

## INTERVIEW

### THE ART OF SUCCESSFUL MANAGEMENT

ANNETTE MCGILL, INTERVIEWS MIKE HUDSON,  
AUTHOR OF THE BOOK  
"MANAGING WITHOUT PROFIT"

If you're the chief executive of a charity, Mike Hudson's book "Managing Without Profit" is the kind of book you might well wish you had read five years ago. It is an excellent practical guide for anyone trying to manage a voluntary sector organisation. It looks at key management issues such as governance, setting strategy and managing performance, as well as managing change and managing people.

When the first edition was published, it was widely praised. It sold 10,000 copies world-wide. The new edition has been substantially re-written and includes new chapters on managing change, creating a learning organisation and managing a strategic performance. The book aims to explain best practice in management. It uses brief case studies to show how charities have applied management theory in practice. The book is aimed primarily at medium-size to large

Director. After that he took time out, did a business degree, and worked in business consultancy. Eventually he drifted back to the voluntary field. He set up the Compass Partnership in 1986.

Hudson says he wanted his book to show how management theory can be applied to charities in a practical way. Perhaps because he studied engineering, the book is written in a very clear and accessible style, which makes even complex theory easy to understand.

#### THE WORST MISTAKES YOU CAN FIND

Hudson has worked with some 400 charities. I asked him what he thought were the worst mistakes chief executives could make. Hudson said it was crucial for chief executives of all but the smallest charities to build a good management team. He said: "Unless you build a team of people to really

deliver the organisation's work, the chief executive is completely disabled."

He said: "Some of the chief executives I've seen fail have done so because they haven't built a senior team."

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organisations, but chief executives of small charities will find a lot of useful material. The author is Senior Partner in the Compass Partnership, a consultancy specialising in advising voluntary sector organisations.

I visited Hudson at the Partnership's offices near Euston station to ask him about his experience and views of the sector.

Hudson isn't one of those consultants who advise without having any experience of what working in the sector is really like. Hudson began his involvement with the voluntary sector by setting up two branches of Friends of the Earth. He also set up a community group while studying at Durham University. After graduating, he worked for Friends of the Earth full-time. He managed some 250 branches and their bicycling campaign. He rose to become Administration

Hudson says a second mistake is failing to manage your governing board. He said: "There is an assumption that the board is there to manage you, but in fact, it very seldom works that way in the voluntary sector." He said chief executives had to be prepared to engage with the issues of the board and "manage upwards" in a constructive and sensitive way.

Hudson said: "A chief executive who loses the confidence of the board is in really critical difficulties, and a chief executive who loses the confidence of the board and the senior management team is on the way out."

The third mistake to avoid is to have a bad chair-chief executive relationship. Hudson said: "I've seen some wonderful relationships which have transformed organisations by having those two people locked together and working effectively as a team. I have

also seen organisations completely disabled because those two people have not found a way of working together effectively."

I asked Hudson whether he was saying that "people skills" were the most important skills for a chief executive to have. He said: "Yes, I am absolutely sure that the art of working with other people is one of the most critical things for a chief executive, and the least easy to learn.."

He said the best way to learn the art of working with people was probably self-study, trying to be self-critical, and standing back from situations. He says mentoring can be a useful way of learning, and in his book he mentions ACENVO's mentoring scheme. He is also enthusiastic about 360-degree appraisals.

### **GOVERNANCE NEEDS TO IMPROVE**

The book includes excellent material on the role of boards in third-sector organisations and how to make boards govern effectively. Hudson says management in the voluntary sector has improved dramatically over the last ten years, but governance has a long way to go. He says: "There are some good examples of governance, but there are quite a lot of examples of poor and inappropriate governance which does not add any value to organisations, in fact it detracts."

He says the NCVO has taken some good initiatives on governance, but more needs to be done. He said: "There are not that many people with the sort of skills that you need on a governing board, and who understand the distinction between management and governance."

Hudson said: "Boards don't spend enough time thinking about what their job is. They do it, but 'it' — what they are doing — may be the wrong thing." He said boards should spend more time on finding new people and setting up a good induction process.

### **PREDICTIONS FOR THE FUTURE**

In the final chapter, Hudson makes some personal predictions about the future of the sector. He says the sector will grow, accountability will increase and organisations will be judged by results. I asked him whether that meant that charities must see the contract culture as the way forward.

Hudson said: "The days of liberal doling out of core grants by public sector bodies for no more than a broad purpose are going or gone. There is no escaping that."

He believes organisations need to learn to be more creative in the way they present their services. Too many charities have fallen into the trap of assuming that they should present

their organisation as part core-funded and part contract-funded.

Hudson said: "The funders haven't helped; they have hindered by assuming the voluntary organisation should run services under contract and their overhead costs should somehow be paid miraculously by charitable donations.

"A much clearer relationship would be that the funder accepted that overheads must be paid by somebody and all the services that an organisation provides should bear a fair proportion of the costs."

Hudson also believes that voluntary organisations don't

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necessarily have to accept contracts. He said organisations should ask themselves whether they really should be in the contracting business. Instead, they might think about focusing on raising unrestricted income from donations, legacies, shops or other sources.

Hudson said: "In terms of your strategic freedom, your unrestricted income is the single most important thing."

Hudson believes it is critical for trustees to determine how their unrestricted funds are being spent. He said: "In some of the largest voluntary organisations in this country, the trustees are not aware of how they are spending their unrestricted income. It could be ten, twenty, thirty million pounds, spread over all sorts of services."

He said trustees need to determine whether they are getting best value for money or whether they are simply subsidising inefficient and incompetent services. He says charities will increasingly be judged by their results, and cost effectiveness will become the primary measure of success.

Annette McCill, Chief Executive of Upkeep reports on her interview with Mike Hudson, author of the book *Managing Without Profit*. VOICE, September 1999