

The National Trust

This is a longer version of the minicase in the Part One Supplements. It explains the work, objectives and the performance of the National Trust, and concludes with an examination of the Trust in terms of E-V-R (environment@values-resources) congruence. It's an ideal first case for a strategy course as it deals essentially with core strategic management issues

This version of the case was written by John L Thompson in 2000 with the earlier co-operation of the National Trust. It is for classroom discussion and should not be taken to reflect either effective or ineffective management.

Introduction

As we move into the twenty-first century, it will become increasingly important to safeguard the country's heritage, enabling us to understand and enjoy it, and passing it on to future generations.

(Prime Minister John Major, 1995)

The National Trust, in essence, holds countryside and buildings in England, Wales and Northern Ireland 'for the benefit of us all'. Trust properties include woodlands, coastal paths, nature reserves and country parks; sites of archaeological interest; castles and country houses, some associated with famous people such as Sir Winston Churchill and Rudyard Kipling; abbeys and priories; lighthouses; and even whole villages and hamlets. In 2000 these amounted to some 250,000 hectares, over 600 miles (970 kilometres) of coastline, 164 historic houses, 19 castles, 160 gardens, 47 industrial monuments, 49 churches and chapels, nine ancient sites, 73 landscaped parks and 1000 designated ancient monuments, many of which are open to the public. Some 250 properties charge an entry fee. In 1997/98 a record 11.7 million visitors were recorded at properties where admission fees are charged, but this fell to 11.1 million in 1999/2000. Millions more visit the other properties and the open countryside free of charge. The most popular property, measured by the number of visitors, was Fountains Abbey and Studley Royal in North Yorkshire.

The National Trust, which is independent of government despite the 'national' in the name, is now over 100 years old. Founded in 1895 by three Victorian philanthropists concerned with conserva-

tion and preservation of the countryside and important buildings, the National Trust now boasts 2.64 million members. The two million figure was reached in October 1990. The growth of membership was particularly dramatic during the 1980s. The first thousand was reached in 1926, increasing to 10,000 in 1946, 100,000 in 1961 and one million in 1981. The growth rate is now slower than in recent years. Members pay an annual subscription in return for free entrance to Trust properties and a variety of support publications. Initially the Trust concentrated on looking after land and ancient buildings; country houses have been included since 1934. The Trust is also heavily dependent on the annual contribution of 38,000 people who work voluntarily in a number of ways. Their contribution is estimated at 2.25 million hours of work. Her Majesty Queen Elizabeth the Queen Mother is President of the National Trust; HRH The Prince of Wales is Vice President.

To celebrate its centenary in 1995, the Trust launched Project Minerva, a lifelong learning programme linked to conservation for both adults and children. Minerva includes discovery days, study bases and environmental activity centres, and it reflects the Trust's increasing emphasis on learning in recent years.

The Trust was formally incorporated by an Act of Parliament in 1907. It has a constitution and legislation enables it to acquire property and hold it as either 'inalienable' or 'alienable'. That part which the Trust formally declares 'inalienable', usually the important core of an estate, cannot by law be sold. For this reason it is not valued in the Trust's balance sheet. It has been estimated that the current market value, hypothetically, would exceed £2

billion. Land, however, can, and frequently is, leased to farmers in return for an annual rent. In fact, the National Trust has 1100 tenant farmers on its land. Consequently, the recent difficulties faced by UK farmers has been a problem that the Trust has had to share. Strategies have been developed to help tenant farmers to sustain a living and diversify their activities.

The National Trust is also involved in a number of environmental projects, including soil management, waste conservation, genetically modified crops, specific restoration programmes and the protection of endangered species of wildlife.

The mission and objectives

In simple terms, the purpose of the National Trust is the preservation of historic houses and beauty spots in England, Wales and Northern Ireland, keeping them open for the nation.

The 1907 Act of incorporation states:

promoting the permanent preservation, for the benefit of the Nation, of lands and tenements (including buildings) of beauty or historic interest, and as regards lands, for the preservation (so far as is practicable) of their natural aspect features and animal and plant life.

Given this mission and the 'inalienable property' constraint the time-scale is clearly infinite, and the planning period for certain gardens is 100 years.

Conservation and preservation, however, cost money; revenues must be generated. The primary sources are members' subscriptions and the fees paid by non-member visitors, in addition to rents (see Appendix for details). This implies accessibility, which could result in damage if there are too many visitors. Light, humidity and the passage of time are all enemies to old properties and their furnishings; so too (are curious fingers and thundering feet). Hence there is an important potential conflict between conservation and access.

During the late 1980s and 1990s, for example, gardens have been more popular with visitors than country houses. While the Trust is generally happy to see more visitors at its various properties – enjoying

them and at the same time contributing to their upkeep – occasionally a certain stage is reached where it is felt that more visitors would conflict with the preservation needs of the property 'and the brakes need to be applied'. To prevent overuse and damage the Trust has selectively introduced policies to restrict entry, but these are exceptional rather than general practice. They have taken the form of direct controls (fixed numbers at any one time, say a half-hour period) and indirect influence such as reduced marketing, higher admission prices and limited car parking availability. These restrictions have taken precedence over the thought of investing more resources to make the most popular properties even more enjoyable in order to attract increasing numbers of visitors and generate additional revenues. In general, the commercialism of many privately owned estates and houses is avoided by the National Trust. There are no safari or theme parks in the grounds. Activities such as practising farmyards, mainly for children, are as far as the Trust is happy to go.

Instead attention has focused on the revenue potential of shops, restaurants and holiday cottages (National Trust Enterprises) and publications. In 1994–95 National Trust Enterprises made a financial contribution of £6.2 million from a turnover of £38.8 million (16%); a further £2.9 million was provided through additional advertising and sponsorship. Five years later, in 1999/2000, turnover had increased to £46.9 million and the contribution to £7.5 million (again 16%). Advertising and sponsorship added £4.2 million. Donations and investment income are other significant sources of funds. These are discussed in greater detail later in the case.

In the main, the National Trust takes over properties where no-one else can or will, mainly the latter, responding to need, rather than specifically seeking to acquire identified houses and gardens. The objectives are, therefore, more concerned with the preservation and improvement of properties already owned rather than the acquisition of new ones. There is, though, a clear long-term objective of acquiring some 900 miles (1450 kilometres) of 'threatened' British coastline. This is almost half of the total of 2000 miles (3200 kilometres) of coast-

line; and the project, Enterprise Neptune, which has been running for 30 years, is over half way to its target. The rate of coastline acquisition depends on the success of the support fund raising.

Administration

The Trust has a head-office executive staff comprising the new Director-General, Fiona Reynolds, successor to Martin Drury (who retired at the end of 2000), the Deputy Director-General and Directorates for Estates, Finance, The Regions, Historic Buildings, Marketing and Communications, Legal Affairs, Public Affairs, National Trust Enterprises and Personnel. The previous Director-General, Sir Angus Stirling, retired in 1995 after 12 years in office; he had presided over the important surge in membership. In addition there are 16 regional offices which are directly responsible for the properties in their regions. This executive operates within, and reports to, an elaborate committee structure of honorary non-executives.

The ruling committee is the Council, which is made up of 52 members, half of these nominated by organizations interested in, and appropriate to, the Trust's activities, such as the Victoria and Albert Museum, the National Gallery, the Council for British Archaeology, the Royal Agricultural and Royal Horticultural Societies, the Ramblers' Association and various other protection and conservation agencies. The other half are elected by the members and come from all parts of the country. The Council has an Executive Committee which appoints, among others, a Finance and a Properties Committee and 16 regional committees. The Executive Committee 'reviews and carries out policies required to pursue the principles laid down by Council'. The Council, incidentally, is not bound by decisions taken at the Annual General Meeting of National Trust members. This was evidenced at the end of the 1980s when the Council did not adopt an AGM decision in favour of banning hunting on National Trust lands. In fairness, only a small minority of members actually voted, either for or against. However, in 1997, the Trust opted to ban deer hunting on its lands. The issue of fox hunting

remains unresolved, with the Trust waiting for publication of the Burns Report and any subsequent legislation before it makes a decision.

Since the mid-1980s the senior executives of the Trust have operated with a management board which meets fortnightly. Prior to this, control was more directly hierarchical. These senior managers are responsible to all main committees of non-executives.

Staff in regional offices, guided and constrained by head-office staff, put forward proposals and plans to the various committees for approval. In general, the Properties Committee considers property management issues in terms of policy, and issues papers on such subjects as the care of historic buildings, forestry and archaeology, whereas the Finance Committee approves the annual budget and accounts. When an acquisition is recommended by regional staff, the Properties Committee will evaluate the merit of the proposal and the Finance Committee the financial implications. Both pass their recommendations to the Executive Committee for the final decision.

While the National Trust amends some of its strategies on a continuous basis, this is underpinned by a formal three-year planning cycle. In 1999, and for the first time, the Trust invited all of its members to participate in the strategic planning process.

Regional offices

The 16 regional offices are directly responsible for the maintenance and improvement of existing properties, and they will also be involved in potential new acquisitions. Each property has a managing agent who is charged with drawing up an annual plan or budget for repairs, maintenance and possible investments in say a larger car park or better sales kiosk facilities. Revenues from admission charges for non-members and all associated sales of publications and so on are estimated to arrive at a subsidy figure. In the main this subsidy will be provided from general funds, made up of such things as members' subscriptions and profits from retail activities.

A head-office committee of senior staff reviews the management and finances of individual properties, roughly every five years on a continuing cycle. If any growing deficit or subsidy requirement is seen as being in need of close examination, then a number of options will be considered, such as:

- the potential (if desirable) for attracting more visitors, say by working through tourist authorities
- additional marketing activity by the Trust to target the property at defined market segments or niches
- new uses for the property, such as rallies, wedding receptions and outdoor concerts
- higher entry fees, and
- lower staff costs.

The constraint of not threatening conservation by commercialism is ever-present in discussions, but is, apparently, rarely a real issue because of the culture and values held by the Trust's employees both nationally and regionally.

New projects

New projects, such as new exhibition material, better presentations or better visitor facilities can be financed from a special fund introduced a few years ago by the Trust's finance director. Regions can apply for investment funding if they can demonstrate that the projected return on the capital is likely to exceed a particular target. This fund is seen as a revolving fund, on the grounds that moneys should be repaid within a relatively short space of time. While the objective of the investment should primarily be to improve quality in the form of enjoyment from the visit, the financial return is utilized as a constraint.

Finance

A more detailed summary of income and expenditure in 1999/2000 is appended to this case, but the following table provides a breakdown of the percentages of the various contributions – excluding grants – to the Trust's income.

	2000 %	1995 %	1990 %
Subscriptions	46	44	40
Rents (farms, etc.)	17	15	16
Admission fees	7	7	11
Investment income	20	21	22
Profit from Enterprises	9	10	7
Produce sales	1	2	2
Gifts	0	1	2

Two points are worth noting: first, the increasing significance of members' subscriptions, balanced by the corresponding reduction in admission fees; and secondly, the growing contribution from National Trust Enterprises.

In addition, the Trust receives grants from government departments, conservation agencies and individuals, together with legacies, appeal proceeds and the sale of leases. The magnitude of these varies every year, often quite substantially. Ordinary income does not cover ongoing expenditures; grants and legacies are critical.

The National Trust is Britain's leading charity in terms of both total incomes and total voluntary contributions. Its scope is so wide that it can appeal to all five National Lottery distributors.

Investments

The National Trust holds and invests substantial funds, the majority of which have been donated over the years to support the upkeep of particular properties. In 2000 over £700 million was invested, comprising:

- the Capital Endowment Funds, endowments tied to specific properties, and required before the properties were acquired by the Trust. This is discussed below. Only the interest, not the capital, from this fund can be spent
- the Defined Purpose Funds, gifts and donations tied to specific repair and maintenance projects and/or specified properties. Both the interest and the capital can be spent

- the General Fund, cash which can be used as the Trust chooses. As highlighted earlier, this is typically the annual subsidizing of those properties (in reality, most of them) that cannot be self-funded.

Wherever possible, investment policies are linked to relevant time horizons. Funds designated for repairs are often earning short-term returns; capital endowment funds are invested for the optimum long-term benefits.

The acquisition of new properties

The National Trust only agrees to take on new properties if an endowment (calculated by a formula) to cover maintenance for the next 50 years is in place. Present owners, conservation agencies and the government, through the Department of the Environment and the National Heritage Memorial Fund, are the traditional sources of endowment funds.

The National Trust accepts that sometimes it underestimates the funding which will be required, and consequently the endowment covers only a percentage of the 50 years. Wage inflation has proved difficult to forecast over 50 years; depreciation is unpredictable, although not markedly relevant; most significant has been the march of scientific knowledge which results in ever higher standards being set by the state, and expected by the public, in hygiene, security and accommodation. Higher targets for maintenance and improvement often prove expensive.

When the National Trust acquires a property it seeks to decorate and furnish it as closely as possible to the way that Trust employees believe the original owners would have had it. This requires extensive knowledge of period preferences and tastes, and it can also again prove difficult and expensive. Where the most recent owners have views on the way in which the property should be presented these are encapsulated into a 'Memorandum of Wishes', but this is not legally binding.

Funds are also boosted continually by donations and legacies, and by fund raising, usually tied to specific appeals. Enterprise Neptune, to cover the cost of

acquiring and looking after threatened coastline, has been ongoing for 30 years. As additional funds are raised more can be accomplished in this long-term project. There was a successful Trees and Gardens Storm Disaster Appeal following storm damage in 1990. The Lake District Appeal is another long-term venture to cover the cost of improving paths and preserving facilities, often utilizing volunteer labour. These are just a sample of many special appeals.

Measuring success

Measuring the success of the National Trust is a complex issue, and the various stakeholders and interest groups are likely to have differing views on the most appropriate measures, and on priorities.

- The Trust would argue that the main measure of success is the standard of preservation achieved, although this is clearly and inevitably subjective.

Other measures support the achievement of preservation standards:

- the number of members, including those who renew their subscriptions and those who join for the first time. The growth figures would suggest that the Trust is successful, and this is logically linked to
- the ability to meet public expectations. The National Trust believes that its members and visitors are, in the main, seeking period authenticity – the property presented as it would have been lived in originally – rather than 'museum collections' say covering several generations, or activities for children. Resources are committed to achieving this type of presentation.

Clearly there is support for the way in which the National Trust markets its properties. Were it to change its policies in any significant way it may well lose existing supporters but at the same time appeal to different market segments;

- the number, and particularly the substance, of complaints. The Trust argues that it treats all complaints seriously

- the ability to generate new funds and endowments to enable them to take on additional properties where necessary.

In addition, the National Trust has to measure the extent of any damage and decay at properties and react accordingly. There is, as highlighted earlier, a penalty for attracting too many visitors.

The Trust also has a number of key financial yardsticks which are measured on a monthly basis. Where figures fall below trigger thresholds remedial actions are implemented.

Environment–values–resources

The major environmental influences (the Trust's stakeholders), the National Trust's core skills and competencies and the manifest values of the Trust and its employees are listed below.

Stakeholders and interested parties

These include:

- members and visitors – 'represented' at the AGM and by Committee members
- donors of properties – many are motivated by genuine altruism, a wish to spread the enjoyment of their inheritance. Their wishes are sought and often followed; and visitors often find that their interest in a property is enhanced if they know that the donor or a descendant, frequently related to the family that may have owned the property for centuries, is still resident
- conservation agencies
- ramblers' associations
- government – government provides some financial support and legislates about certain requirements. Increasingly the National Trust may be affected by European legislation
- financial benefactors – although in some cases it must be debatable whether the financial support is directed at the specific properties rather than the work of the National Trust as a whole
- employees – whose values and orientations, as well as their expertise, are likely to be an important issue when they are appointed
- the nation itself (as opposed to the state).

Core competencies and capabilities

The National Trust recognizes that to be successful it must develop and preserve expertise in a number of areas:

- property management – as well as the general maintenance and upkeep of properties the land resources must be managed effectively, and this includes the commercial lease arrangements with farmers and so on
- expertise in arts, furnishings and in the ways in which people historically have lived and kept their properties. Many National Trust members are themselves experts and connoisseurs
- public relations and marketing – attracting the most appropriate visitors and providing them with an enjoyable, satisfying visit; in addition, running the National Trust shops both profitably and in keeping with the desired image of the Trust. Generally high-quality merchandise is sold at premium prices
- financial skills, including the management of a sizeable investment portfolio, together with an understanding of the fundamentals of economics. Yields do rise and fall, but the National Trust is substantially dependent on the returns from its various investments.

Values

- The National Trust feels that a high moral tone is appropriate for all of its activities.
- The themes of preservation and improvement are dominant, but financial accountability and responsibility cannot be overlooked.
- The Trust also seeks to be educational where it is appropriate. Involving children is seen as important, but it is encouraged mostly at specific sites selected for their location, intrinsic interest and the 'resilience of the fabric'.
- In general, Trust staff also share an 'ethos' which combines the feeling of working for a good cause, a degree of identification with its purpose and principles, and a certain readiness (typically shared by people who work for other charities) to accept rewards which may be less than employees

of many manufacturing and service businesses would normally receive.

The future

While the National Trust can cover its ongoing expenses and acquire those new properties which both the Committees and staff feel it should take over, then its policies, which have emerged incrementally over a long period through a democratic, if potentially bureaucratic organizational structure, need not change dramatically.

The dilemma comes when the National Trust cannot meet its expenses from current activities, supplemented by external grants, appeal proceeds and legacies. Membership fees could be increased substantially, but members are under no obligation to pay them. Other than in their first or early years of

membership, members frequently and happily regard a proportion of their annual fee as a subsidy. They could save money by paying at individual properties when they visited, but of course they would not receive the Trust's directory, magazines and details of new properties and developments.

Admission charges could be raised, but this is likely to deter visitors and, in fact, is more likely to be used when a property is too popular and conservation needs are threatened.

Support commercial activities, shops, restaurants, publications and holiday cottages are all capable of growth as long as they do not conflict with the values and culture of the Trust. However, these activities remain small in relation to the Trust's total income.

The National Trust

<http://www.nationaltrust.org.uk/>

Questions

1. What are the objectives of the National Trust?
What are the inherent conflicts?
How do you feel the objectives would be prioritized by the major stakeholders?
2. Do you think the performance measures used by the National Trust are wholly appropriate?
If not: what measures should be adopted either instead of, or in addition to, those used?
3. Assess the National Trust in respect of E–V–R congruence. What, if any, changes are required if the National Trust is to enjoy congruence in the early years of the new millennium?
4. What opportunities for change are available to the Trust?
What would constitute appropriate change?
Do other charities pose any threats?
Where are the main constraints to change?

Appendix: The National Trust—outline income and expenditure

	1999/2000		1994/1995		Comparative figures for 1986
	£m	£m	£m	£m	£m
Ordinary income					
Membership fees	60.0		41.8		16.8
Rents from land leases, etc.	21.5		14.5		} 14.0
Admission fees	8.5		7.4		
Other property income, e.g. produce sales	1.8		1.7		
Investment income	26.4		20.2		8.3
Profit from National Trust Enterprises	11.7		9.1		N/A
Gifts (not tied)			1.2		
	<u>129.9</u>		<u>95.9</u>		
Capital receipts					
Appeals and tied gifts	8.6		3.0		3.7
Grants and contributions	14.5		16.6		
Legacies	36.4		24.5		8.7
Sales of leases	2.8		1.6		
Others			1.0		
	<u>62.3</u>	<u>192.2</u>	<u>46.7</u>	<u>142.6</u>	
Ongoing property expenditure					
Property maintenance	69.5		45.7		
Property management	20.2		13.9		
Conservation and advisory services	4.9		4.5		
Membership and recruitment	} 18.9		6.9		
Publicity and fund raising			6.7		
Administration	1.9		4.6		
	<u>115.4</u>		<u>82.3</u>		
Capital works and projects					
Capital works and projects	43.1		38.5		
New acquisitions	12.5		6.8		
	<u>55.6</u>		<u>45.3</u>		
Total expenditure		<u>171.0</u>		<u>127.6</u>	
Comprising total expenditure on property	148.5		109.4		55.8
Non-property expenditure	22.5		18.2		
Total income less total expenditure					
		21.2		15.0	
Represented by:					
retentions in tied funds	14.0		10.0		
retentions for future expenditure	7.2		5.0		

Note: where total expenditure exceeds ordinary income, capital funding is required.