

## Duncan Fisher OBE

Duncan Fisher is author of *Baby's Here! Who Does What?* which looks at how family dynamics are affected by the arrival of a new baby. He is a director of the publishing company, Family Info, which supplies information to parents through maternity and children's services. He created and now manages the Kids in the Middle campaign, promoting support for family relationships and backed by 24 agony aunts. In the past he founded and was the Chief Executive of the Fatherhood Institute and served on the board of the Equal Opportunities Commission. He lives with his wife and two daughters – Miriam, 13 and Abigail, 9. He was awarded an OBE 'for services to children' in January 2009.



# In Praise of the Community Interest Company: the ‘Charity’ Enterprise of the Future

In the next 20 years, the charity sector will need to become increasingly entrepreneurial. Operating effectively in the modern economy requires the same approaches from charities as from any other organisation – versatility, speed, intelligence.

Enterprise needs to be led by entrepreneurs: individuals who have the gift to grow new initiatives and adapt quickly. Entrepreneurs work hard and fast in new and unknown environments and they need the tools to operate effectively.

## **The charity is not the right tool for social enterprise**

The fundamental flaw of the charity is that the Chief Executive Officer (CEO) is legally powerless. The trustees – a group of volunteers – have absolutely all the power. It is like flying an aeroplane and making the pilot agree every move with a committee of passengers – fine if everything is going smoothly, very problematic as soon as things start getting choppy, and absolutely impossible when moving forward requires rapid change and innovation.

Unlike in a commercial enterprise where directors are accountable to shareholders, trustees in non-member charities are accountable to no-one. There are codes of good practice for recruiting trustees, but most trustees have never even looked at these – they are simply self-appointing oligarchies. Funders, including government, give large sums of money to these charities with no checks on the quality and competence of the trustees, or on the trustee recruitment process. The result is a proliferation of incompetence.

I cannot count the times I have heard CEOs – a highly skilled profession – talk about the incompetence of their trustees. A key role of many charity CEOs these days is to prevent the trustees from destroying their organisations: a waste of CEO talent on a grand scale.

And when trustees and CEO get into conflict, the CEO always loses. The argument is not won on the basis of competence, but on the basis of power. It is easy for trustees to put about the inadequacies of errant CEOs because they can; CEOs cannot blab about their trustees.

In theory, a board of trustees is an opportunity to bring much valued skills to the charity. But I have tried this (both as a CEO and as a trustee myself) and it is not an efficient way to bring in expertise. It tends to lead to individuals – quite brilliant in their own fields – becoming paralysed and extremely conservative because they no longer feel confident. If it is necessary to access skills, it is much better to do so without handing the individuals power.

The charity was created for wealthy individuals who wanted to hire people to spend their wealth on good causes. Still, today, some charities are created by those with money who need someone else to distribute their funds independently. The form works well for the limited purpose for which it was created.

### **Enter the ‘charity’ of the future: the Community Interest Company**

The Community Interest Company (CIC) operates like a normal company but the distribution of profit is limited. If the company is limited by shares, then the board is accountable to the shareholders in the normal way.

If the CIC is limited by guarantee then it is like a charity but with key improvements in design: there is no separation of powers between the lead entrepreneur and the board and the board members can be paid professionals. Also a CIC can trade – social enterprise depends on the ability to sell something in order to provide free service to those who cannot pay.

There is a CIC regulator with formidable powers to check an errant board – the regulator can sack the directors and appoint alternative management.

At present, CICs are not eligible for tax relief from donations. But if it is necessary to raise donations from the public and get the tax back, it is easy to set up a subsidiary charity (in which the trustees are held to account by the CIC) in order to raise the money and then donate it to the CIC according to the requirements of charity law. But I think it would be better to change the law and give CICs limited by guarantee the same access to tax relief as charities have.

CICs are increasingly being recognised by funders as a legitimate form. In the week I wrote this piece, the Big Lottery Fund accepted its first application from a Community Interest Company limited by guarantee (from a CIC I manage, as it happens). The confidence of funders will grow continually and turn to enthusiasm over time as the improved performance of this tool for charitable endeavour becomes apparent.