existing smaller co-operatives could easily separate management and governance without making radical changes. This may not be possible or even desirable to the members.

### **Methods of participation**

Methods for achieving participation varied and included newsletters, consultation exercises, and involvement in the annual general meeting as well as other general meetings and opportunities to nominate to or be elected to the board.

The user-led group and the coalition of disabled living had developed accessible methods for communication in order to assist in participation by members.

### **Conclusions**

The case studies demonstrate that participation varies depending upon the structure and the purpose of the organisation. They also show that far from being a simple add on, participation is a core value for the majority of the organisations interviewed. Most organisations seem to have a clear understanding of what participation means to them and have put plans in place to achieve this, even if there are limits placed on the levels of participation sought.

There is a link between legal structures and participation. The structure and consequent regulatory frameworks can be an enabler in that it sets out membership powers and rights or conversely an inhibitor depending upon how they are interpreted and practised at an organisational level.

The legal and organisational structures in the not for profit sector can be highly complex – the housing association and the social finance institution for example choosing various legal forms, and this in itself can make real demands on the ordinary member if they choose to participate.

Amongst those organisations interviewed, overall participation did seem to be best achieved where:

- There was a clear understanding of why it was being sought.
- Where a plan for achieving participation had been developed.
- Where resources for participation were built into the plan.
- Where participation is being monitored on an ongoing basis.



# Conclusions and Key Recommendations

This study into participation was intended to research, scope and evaluate current governance and participation structures, procedures and arrangements at a very broad level across a wide and diverse sector. There is always a danger that exploratory studies of this nature will raise more questions than answers, however, the study has provided a snapshot of the current shape of participation and raises a number of key issues and learning points as well as highlighting areas for further study and research.

The postal survey provides an understanding of methods being applied to participation, the extent of that application and which methods are viewed as being most successful. The case studies highlight experiences of participation across a broad range of organisational types.

Our findings as presented here, along with the case studies, provide a framework for further discussion of participation in governance and the extent to which democracy and participation can and does overlap within the not for profit sector.

## Scope and Reasons for Participation

The range of the study includes organisations where participation is a central and key value (co-operatives and membership organisations) as well as those who limit their participation to a small board that acts in a governance and stewardship role. What is most striking from the study is the number of organisations who state or demonstrate that participation is central to their organisation and the ways in which it works. This was borne out in both the postal survey and the in-depth interviews.

The study results also suggest that there is a grass roots response to achieving participation and that this results in some exciting examples of innovative practice that merits further investigation. For example some disability-based groups are developing their own models for participation in governance and this is illustrated in the case studies of the user-led group and the coalition.

The in-depth interviews in particular, show that where there are strong drivers for pursuing and investing in participation that can lead to practical innovations in the ways in which participation can be achieved. Where there is less motivation for participation it can be reduced to the basic minimum in order to comply with the legal requirements but little more.

The postal survey showed that there was broad consensus between managers and board members relating to reasons given for encouraging participation. Ownership and empowerment were seen as the main benefits flowing from involvement of users and members. Similarly, better decision-making was seen as one of the least important benefits of participation along with greater awareness of the organisation's work.

This is an interesting finding in that organisations clearly recognise the importance of ownership and empowerment as broad concepts but do not see participation as being about playing a significant role in decision-making. It is more about gathering and giving out information and using feedback to improve services. This finding is consistent with the way organisations choose to involve their users and members, where the emphasis is on information management rather than users controlling services directly or playing a larger part in decision-making.

Some organisations place limits on the levels of participation and these are either imposed from within the organisation or in response to restrictions (perceived or real) on participation. For example in order to ensure that there can be no conflict of interests between being a user/consumer of a service and part of the governing body therefore avoiding potential conflict with the Charity Commission.

From the postal survey, issues of confidentiality and staff management feature highly in the survey results when indicating where board members or management would choose not to involve users or members. Interestingly 30% of managers and 29% of board members stated that they would choose not to involve users and members if they felt the issue was complex and it would be difficult to achieve a consensus. This indicates that a fairly significant degree of management of access to information and decision-making is in operation, based on assumptions about users' and members' abilities and attitudes.

The fact that a fairly substantial proportion of responses indicated that there were no circumstances where the organisation would not involve users or members would indicate

that it is possible to overcome these perceived limits.

Those organisations seeking empowerment, inclusion and equality of members/users – particularly the disability-based groups, seem to be taking more risks and pushing the boundaries of participation. It is here that there seems to be the most change and innovation. Adults with learning difficulties being supported to play a role at board level, accessible forms of documentation being developed, appropriate training being initiated etc.

There would seem to be evidence that the drive for participation and innovations in practice often come from the grass roots with organisation themselves increasingly developing ways and processes for achieving goals for participation. The study has highlighted numerous examples of organisations investing time and energy into participation, with plans to introduce new practices in the future. None of the organisations interviewed mentioned external support to help them develop participation, although some mentioned drawing from the experience of other similar organisations.

### Does Size or Age Matter?

There would seem to be some relationship between size and participation. Larger organisations are more likely to have access to resources that can be used to achieve targets around participation. The postal survey shows that the organisations using the higher number of approaches are those with the larger staff and resources. It would seem likely that the level of resources available will have an impact upon an organisation's ability to put in place a range of mechanisms for ensuring participation.

However, participation can also be influenced by the stage of development of the organisation itself. Relatively new organisations may not have fully developed their plans for participation and full participation may be a goal to be achieved over a period of time. This is further reflected in the postal survey results.

Conversely, older or more developed organisations can become entrenched in practices and cultures that are hard to change for example in the case of the worker co-operative. Indeed there was some evidence from the interviews that even when there is a desire to encourage broader or more effective participation, it is not always possible or may involve a root and branch change.

### Legal Frameworks and Participation

The study has shown that overall the legal frameworks for many organisations are not fit for purpose in that they do not always take account of current social needs for equality and inclusion. The co-operative/mutual models are most relevant to structures of inclusion, however these are not always suitable for those organisations also seeking charitable status. Whilst charitable registration is dependent on fairly narrow definitions of membership and limits the extent of participation, there will continue to be tensions between organisations seeking to have the benefits of charitable status whilst also broadening participation.

Guidance and interpretation of trust/charity law can often be too strict and this can inhibit organisations when they are considering how

best to achieve aims around participation. Fear of getting it wrong and placing themselves at risk can be a factor when designing processes and systems of participation.

Organisations try to select the most appropriate legal forms where they can slot in their desirable levels and types of participation. There is some doubt as to the extent that organisations have a real understanding of their legal structures and how this enables or constrains their goals for participation. There would seem to be a general lack of understanding of the detail of the structures that are available and how these can be moulded to fit the purpose.

Whilst there is an ample supply of legal support to register a company or a charity there is much less competent support for working out how to ensure that the governing form and document really does reflect the needs and working practices of the organisation.

### Formality and Participation

Levels and type of formalisation impact upon participation. It is in fact with un-incorporated associations that there seems to be most scope for participation since there are less legal constraints. The pure 'Trust' has least potential since the trustees' role is defined and is held separate from the beneficiaries/users and within this structure there is no broader membership. This is illustrated in **Figure 5**.



Figure 5: Formality and its Impact on Participation

### Democratic Participation

Overall, democratic forms of governance examined within the scope of this study are those organisations with a formal structure of membership with elected representatives who are empowered to set policy, strategy and oversee the organisation at all levels. These organisations may or may not have appointed staff who are responsible to the elected board and who have delegated powers to carry out day-to-day management and delivery.

The case studies show that eligibility criteria for election to the board vary and can include individual members and/or corporate (organisations) members. The make-up of the board, their role and their level of accountability to members is normally laid out within the governing document but for some of those interviewed, there had been additional guidance or rules applied.

From the study and in particular from the interviews conducted, democratic structures often bring with them common challenges. These can be summarised as:

- Ensuring the board is accountable to the wider membership.
- Ensuring that the membership practices are

robust enough to generate and maintain interest in the process of democratic governance.

- Ensuring members are willing to be nominated in sufficient numbers to allow the organisation to form a board.
- Ensuring that there is a regular change at board level to allow new members to join and for more longer-term members to retire.
- Ensuring that minority member groups are not marginalised or under-represented.

Where there is a representational board, comprising representatives from various member bodies, as in the community association case study, there may be tensions for board members who must balance the roles of giving priority to the stewardship and compliance roles of a board with that of representing the interests of the organisation. This in itself could have implications for levels of participation achieved by the member organisations themselves.

Democratic procedures do not always guarantee full participation by all of the members. Boards can be static with the same people being elected year on year with little real involvement of the wider membership. Whilst the right to vote at an AGM is a key

component of most legal governing documents this in itself does not guarantee participation in planning or decision-making. Without a deep commitment throughout the organisation, based on strong values of rights to participation, there is always a danger that democratic systems can end up being tokenistic or simply a formality.

Formal democratic methods of participation are also not always applicable or necessary and much depends upon what the organisation is trying to achieve in terms of participation and who its members are. User groups with a democratic structure may not always be able to involve users at a governance level if this would result in a conflict of interest between being a 'governor' and a 'consumer' - therefore receiving a benefit. This is a particularly difficult issue for those democratically structured organisations that are also registered charities and unless it is properly managed it could bring the charity into dispute with the Charity Commission.

In addition, board membership as a form of participation carries with it legal responsibilities that places individual as well as collective responsibilities on board members. To safeguard their own liabilities and the assets of the organisation, board members require a certain level of ability and skills – for example to apply effective scrutiny of financial information and to understand the legal and contractual obligations of the organisation. In practice not all membership groups have within them the range and depth of skills required at a board level, and whilst the skills required will vary depending upon the size and complexity of the organisation, in practice this is a challenge for many organisations.

In order to deal with the skills and competency issue, some organisations provide training for members so that they can play a full role at board level. This is demonstrated in the case studies for the user-led organisation, the credit union, the housing associations, the consumer co-operative and others.

Some manage the difficulty by 'headhunting' people with skills outside of the organisation

and then electing these individuals to the board. This is the case within the user-led organisation but in this instance they do insist that the headhunted person becomes a member for one year before they join the board.

Many organisations have the legal power to co-opt individuals to the board and use this as a mechanism for bringing in skilled people. This can be seen in use in the housing association case study.

Despite democratic structures, some organisations deliberately seek to keep the role of the member as a user separate and distinct from those individuals who serve on the board. In the case of the local charity case study and the social enterprise finance organisation this is to avoid conflict and to maintain objectivity at a board level. Although members still act in a voting capacity and can nominate members to the board, the election process is managed to ensure that only certain categories of membership or qualifying individuals are eligible for nomination.

It should be noted that the use of formal democratic models could sideline minority groups in favour of majority opinion and therefore be an inhibitor of participation. Some groups get around this by making sure that their structure is flat in the sense that only one group has representation. For example the coalition case study highlights the fact that only people with disabilities can be nominated and elected to the board.

Within the not for profit sector, it is not unusual to find organisations, particularly where they are incorporated under the Companies Act, where membership is limited to the board and the board in effect elect themselves on an annual basis. This is demonstrated in the case study YP Housing Group. In some cases this mechanism is adopted where there is no desire or requirement for a broader membership.

In practice, founder and subsequent members of any democratically structured organisation can determine to what extent the membership is

extended and what role the membership will play in governance, and this will always vary. The case studies show democratic structures being developed, in part to achieve wider delivery goals but also to ensure participation. Some of these structures are highly complex such as in the case of the social finance institution and the housing association.

### Support for enhanced participation

There is evidence that organisations are learning from each other when it comes to developing systems and processes for participation. Disability based groups in particular are drawing from each others experience and learning. There are examples of national bodies supporting local groups to develop their own systems for participation, however this is limited to particular bodies within the sector.

The study has shown that there is a strong interest in issues of participation amongst those who took part in the study and that organisations are increasingly seeking ways in which to increase or improve participation, particularly participation in governance. Indeed the survey shows that there has been accelerated use of 'innovative' methods of participation from 1997 onwards.

### Methods for participation

The postal survey demonstrates the range of methods being applied in achieving participation. It also shows that organisations are making increasing use of mechanisms such as interactive websites, involvement of users and members in review and evaluation, service user forums, involvement in inspections and audits and where appropriate the payment of dividends or profit sharing. Overall the survey shows an increase in the number of organisations using a variety of methods to encourage participation.

## Recommendations Arising from the Study

At the conclusion of the study the research team gave consideration to the issues and lessons arising and formulated a range of recommendations for consideration or further action and highlighted areas for further study or examination.

### Support for participation

If the drive towards effective participation is to continue there must be focused and targeted help that builds on the experiences emerging from the sector. Support must however, take account of the needs and structure at an individual organisational level as it would seem to be potentially damaging to try to impose a 'one size fits all' approach to participation and participation in governance in particular.

#### Recommendation 1

It is therefore recommended that a programme of peer training and support is explored as a method for encouraging and supporting organisations to review and develop their systems of participation. This programme should seek to draw on the models already emerging in the sector.

#### Recommendation 2

It is further recommended that these emerging models are recorded and developed as training support materials and case studies.

#### Recommendation 3

It is recommended that consideration should be given to how best to gather and disseminate learning from consumer co-operatives in order to inform not only other co-operatives, but also to draw lessons of participation for the wider not for profit sector.

### Legal structures

Given the link between systems of participation and the legal structures adopted by not for profit organisations, it is essential that organisations have access to clear, detailed and professional support to help them first to select an appropriate legal structure and second to ensure that the detail of the governing document reflects the organisations' objectives and systems for participation. This is particularly important given the range of structures available and the 'seeming' lack of real support for this aspect of governance and participation planning.

**Recommendation 4**

It is recommended that consideration is given to how appropriate support for selecting and understanding legal and structural forms and documentation can best be delivered, to ensure that all organisations have access to high quality support at a local level throughout the country.

**Methods for evaluating effectiveness**

None of the organisations interviewed, presented systems for measuring the effectiveness of their participation strategies, although it is likely that some have these in place. It is also important to note that the cost of developing participation, whilst obviously included in various budgets, was not explored within this study.

As interest in participation continues, there is always a danger of funders or other organisations applying measures of participation, as a criteria of support, that are not always achievable or even appropriate to all forms of not for profit organisation. Participation must remain an individual organisational choice (by both members/users) and should not be forced.

**Recommendation 5**

It is therefore recommended that analysis tools and methods for assessment should be developed rather than fixed and rigid standards being applied.

**Possible Areas for Further Examination and Research**

This study was a broad examination of the issues and leaves many areas for more detailed research and analysis. Areas for further research might include:

- The particular experiences of user-led organisations and the extent to which they achieve their goals of participation.
- The impact – issues and constraints - charitable status has upon an organisation's ability to achieve broader goals of participation.
- Governance systems and practices in co-operatives/social enterprises.

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# Annexes

## ANNEXE 1

Did you use this method in 2002?

Do you have any specific plans to use this method in 2003?

Method of participation	Used in 2002		Plan to use in 2003	
	No.	%	No.	%
<b>'Traditional' approaches</b>				
Newsletter/briefing	56	74%	60	79%
Election of board/committee	55	72%	57	75%
Involvement as volunteers	53	70%	58	76%
Involvement in AGM	44	58%	49	64%
Consultation documents	30	39%	33	43%
<b>'Customer focus' approaches</b>				
Complaints procedure	41	54%	43	57%
Suggestion boxes/feedback forms	37	49%	40	53%
Service satisfaction surveys	35	46%	36	47%
Broader opinion polls or attitudinal surveys	15	20%	16	21%
Payment of dividends or profit sharing	7	9%	12	16%
<b>'Innovative' approaches to consultation</b>				
Involvement in review and evaluation	43	57%	50	66%
Issue-based or working group	37	49%	38	50%
Involvement in inspection or audit	32	42%	37	49%
Focus groups	29	38%	30	39%
Service user forums	21	28%	27	36%
Interactive website	13	17%	25	33%
<b>'Innovative' approaches to decision-making</b>				
Co-option to committee/board	49	64%	48	63%
Involvement as representative of the organisation	42	55%	41	54%
Involvement in staff selection	34	45%	36	47%
User management of services	16	21%	20	26%
<b>BASE</b>	<b>76</b>	<b>100%</b>	<b>76</b>	<b>100%</b>

## ANNEXE 2

## Have you ever used this method – did you use this method in 2002: users and members

Method of participation	Ever Used		Used In 2002		Difference %
	No	%	No	%	
Newsletter/briefings	65	86%	56	74%	12%
Involvement as volunteers	61	80%	53	70%	11%
Election of board/committee	60	79%	55	72%	7%
Co-option to committee/board	54	71%	49	64%	7%
Involvement as representatives of the organisation	53	70%	42	55%	14%
Involvement in AGM	51	67%	44	58%	9%
Involvement in review and evaluation	50	66%	43	57%	9%
Complaints procedures	49	64%	41	54%	11%
Suggestion boxes/feedback forms	47	62%	37	49%	13%
Issue-based or working group	44	58%	37	49%	9%
Involvement in staff selection	40	53%	34	45%	8%
Consultation documents	39	51%	30	39%	12%
Service satisfaction surveys	37	49%	35	46%	3%
Focus groups	35	46%	29	38%	8%
Involvement in inspection or audit	33	43%	32	42%	1%
Service user forums	25	33%	21	28%	5%
Interactive website	19	25%	13	17%	8%
Broader opinion polls or attitudinal surveys	18	24%	15	20%	4%
User management of services	16	21%	16	21%	0%
Payment of dividends or profit sharing	10	13%	7	9%	4%
BASE	76	100%	76	100%	

## ANNEXE 3

## Average number of organisations using each type of approach in 2002: Users and members

Type of approach	Total responses	Number of methods	Average responses (mean)
Traditional	238	5	47.60
Consumer	135	5	27.00
Innovative consultation	175	6	29.17
Innovative decision-making	141	4	35.25

n=76

## ANNEXE 4

## Effectiveness of different approaches: managers' scores

Approach	Not at all	Sometimes	Often	Mainly	Always	n
Newsletter/briefing	2	23	9	20	10	64
Suggestion boxes/feedback forms	1	12	15	11	4	43
Election of board/committee	2	6	12	17	23	60
Involvement in AGM	2	10	8	12	16	48
Involvement in inspection or audit	1	5	6	10	12	34
Involvement in review and evaluation	0	8	7	18	18	51
Involvement in staff selection	0	5	5	17	13	40
Involvement as volunteers	0	3	7	18	31	59
Involvement as representative of the organisation	0	3	12	21	14	50
Payment of dividends or profit sharing	1	1	3	1	7	13
Focus groups	0	1	9	14	9	33
Service user forums	1	1	9	15	14	40
Issue-based or working group	1	1	9	15	14	40
User management of services	0	0	2	12	4	18
Co-option to committee/board	0	0	9	22	17	48
Consultation documents	0	3	14	11	10	38
Complaints procedure	0	3	15	11	10	39
Service satisfaction surveys	0	5	9	14	12	40
Broader opinion polls or attitudinal surveys	0	3	7	11	1	22
Interactive website	1	5	7	3	3	19

## Effectiveness of different approaches: board members' scores

Approach	Not at all	Sometimes	Often	Mainly	Always	n
Payment of dividends or profit sharing	1	1	3	1	7	13
Newsletter/briefing	2	29	11	24	19	85
Suggestion boxes/feedback forms	11	21	28	9	3	72
Election of board/committee	6	17	20	25	19	87
Involvement in AGM	5	19	22	24	14	84
Involvement in inspection or audit	17	21	15	7	8	68
Involvement in review and evaluation	8	21	24	13	10	76
Involvement in staff selection	16	9	11	19	8	63
Involvement as volunteers	3	5	10	30	39	87
Involvement as representative of the organisation	2	13	16	31	21	83
Payment of dividends or profit sharing	21	9	5	10	5	50
Focus groups	16	14	17	14	6	67
Service user forums	15	9	11	10	13	58
Issue-based or working group	9	9	15	24	12	69
User management of services	16	12	10	16	11	65
Co-option to committee/board	6	12	19	23	21	81
Consultation documents	8	26	22	7	10	73
Complaints procedure	9	13	21	14	10	67
Service satisfaction surveys	12	11	20	18	8	69
Broader opinion polls or attitudinal surveys	15	22	10	9	4	60
Interactive website	21	12	8	12	3	56

**ANNEXE 5****Factors influencing the use of participative approaches in organisations: weighted scores by managers and board members**

	A	B	C	D	E	F
<b>Managers</b>	144	342	320	254	209	258
<b>Board members</b>	183	397	389	287	245	304

**Factors:**

- A To help you decide between different options.
- B To create a broader sense of ownership.
- C To empower or develop your community.
- D To gather information on people's views.
- E To increase awareness of your work.
- F To improve the quality of your work.

**ANNEXE 6****Main problems encountered in encouraging the use of participative approaches in organisations: weighted scores by managers and board members**

	A	B	C	D	E	F
<b>Managers</b>	157	143	277	309	346	182
<b>Board members</b>	168	128	307	384	415	223

**Factors:**

- A Lack of support within the organisation.
- B Lack of support from the board.
- C Lack of interest from users or membership.
- D Lack of resources.
- E Lack of time/too many other competing priorities.
- F Lack of available or relevant models for participation.

**ANNEXE 7****Main benefits encouraging participation has brought to the organisation: weighted scores by managers and board members**

	A	B	C	D	E	F
<b>Managers</b>	229	211	300	290	304	219
<b>Board members</b>	225	248	363	361	327	250

**Factors:**

- A Better quality of decision-making on specific points.
- B Greater awareness of your work.
- C More/broader ownership of the organisation.
- D Community development/empowerment.
- E Improvements in the way you provide services.
- F Better/more effective policy development.

**ANNEXE 8****Negative effects of encouraging participation on the organisation**

	A	B	C	D	E	F	G
<b>Managers</b>	51%	49%	41%	50%	39%	21%	7%
<b>Board members</b>	53%	34%	48%	63%	35%	25%	20%

**Factors:**

- A Raises expectations that we cannot meet.
- B Slowing down the decision making process.
- C We get side-tracked with relatively trivial matters.
- D Increases our workload.
- E Agenda is 'hi-jacked' by dominant groups or individuals who are not representative of general views.
- F Creates artificial conflict between our users/members and the organisation.
- G Other.

**ANNEXE 9****Circumstances that would lead to an organisation choosing not to involve users or members**

	A	B	C	D	E	F	G
<b>Managers</b>	80%	87%	24%	37%	30%	43%	6%
<b>Board members</b>	70%	87%	26%	46%	29%	31%	3%

**Factors:**

- A Internal management or staff issues.
- B Confidential issues.
- C Commercially sensitive issues.
- D Issues requiring a quick decision.
- E Complex issues where it would be difficult to achieve a consensus.
- F Issues that might unnecessarily raise people's fears.
- G Other.

**ANNEXE 10****Overall impact of participation on decision-making**

	Not at all influential	Occasionally influential	Fairly influential	Often influential	Central to the way we work	Total
<b>Managers</b>	4	11	18	8	32	73
<b>Board members</b>	1	11	18	15	43	88



**ANNEXE 11**

**Did you use this method in 2002? Do you have any specific plans to use this method in 2003?**

Method of participation	Used in 2002		Plan to use in 2003	
	No.	%	No.	%
<b>Traditional approaches</b>				
Joint staff/board meetings	45	65%	42	61%
Staff newsletter/briefing	44	64%	42	61%
Working groups	40	58%	34	49%
Consultation documents	34	49%	29	42%
Suggestion schemes	23	33%	23	33%
<b>Innovative approaches</b>				
Involvement in inspection	37	54%	40	58%
Staff forums	31	45%	30	43%
Peer review	27	39%	29	42%
Focus groups	23	33%	24	35%
General opinion surveys	11	16%	12	17%
Interactive internal website	3	4%	8	12%
Profit sharing	1	1%	1	1%
<b>BASE</b>	<b>69</b>	<b>100%</b>	<b>69</b>	<b>100%</b>

Notes: Percentages are based on the number of organisations employing staff.

**ANNEXE 12**

**Have you ever used this method – did you use this method in 2002: Staff**

Method of participation	Ever used		Used in 2002		Difference %
	No.	%	No.	%	
Staff newsletter/briefing	48	70%	44	64%	6%
Joint staff/board meetings	45	65%	45	65%	0%
Working groups	40	58%	40	58%	0%
Involvement in inspection	39	57%	37	54%	3%
Staff forums	34	49%	31	45%	4%
Consultation documents	34	49%	34	49%	0%
Suggestion schemes	31	45%	23	33%	12%
Peer review	30	43%	27	39%	4%
Focus groups	28	41%	23	33%	7%
General opinion surveys	16	23%	11	16%	7%
Interactive internal website	5	7%	3	4%	3%
Profit sharing	2	3%	1	1%	1%
<b>BASE</b>	<b>69</b>	<b>100%</b>	<b>69</b>	<b>100%</b>	

**ANNEXE 13****Average number of organisations using each type of approach in 2002: staff**

Type of approach	Total responses	Number of methods	Average responses (mean)
Traditional	186	5	37.20
Innovative	133	7	19.00
<b>n=69</b>			

**ANNEXE 14****Average number of approaches used by category of approach and type of organisation: staff**

No. of staff	Traditional	Innovative	Total	Number
<50 staff	2.37	1.63	4.00	45
50+ staff	2.81	2.06	4.87	31
Turnover	Traditional	Innovative	Total	Number
up to 50k	2.15	1.46	3.62	19
50-250k	2.64	2.00	4.64	26
250k+	2.72	1.93	4.66	29
Age	Traditional	Innovative	Total	Number
under 10 yrs	2.13	1.50	3.63	36
10-19 yrs	3.11	2.37	5.47	22
20+	3.06	2.00	5.06	16
Status	Traditional	Innovative	Total	Number
Charity	2.76	2.09	4.85	47
Non charity	2.26	1.30	3.57	29

Note: The number column shows only those organisations that employ staff.

## ANNEXE 15

## Effectiveness of different approaches: managers' scores

Approach	Not at all	Sometimes	Often	Mainly	Always	n
Suggestion schemes	1	5	4	10	7	27
General opinion surveys	0	5	5	5	1	16
Interactive internal website	1	2	1	0	1	5
Staff newsletter/briefing	0	7	10	16	14	47
Involvement in inspection	1	3	6	11	19	40
Peer review	0	4	1	13	11	29
Profit sharing	3	0	1	0	1	5
Focus groups	2	1	6	15	5	29
Staff forums	0	2	7	15	7	31
Working groups	1	2	4	18	12	37
Consultation documents	0	4	5	16	6	31
Joint staff/board meetings	0	1	5	21	16	43

## Effectiveness of different approaches: board members' scores

Approach	Not at all	Sometimes	Often	Mainly	Always	n
Suggestion schemes	9	11	16	7	6	49
General opinion surveys	11	13	12	7	2	45
Interactive internal website	15	8	8	1	1	33
Staff newsletter/briefing	4	5	15	11	14	49
Involvement in inspection	4	7	12	14	12	49
Peer review	5	8	12	12	11	48
Profit sharing	17	2	5	0	2	26
Focus groups	12	7	12	12	3	46
Staff forums	3	7	10	13	13	43
Working groups	2	6	12	20	13	53
Consultation documents	4	10	18	11	3	46
Joint staff/board meetings	1	6	10	17	19	53