



Building Outstanding Leadership Teams

Insights from charity chief executives

Mike Hudson

Jacinta Ashworth

Compass Partnership



In association with
**Centre for Charity Effectiveness,
Cass Business School**

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His clients include the chairs and chief executives of a wide range of national and international organisations in health, housing, education and international development, and their government and foundation funders. In addition to managing Compass, Mike is currently a Visiting Fellow at Cass Business School in London.

His book, *Managing Without Profit, Leadership, Management and Governance of Third Sector Organisations* (Third Edition, DSC, 2009), has sold 20,000 copies, been translated into three languages and published in an Australian edition. Until recently he was a member of the Board of the Leadership Foundation for Higher Education and Chair of its Audit Committee. He is a member of the Editorial Board of *Civil Society Governance* magazine.



Jacinta Ashworth graduated with first class honours from the University of Bristol and has over 20 years' experience in conducting market and social research. From 1992 to 2001 she was employed by BMRB International, a leading UK market research agency where she managed research for the public and nonprofit sectors, covering health and disability, human resources, crime, citizenship, volunteering, racial discrimination, employment, benefits and international development.

Jacinta's published research includes surveys for the Home Office, the British Heart Foundation, Scope and Tearfund among others.

Since 2003 she has been a Research Consultant with Compass Partnership, conducting governance assignments for the NSPCC, the Royal College of Nursing, the MS Society and Citizens Advice, and carrying out research to inform strategic reviews for the Willow Foundation, DrinkAware and Turn2Us. She has also managed extensive welfare policy research for The Royal British Legion, co-authoring a series of published reports on veterans' needs. She is a trustee of Thames Hospice.

Mike Hudson and Jacinta Ashworth are also joint authors of *Delivering Effective Governance, Insights from the boards of larger charities*, the similar study into the governance of larger charities.

1 Introduction

Charities make a huge contribution to life in the UK. They provide a growing range of social welfare, health, housing, education, employment and international aid services and they champion important issues such as social justice, human rights, animal rights and the environmental protection. Every day organisations such as Citizens Advice, Macmillan Cancer Relief, Samaritans, Victim Support, Girlguiding, the Scouts, Shelter, WaterAid, WWF UK and thousands of smaller and less well known organisations are striving to improve the world we all live in.

The largest of these organisations now employ thousands of people, deliver services throughout the country, deploy huge volunteer workforces and raise and spend multi-million pound budgets every year. They are highly complex organisations often working in very challenging situations that place huge demands on their leadership and management.

These challenges are particularly acute for top management who have to juggle conflicting demands on their organisations whilst also dealing with sensitive ethical and public policy issues. The managers at the apex of the organisation, often called the leadership team, perform a crucial role in maximising the organisation's impact because they shape the most important decisions and have the power and authority to implement them.

Yet, surprisingly, remarkably little is known about these leadership teams:

- How are they structured?
- How stable is their membership?
- How well do they work as a team?
- What do they do to invest in their development?
- What do they do to provide leadership across their organisations?

More significantly there has been little research into what is most important in establishing outstandingly effective leadership teams.

We set out to answer these questions by investigating in detail the workings of the leadership teams of the UK's larger charities. It was immediately clear that leadership teams are complex entities and that their effectiveness depends on a wide range of structural and behavioural characteristics that need to be firmly in place for teams to operate at the highest levels.

We began by reviewing all the relevant literature and combined this with our experience and that of a valuable group of chief executives to pinpoint the 75 characteristics that might contribute to leadership team effectiveness. After combining some and disaggregating others we organised them into nine components of leadership team working. This is the research model that we used both to describe the key characteristics of leadership teams and to test the importance of each of them.

It is summarised below and set out in full in Appendix 6.

SUMMARY OF THE RESEARCH MODEL



We used this structure to gather detailed information from 102 of the UK's top 500 charities about how teams are created and managed and how they lead their organisations. This allowed us to map the characteristics of leadership teams in detail.

We also wanted to understand how effective chief executives thought their organisations were at performing the nine components. So we invited them to rate how well their team performed on each component and to rate the overall effectiveness of their leadership team.

We then took this a step further and correlated the characteristics of leadership teams with overall effectiveness so we could identify which might be most important in building outstanding leadership teams. To make our analysis as robust as possible we looked at associations of characteristics to each of the components of leadership team performance and to the overall performance of the teams.

Of course we recognise that effective leadership teams are only one component of creating effective charities and that an effective leadership team might not equate to an effective charity. We did not

attempt to identify relationships between effective teams and organisation health, finance or outcomes. However, our 30 years' experience of working with leadership teams, conversations with hundreds of managers and board members and the academic literature all point to the crucial importance of this group of people.

We viewed effectiveness of leadership teams as the *capacity* of its members to work together to maximise the *potential* of their charity to achieve its mission. Our assumption is that when charities have leadership teams with higher capacity to lead and manage their organisations, they are more likely to achieve their missions. Whilst this feels intuitively correct, we did not set out to prove this association.

We also recognise that different stakeholders may have entirely different views on the effectiveness of leadership teams and that leaders tend to regard their leadership more highly than their followers. We acknowledge that other team members, boards and staff might well have a very different perspective on the performance of their leadership team. In an ideal world we would have collected this information from a wider group of stakeholders but that would have been a much larger exercise than we could undertake. So to provide some limited corroboration we invited a sample of Human Resources (HR) directors in participating organisations to respond to the same rating questions that we asked of chief executives.

We further recognise the inherent limitations of self-assessment as those chief executives who have worked on developing leadership teams may believe that they have more effective teams just because they have done this work. However, HR director responses showed considerable consistency with chief executive views. Whilst HR directors generally gave a lower rating to leadership team performance, the pattern of responses was surprisingly similar to chief executive opinions.

We are also very aware that associations and correlations do not necessarily prove causality – they only indicate the existence of a relationship. We nevertheless take the view that knowing what other charities do and having an indication of actions that might contribute to strengthening leadership teams is better than having little or no evidence about what to do to increase their effectiveness.

Despite these potential limitations, we believe that by dividing leadership team arrangements into their component parts and quantifying how they work at present, we have created a framework for teams to benchmark themselves against other large charities so chief executives and team members can compare their team with a representative sample of the UK's larger charities.

The value of making such comparisons is that organisations can see whether their arrangements are typical or unusual, helping them to make judgements about their appropriateness. Furthermore, by identifying the characteristics that contribute most strongly to high performance, we have created a framework that can be used to pinpoint those improvements that will have the greatest leverage on team effectiveness.

Our earlier investigation of this type looked at charity governance, adopted a similar methodology and has been widely used to review the performance of charity governance. We hope that this latest research contributes to understanding how to make leadership teams more effective and therefore to the overall effectiveness of the charity sector.

Chapter 1 Introduction

The next three chapters of our report follow the structure of the research model: organising the team, managing the team and leading the organisation. Each chapter describes:

- The components of leadership teams we investigated
- How teams perform on these components
- What drives higher performance of these components

Chapter 5 then draws together all our findings and identifies the most important drivers of leadership team performance, how well they are performed and how prevalent they are across larger charities.

Chapter 6 draws conclusions and chapter 7 sets out some implications for leadership teams and their stakeholders.

We would welcome feedback which should be sent in the first instance to demerson@compassnet.co.uk

Summary of key terms

Term	Definition
Characteristics	The 75 dimensions that attempt to explain the performance of leadership teams in large UK charities.
Components	The nine groups of characteristics in the Compass Cass leadership team model: <ol style="list-style-type: none">1. Team membership2. Team structure3. Team leader4. Team recruitment and reward5. Team meetings6. Team working7. Team development8. Leadership of strategy and performance9. Leadership of behaviour across the organisation.
Drivers	The characteristics of leadership teams that our research found have the greatest impact in increasing the effectiveness of leadership teams.
Leadership team	The chief executive and the directors who meet regularly and take overall responsibility as a group for the strategic leadership of the organisation.

A full glossary can be found at Appendix 2.

2 Organising the team

The first pillar of the Compass Cass model of leadership teams is concerned with the overall organisation of the team. All organisations with a significant number of staff require some form of team at the top to provide leadership and management. Our preliminary research led us to think that four components with 20 characteristics might be significant in establishing an effective team, so we set out to explore each of these.

We will see later that although teams need to have a structure, members and a leader all of whom are adequately rewarded, none of the characteristics in this chapter such as organisation design, team size, diversity or reward turn out to be significant drivers of outstandingly effective teams.

We therefore see these components as the essential building blocks of effective teams rather than enablers of outstanding performance. In subsequent chapters we will report that the aspects which have greater impact in driving up overall performance are more concerned with behaviour and strategy than structures, people's background or their remuneration.

Summary of characteristics

Team structure

- Organisation design
- Size of team
- Roles on the team
- Geographic location

Team membership

- Diversity
- Internal/external appointment
- Appointed by current chief executive
- Tenure

Team leader

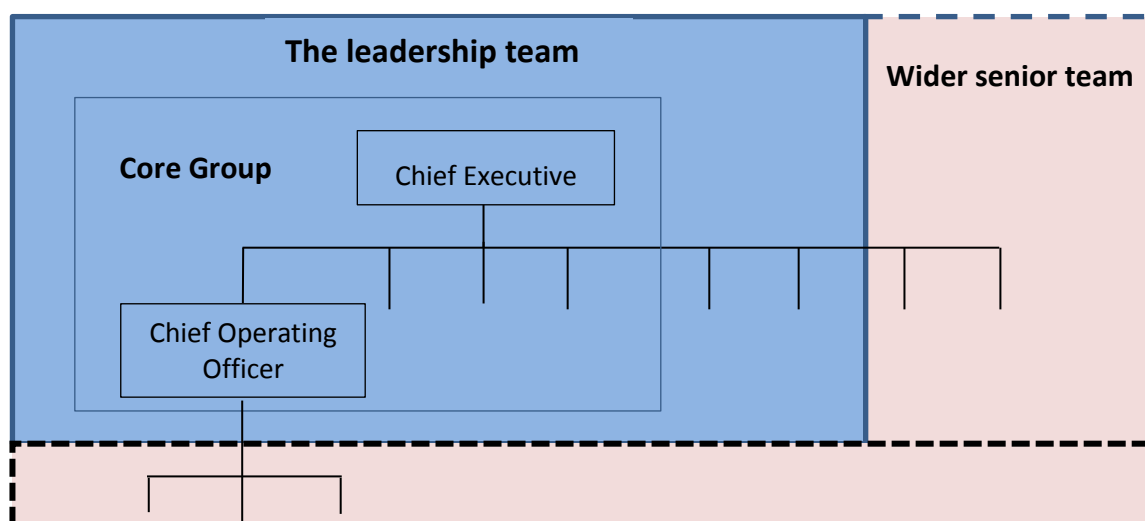
- Demographics
- Previous experience
- Tenure
- Leadership of the team

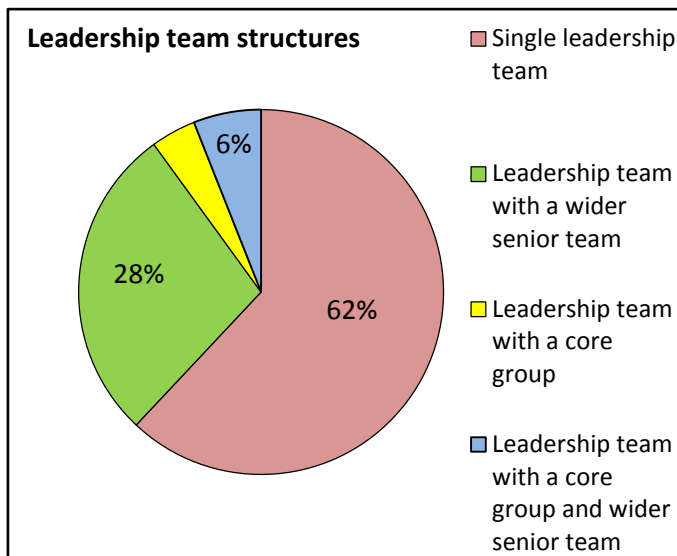
Team recruitment and reward

- Selection
- Flexibility of employment
- Performance related pay

2.1 Team structure

The structure of leadership teams varies widely across the sector. To ensure consistency of responses we defined the leadership team as the group in blue below:





Most organisations had a single leadership team. Only 4% had a 'core group' of directors within the leadership team, who might meet more regularly. However 28% had a leadership team with a 'wider senior team' of directors who report to the chief executive but are not part of the leadership team. A further 6% had both a core group and a wider senior team in their structure.

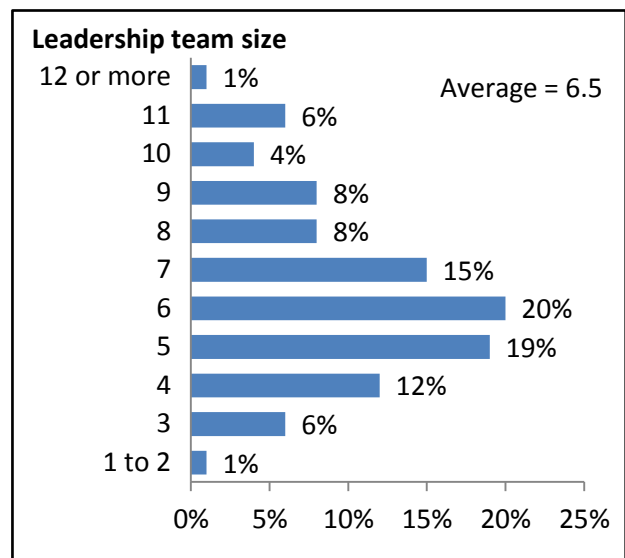
For those with a core group their average size was four members and for those with wider senior teams it was 15 people.²

Leadership teams varied widely in their size, structure, stability and geographic location.

Teams fell into three size bands:

- 19% Small leadership teams with 1 to 4 members
- 53% Medium-sized leadership teams with 5 to 7 members
- 26% Large leadership teams with 8 or more members.

Larger organisations had larger leadership teams. Organisations with more than 500 staff and organisations with income over £50m were more likely to have large teams.



² Our figures always include the chief executive unless stated otherwise

Building Outstanding Leadership Teams

Large charities are highly complex organisations that often work in very challenging situations, consequently placing huge demands on their leadership and management. Yet, remarkably little is known and understood about their leadership teams. How is leadership provided across organisations? How are teams structured? How do their members work together? And what is done to invest in team development?

This publication answers these questions by investigating, in detail, the workings of the leadership teams of the UK's larger charities. Leading consultants, Compass Partnership, working with the Centre for Charity Effectiveness at Cass Business School, have surveyed over 100 of the country's largest charities and identified the key drivers of effective leadership teams. The findings can be used to review the performance of leadership teams and to make comparisons with other charities.

This report will be of particular interest to chief executives and leadership team members as well as the chairs and board members who advise them and managers who report to them.

Compass Partnership provides consultancy and research in the governance and management of independent civil society organisations.

Over the last 30 years we have worked with more than 800 organisations in health, social welfare, housing, education, international development, arts, religion and the environment.

We work with chairs and chief executives to strengthen governance, management and strategy and we strive always to be at the cutting edge of best practices.

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