



There are three sectors in an economy. The first is the Public Sector. The second is the Private Sector. And the third is the Non-Profit Sector. The Non-Profit Sector is very important to the Irish economy, employing 8.8 percent of the workforce, along with another 2.3 percent on a voluntary basis. It accounts for 8.4 percent of G.D.P.

2into3 combines the skills and experiences of the Private and Non-Profit Sectors in Management Consulting and Recruitment.

This publication will offer quarterly insights into the Non-Profit Sector, fundraising, management consulting, philanthropic trends, and developments at 2into3 itself. The newsletter is intended to inform, educate, and promote thought and discussion, so please peruse the selected articles and give us your feedback. We hope you find the items interesting and useful, and we look forward to hearing from you.

SECTOR SEGMENTATION: THE 2INTO3 PHILOSOPHY

Insightful segmentation of the Irish non-profit sector is key to ensuring collaborative progress in the future, according to 2into3 Director Dennis

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FORWARD THIS NEWSLETTER!

Why not send along this email to colleagues or contacts? The discussion of topical and thought-provoking issues - such as those outlined within this newsletter - is key to the continuing development of the non-profit sector. 2into3 highly encourages such ongoing debate and exploration.

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O'Connor.



Dennis O'Connor, 2into3 Director

2into3 classifies non-profit organisations by 12 fields of activity: philanthropy; international development; trade unions; religious groups; health; advocacy, law and politics; environment; arts, culture and heritage; social services; sports and recreation; education and research; development and housing.

The model was developed by the Centre for Civil Society Studies at Johns Hopkins University in Maryland, and it was later adopted by the Centre for Nonprofit Management at Trinity College Dublin.

2into3 believes that identifying non-profits through this established model helps to clarify the individual aims within the sector and prompts streamlined thinking amidst organisations which have similar purposes.

'Our reason for doing it is that the model has always helped to make sense of this very large marketplace, and I think it helps the marketplace make sense of itself,' says Mr O'Connor, who is also the co-founder of 2into3.

'If you look at the categories that are there, they are done by the nature of the mission. Some of the non-profits are starting to see themselves in those ways.

'If you take the international development organisations, I think they've been the most advanced as seeing themselves as being part of a group who are in the same area. Then you form some sort of organisation in the form of Dochas, and they've come together for common issues.

'The sector as a whole doesn't have the equivalent of an IBEC - a body which brings it all together so that it can look at its issues in a common way.

'One of the benefits of the model is, if people start to see that these things make sense, people will say, "Look who else is in educational research. We have a common agenda, whether big or small."

'You've more in common, firstly, with people doing similar things, and you've more to learn from each other. Obviously all non-profits have

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Achieving Excellence in Fundraising Practice and Leadership in Ireland

The Centre for Nonprofit Management, Trinity College Dublin, in partnership with the Center on Philanthropy, Indiana University, are holding a definitive education Programme for Fundraisers, The Principles & Techniques of Fundraising, in Dublin on 20 - 24 October 2008.

As a leading Practitioner in the nonprofit sector in Ireland 2into3 Chairman, Dennis O'Connor, will be contributing at the 5-day programme along with other contributors including Kinsley Aikens (Ireland Funds), Richard Dixon (Concern) and Mary Apied (President, Trinity Foundation).

Please visit www.cnm.tcd.ie for

something they can learn from each other at a wider level, but specifically there are learnings from a particular common form of activity that are invaluable.'

**INTERVIEW: DAVID MCGLOUGHLIN,
CEO WEXFORD FESTIVAL OPERA**



David McGloughlin joined Wexford Festival Opera last year after more than 15 years working in the Irish film industry. Here, he discusses his experiences in the world of Irish arts non-profits.

Do you come from an Arts background?

When I left college in 1990 with an economics degree from Trinity, I set up my own company, an event organising company, which went fairly well. But I'd worked voluntarily for the Dublin Film Festival for many years, and in 1989 the then-board of the Dublin Film Festival had actually appointed me to the board of the festival. Then in 1991 I was appointed chief executive of the festival, which was limited by guarantee with a board of voluntary directors. I was in that position until 1996. That gave me a good insight and a good feel for how festivals had to be organised. I later founded the Dublin International Film Festival with Michael Dwyer, the Irish Times film critic, in 2002. I'm still on the board but I just stepped down as chair due to pressure because work chairing a voluntary board can often be more work than chairing an executive board. From 2005 until 2007, I was also chief executive of Screen Producers Ireland. It was basically the trade representative organisation for the film industry. We were an affiliate organisation of IBEC; it was a nonprofit, but it was more of a business lobby group.

How did you end up working for Wexford Festival Opera?

I was referred to Dennis, in particular, by a colleague. I was meeting him to have a general chat about arts in the non-profit sector, and the job kind

more information on this exciting programme.

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2into3's Harvey Duthie is the treasurer of Fundraising Ireland.

Established last year, the group is a new network of fundraisers in Ireland.

Among its many aims, Fundraising Ireland hopes to provide a forum for fundraisers to meet and discuss issues, as well as to maintain a database of fundraiser contact details.

For more information about Fundraising Ireland, please visit

www.fundraisingireland.ie

of came out of left field. Dennis happened to mention they had a part-time position in the arts sector, so I put my name forward and I was one of a number of candidates. Ironically - and to be totally honest, my knowledge of opera is somewhat limited - if I had seen this job advertised in a newspaper, I probably wouldn't have applied because I probably would have thought I wouldn't have gotten it. But it turned out to be an advantage rather than a disadvantage. They weren't looking for someone who would end up being a frustrated part director in the chief executive role. They wanted someone who doesn't get too bogged down, who can focus on the operational side of the business and run the festival as a business. What I've discovered since is that my two career threads from a previous life have a kind of relevance. One experience from running the Dublin Film Festival is that there is a common thread running through all festivals; you have to focus almost your entire 12 months of work for a short period, a matter of weeks. Another experience helps in that the Wexford Opera Festival is a producing festival; it produces lives artwork or art performances, and it involves employing directors, costumer designers and crew - in a way similar to when I was working in the commercial sector in film production. The organisation of a producing festival is almost a combination of both threads in a way. Anyway, Dennis felt I should put my name forward, and the position was advertised both nationally and internationally. I took up the position of interim chief executive in September of last year, and I was appointed long-term executive from May 1.

Have you seen recent changes in arts organisations in the non-profit sector?

I think they're becoming more professional. They're becoming more aware of the necessity to broaden their appeals from a funding point of view to all sectors, not just to rely predominantly on the public sector and not just rely on the private donations of the philanthropic sector but also to look more to the commercial sector - not really doing sponsorship deals but in many ways pushing the whole CSR side of corporations and using that as a lever to get support.

The corporate governance of non-profits in the arts sector is also important; there's more of a realisation of the responsibility of directors in their non-executive roles but also in the fulltime executive as well. Non-profits are adhering more to rules and regulations and they are aware of the fact there is this new charities legislation coming, as well. The structures that are in place generally seem to be more professional, as well; there is more attention to the financial imperatives, the increasing competition and pressure, and also the importance of cost-control, proper financial records - which traditionally were more the areas of the commercial sector.

Do you think arts non-profits face unique challenges in the Irish non-profit world? Do they attract support more or less easily than issue-driven organisations?

First of all, there's a huge number of arts organisations and an increasing number, as well - every few weeks there seems to be a new local arts festival around the country. The difficulties that art non-profits have, in terms of particularly raising philanthropic funds, is that there can be a certain cynicism about the arts in Ireland. Although the arts is quite

vibrant, I don't think there's necessarily a broad appreciation of the arts across the commercial sector, such as in European countries and certainly America. Without being crass about it, I think the fact that we are not issue-driven - and often there seems to be less immediacy about the cause - I think more often can make it a more difficult sell.

And in the past, the arts as a group haven't necessarily been the best ambassadors of their own industry. I think it allowed certain people to feed on the perception that the arts sector lives off the government. Personally, I think it's probably more difficult - but I know the other side in terms of the caring non-profits, the whole compassion fatigue can come into play and there's competition there, as well. But if they're focused right in terms of who they're trying to get the funding for, I think it can be a more focused sell.

In the arts sector, you're appealing to people that have an appreciation of the arts - not only targeting organisations, but individuals within organisations who you feel would be sympathetic to your particular art form. We're still trying to raise funds for Wexford Opera House; we're getting to the point the building is almost finished, but we haven't reached our target. A lot of the potential Irish donors . . . there's a difference between the attitude towards funding for arts capital in Ireland and in other parts of the world. The Irish attitude, in the broadest sense, seems to be 'If you're coming to the end of your capital project, why do you need the money?' whereas the American attitude is 'If we can see what you've completed already, the more likely we are to support.' Rather than seeing plans in an architectural office, they can actually feel the product and they're more likely to support. I think this is a more enlightened approach. In terms of the Irish market, I think there's probably a ways to go in terms of the corporate sector and particularly trying to encourage them to donate for arts capital funding projects.

I suppose part of our specific argument that we put across is we emphasise the various things we are doing such as outreach programmes, community involvement . . . We would talk about that, stressing the fact that we are very much a non-profit. Apart from providing direct benefits to our customers, we also provide direct benefits to the community.

In the past, we haven't stressed it enough, I think. In a way, talking about an opera festival can be seen as quite elitist. It's an art form that is only enjoyed by a small percentage of people, and there is often a perception that - because the majority of opera patrons tend to be high networth value, more from the ABC1 market segment - because the patrons tend to be wealthy, the arts sector is suffering the least. That's unfortunately not the case. It may be supported by people of high networth value, but it's also the most expensive art form you can present.

Increasingly, there is more and more competition for what will always be limited resources. Funding from the state, generally proportionally speaking, is reducing. The Arts Council funding effectively has been frozen for next year. It makes it tough, as well, and perhaps rightly so, that there is increasing questioning from the government about their support for the arts. You have to justify more and more your support from the likes of the Arts Council. But it's important we justify our funding from everyone, including the state.

Who do you think is best suited to high-level non-profit positions -

people from the non-profit world, the commercial world, or candidates who have experience of both?

I think overall, it depends on the person. You can't be too precise about it, in terms of saying 'If you haven't worked in the non-profit sector before, it's not a good idea to try it.' With anything, if you have the different areas of employment you've been involved in, the broader your experience is going to be. Generally, it probably does help to have been exposed to the commercial sector. What's useful in that side is you tend to bring some of the work practices and the general attitude towards business - which benefits the non-profit sector because it improves the professionalism. And I think the non-profit sector has lessons that it can learn from the commercial side, and vice versa.

***THE WHEEL PUBLISHES RESULTS OF FIRST NATIONAL
PAY AND BENEFITS SURVEY***



Nearly one quarter of Irish non-profits have had difficulty recruiting staff in the past year, and 13 percent had problems retaining employees, according to a new study.

The main reason given for retention difficulties was that non-profit salaries are too low, concluded the report by The Wheel, which recently conducted the first national survey on pay and benefits in community, voluntary and charitable organisations in Ireland.

The Wheel compiled responses from 317 organisations which completed a detailed questionnaire regarding their respective employment practices. The results, published by The Wheel this summer, contain a number of fascinating findings and set the stage for an introspective and productive discussion about how best to attract and retain top talent in Irish non-profits. The survey reported results using a number of categories, including job level, activity within the sector and organisation size.

The findings showed that, for heads of organisations and CEOs, the average salary is E84,943 within companies of 20 or more employees.

Earners in the lower quartile received E68,854 and in the higher quartile received E103,772

For smaller non-profit organisations, CEO salaries ranged from an average of E47,942 to E55,040 - increasing with the number of employees.

Across all levels of jobs, non-profit professionals working in the health sector earned the highest average salaries.

The majority of participating organisations reported following national pay agreements when deciding on salary increases for employees, but many did not operate defined pay scales.

In regard to benefits, the average basic annual leave entitlement was 23 days. More than half of the organisations said they had an occupational pension scheme for employees, and 66 per cent operated a formal sick pay scheme. Nearly three-quarters of organisations reported that they provide some form of assistance to employees for further education.

The survey also made interesting findings about the make-up of the Irish non-profit workforce.

'Non-profits already do so much with so little, the temptation to continue on with less particularly in difficult economic times is understandable, however this approach is not sustainable,' says John Kelly of 2into3. 'If we are to create a cohesive civil society then we must invest in creating thriving civic society organisations. The two critical inputs required by non-profit organisations are money and leadership. In addition to developing its own pool of leaders, the sector critically needs to attract and retain leadership talent from outside the sector. In our experience salaries are a barrier. Talented manager do not join non-profits to get rich. That does not mean that salaries do not matter. There is inevitably an economic component to an individual's career choice and even modest changes in compensation will have an impact. The shortlist for a Finance Director or an Operations Director at €90k looks different to one at €70k. The additional 20k will attract candidates that are not only more seasoned but have more experience of running complex organisations.'

***HOW TRANSPARENCY WILL HELP NON-PROFITS IN
UNCERTAIN ECONOMIC TIMES***



Financial fears in the face of an economic downturn could have strong consequences for non-profit organisations - and make it all the more important that groups maintain total honesty and transparency about operating costs and budgetary constraints, experts say.

Misreported overhead costs have been a traditional hallmark of non-profit organisations, and the upcoming charities legislation in Ireland will naturally demand more accurate reporting. But in addition to complying with State mandates, increased transparency will actually help non-profits to better sustain themselves amidst times of economic turmoil, according to studies.

"We can't afford to 'fake it until we make it'", said Clara Miller, Nonprofit Finance Fund President and CEO. "This heroic type of behaviour does no one any good in the long run. Non-profits need to share worries with boards and funders, and enlist their support in getting ready for a possible recession."

She made the comments earlier this year when the NFF released five recommendations to help non-profits prepare themselves for uncertain economic times. Full disclosure - rather than brave optimism intended to allay funders' fears amidst negative economic media reports which seem omnipresent - was a key suggestion.

Consulting organisation The Bridgespan Group came to similar conclusions after conducting a recent study.

"It's a badly kept secret that overhead costs in the non-profit sector are most often much greater than what's visible in financial reports and fundraising literature," the group wrote. "But misguided expectations and actions-on the part of funders and non-profits alike- fuel a vicious cycle that keeps the pretense going . . . The cycle has grave consequences for an organisation's ability to have impact. As unrealistic overhead expectations place increasing pressure on organisations to conform, executive directors and their boards can find themselves under-investing in infrastructure necessary to improve or even maintain service-delivery standards, particularly in the face of growth. In the short term, staff members struggle to 'do more with less.' Ultimately, it's the beneficiaries who suffer."

Hence non-profits must convey realistic projections and problems, satisfying funders - who may be tighter with their money under the current

financial circumstances - that all donations will be used to efficiently support the organisations' aims.

But at the same time, contingency plans must be made and publicly discussed, proving that non-profits are adaptable, practical and committed to ensuring the longevity of their organisations.

The NFF recommended that non-profits should engage with board members and funders in contingency planning on what is likely to happen to clients and funders during a recession; avoid large investments in fixed assets and infrastructure; and get firm handles on their current revenue patterns before hard times throw a wrench in established patterns.

'The goal of surviving a recession or economic recession is not to stay afloat for the sake of staying in business, but rather to make sure you're around to keep serving the public, particularly in times of increased demand for services,' Miller said. 'It's important to get board members and funders to go public with that message -- that the organisation's survival is important because of the clients it serves.'

And re-evaluation, belt-tightening and increased disclosure can also inadvertently break the so-called 'cycle' mentioned by Bridgespan, helping groups to slowly create a new and improved non-profit culture. Non-profits can develop a strategy that explicitly recognises infrastructure needs and improve communications with all stakeholders.

"Framing discussions about strategy around a clear plan that lays out the organisation's goals, the investment needed to achieve the goals, and the resulting benefits for beneficiary groups can be more useful than centering such discussions on costs," the report concluded. "Even within the confines of a "cost conversation," executive directors can use this type of plan to illustrate how infrastructure investments actually reduce the cost to serve over time. Non-profit leaders can further increase their ability to invest appropriately if they communicate the logic for increased overhead investment throughout the organisation, and to the board. A collective commitment from all levels of the organisation, including senior staff and the board, is a powerful lever."

Bridgespan concluded that 'given the research and momentum on the issue, there appears to be an opportunity for unprecedented dialogue between funders and grantees. The forces that fuel the vicious cycle are strong. But the opportunity to achieve more for beneficiaries over the long-term is a compelling incentive. As one non-profit leader summed up, following a successful effort to align the organisation's board and funders around more realistic overhead investments: "We are a fundamentally different-and better-organisation today than we were three years ago, and I attribute much of that to investments in building our capacity."

Another concluded: "We're now an impact culture."

NEW ADDITION TO TEAM



2into3 has added a new member to its team as it expands its management consulting services.

In July, the company was pleased to welcome Deirdre Hatch (B. Mus (Perf) from Trinity College Dublin, M. Phil. from Dublin Institute of Technology, DBS from Michael Smurfit Graduate School of Business). She joined 2into3 as a Consultant, with specific responsibility for supporting the provision of Strategy and Fundraising services to clients. Ms Hatch previously spent two years at Deloitte (Consulting) in London, where she worked with a range of different clients, primarily in the financial services and public sectors. Having a background in music, Deirdre also taught music for a number of years and has worked with the National Youth Orchestra of Ireland.

'Since I started in the company, I've been working on a number of different elements for our clients,' Ms Hatch said. 'Typically what I do is help our clients to figure out their fundraising strategy, working with them to identify how much they need to raise to achieve their goals, and the most appropriate way to raise that amount. A large part of this revolves around examining their fundraising mix and considering whether or not it is appropriate, given their goals, their organisation and the environment in which they operate.'

'I help our clients prepare the case for support, identifying the most appropriate way to present their need to potential donors, and constructing a solid argument to present.'

'I'm also involved in project coordination and project support. In addition, I've become involved in research on areas of particular interest and importance to the sector.'

For any additional information about 2into3, please contact Amy Curtin at amy@2into3.com or +353 1 640 1914.

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