

Smart reserves

Mark Salway looks at how charities could innovate their financial models.

I RECENTLY completed a survey of 190 charities for Cass' work on social investment. This is due to be published in our new report: *Social investment: As a new charity finance tool, using head and heart*. This is the culmination of two years' work and I look forward to telling you about this in future columns. It should be available by the time you read this.

I have a belief that social investment is just a tool, and you need to understand charity finance and the need for funding to use it effectively – therefore the survey started with a range of questions about organisations' financial situations before considering their potential use of social investment.

One of the results I found most surprising was that while those funded mainly from government grants are really hurting financially, on average charities are comfortable in their financial models and also comfortable with their reserve policies. This is perhaps leading to inertia in trying new things.

The report comes to the conclusion that sometimes trustees see their role as surviving to the next trustees' watch, rather than maximising the impact of the charity.

To put this in another way, as pointed out recently by my colleague Carolyn Copeman, trustees should have a mindset predicated on three different things:

- **Fiduciary** – making sure the charity is a going concern and stays within the law;
- **Strategic** – making sure the charity focuses strategically to maximise its impact;
- **Generative** – generating new ideas and evolving, in order to help

address social issues.

It is the third, generative mind-set, which is often forgotten about.

Our survey identifies that 23 per cent of charities could take more risk with their reserves, and therefore there exists a real opportunity to do more generative work to develop organisations and maximise impact through innovation.

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MAMTA

For the last two years, I have been working with an Indian NGO, MAMTA (Mother and Child). They work in bringing health, nutrition and well-being to India's poorest. Their CEO, Dr Sunil Mehra, runs his medical clinic in the morning, and then a rapidly growing NGO in the afternoon. He has empowered his staff to work in a team, and his organisation is particularly well run.

Two years ago, he asked if I could help him develop a health and fitness club to help his charity and beneficiaries. This has now been launched in Varanasi as a gym for women and families – the first of its kind in India.

While I enjoyed the opening event, what I have seen from the charity and Dr Mehra is a hunger to do more for the communities they serve. They want to try new things. They want to innovate.

We started the planning two years ago, and this has now come to fruition. Dr Mehra has said that the charity needs to learn new skills, and

part of this initiative is to see how different skill sets can bring about running a more business-focused organisation rather than a charity. His organisation has grown hugely as a result.

He has had to lead his trustees to talk openly about the generative role of MAMTA. By his own admission, it was often difficult to get trustees to see what he could see.

Innovation

So here is the question – what is your charity going to do to become more generative, and innovate? Maybe you should start by looking at whether your products are old and mature. Maybe you should look at your innovation pipeline, or how you start new things. Maybe you could earmark some reserves for this, or find a grant to start something new.

Alternatively, your charity might be able to fund other charities to move forward – you could collaborate with others to bring about change, or maybe you could do this yourself. Maybe you need to take the plunge and release your data to help others learn. Maybe you could start an initiative or social enterprise to help more beneficiaries.

Innovation is never easy, but by starting the conversation at your SMT meetings – you never know where this could lead.

I have been really impressed by MAMTA's desire to evolve and push boundaries. I hope this can bring inspiration for your organisations. ■



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