

## **SUMMARY OF RESEARCH ‘EXPLORING THE EFFECTIVENESS OF INTERNATIONAL DEVELOPMENT NGOs’ COMMUNICATION ABOUT FINANCE: STRATEGIES FOR IMPROVEMENT’**

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### **1. Background**

1.1. The aim of the research is to assess the effectiveness of communicating financial information within specific non-governmental organisations (NGOs). Strategies of best practice are identified to help these and other NGOs improve their effectiveness.

1.2 Efficient and transparent financial management systems are pre-requisites for any organisation. NGOs are no exception to this. The need for these systems to be robust is particularly important when donor funding is the main source of financial sustainability.

1.3 National and international donors are placing more emphasis on a high standard of financial management. In the United Kingdom, for example, there is pressure from the Charity Commission for accountability through their Statement of Recommended Practice. Obtaining funds from donors is competitive and NGOs with the best financial systems are often the most successful.

1.4 The efficiency of a financial management system can be undermined if communication about financial issues is not effective.

1.5 To work effectively, NGO’s programme and financial staff need excellent communication about financial issues. The researcher’s experience of a range of

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*NGOs and students are permitted to quote the research if it is not for financial gain. Give full details of the title, author, date and source. Please email a copy of the extract to [john@johncammack.net](mailto:john@johncammack.net)*

NGOs has been that some programme and finance staff report weaknesses in financial communication. These suggested weaknesses include:

- programme staff thinking that finance staff do not understand their work and visa versa
- non-financial specialists not understanding financial jargon
- programme staff having a limited understanding of what professional financial skills can achieve
- ignoring the need for communication skills for finance staff, and financial skills for programme staff when recruiting.

1.6 NGOs sometimes consider that communication between their programme and finance staff is not satisfactory. A reason for this may be that the finance role may be perceived by programme staff as one of 'control and policing'. Finance staff sometimes claim that programme staff have little understanding of the importance of money to their organisation, and lack financial skills. These perceptions may be more valid in the voluntary sector, where programme staff may indeed have chosen to work as an alternative to the mainstream business sector. Such staff may also be less aware of good business practice. Equally, finance staff coming to the non-profit sector from a business background may experience 'culture shock' when they first join an NGO.

1.7 Handy (1988) suggests that problems arise when organisations start mixing different ways of working or 'cultures'. He says that the value clashes within voluntary sector organisations are really a clash of cultures, for example between those wanting a logical approach, and those preferring greater freedom.

1.8 Fowler (1997) supports this and says there is tension where:

“...finance and administration bring a professional culture which emphasises adherence to a uniform set of rules; this culture is uncomfortable with the discretion, flexibility and continual variation which must be second nature to operational staff. In the worst case, conflict of culture leads to a 'them and us' mentality between development staff and administrators, accountants and auditors – at the cost of working for the common good.”

(Fowler, 1997, p 55)

## **2. Methodology**

2.1 Information for the research was provided through individual interviews with staff from a selection of international NGOs in the UK, Europe and North America. A focus group of other NGO staff discussed the themes arising from the interviews. Interviewees were asked about the strengths and weaknesses of financial systems, possible organisational and personal cultural reasons for different ways of communicating between finance and programme staff, and to rank suggested ways to make financial communication more effective.

## **3. Research findings**

3.1 When asked if they thought communication about financial issues could be improved in their organisation all interviewees said 'yes'. When asked about priorities for achieving this, three themes emerged:

- improving communication about financial information – both in presentation and interpretation
- establishing minimum standards for the financial systems needed
- 'internal marketing' of financial skills

The interviewees and the focus group were asked to rank possible improvements to the effectiveness of financial communication, and how effective they would be in their own organisation. The improvements were ranked and are shown in table 1.

Possible improvements	Average interviewee ranking	Focus group ranking
Clearer or additional financial systems	4	2
Cross-departmental working groups	9	5
Training for non-financial specialists in finance	2	4
Training of financial staff in more effective ways of communicating	3	3
Less use of financial jargon	5=	1
Promoting people across departments	10	10
Job shadowing and job swaps	8	7
Placing finance staff in programme/service departments and visa versa	7	9
'Internal marketing' of what financial skills can offer (e.g. help in capacity building and more than just record-keeping)	1	8
'Internal auditors' to help managers carry out their financial functions (or a similar role with a different name)	5=	6

1 = highest ranked improvement; 10 = lowest ranked improvement

**Table 1: Ranking of possible improvement to financial communication effectiveness**

#### 4. Conclusions

The research shows excellent practice in some NGOs. It identified strategies that had already, or were likely to have, a positive impact on the effectiveness of NGO financial management. To improve financial communication more widely, it is recommended that these strategies are adopted by all NGOs:

- strong leadership and explicit support for finance from senior management, in particular the director
- [training of non-financial specialists in financial management](#)
- [training of financial staff in more effective ways of communicating](#)
- minimising the use of financial jargon
- 'internal marketing' of what financial skills can offer (e.g. help in capacity building rather than 'record keeping')

- use of numeric tests during the selection process for non-financial staff who have financial tasks in their job description, and communication skill tests for financial staff
- regular (monthly/quarterly) meetings between programme and finance staff to coincide with the production of financial information
- finance staff involvement in programme meetings and vice versa

## **5. Thanks and next stages**

Thanks are due to all those who took part in the research. This is an interim study and the research is ongoing. John Cammack ([john@johncammack.net](mailto:john@johncammack.net)) would welcome feedback from individuals or organisations with experience of these issues.

## **References**

Fowler, A. (1997), *Striking a balance: a guide to the effectiveness of non-governmental organisations in international development*, London: Earthscan Publications.

Handy, C. (1988), *Understanding Voluntary Organisations*, Harmondsworth: Penguin Books.