

THE FUTURE CHARITY

How to drive change and innovation across the sector

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TPXimpact

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TPXimpact is a multi-award winning, agile agency of creatives, coaches, strategists and technologists who collaborate with exceptional organisations to help them own their future. By listening carefully to the needs of their clients and their audiences, and by developing a shared understanding of how to create value, TPXimpact delivers innovative, audience-centred experiences, products, services and change.

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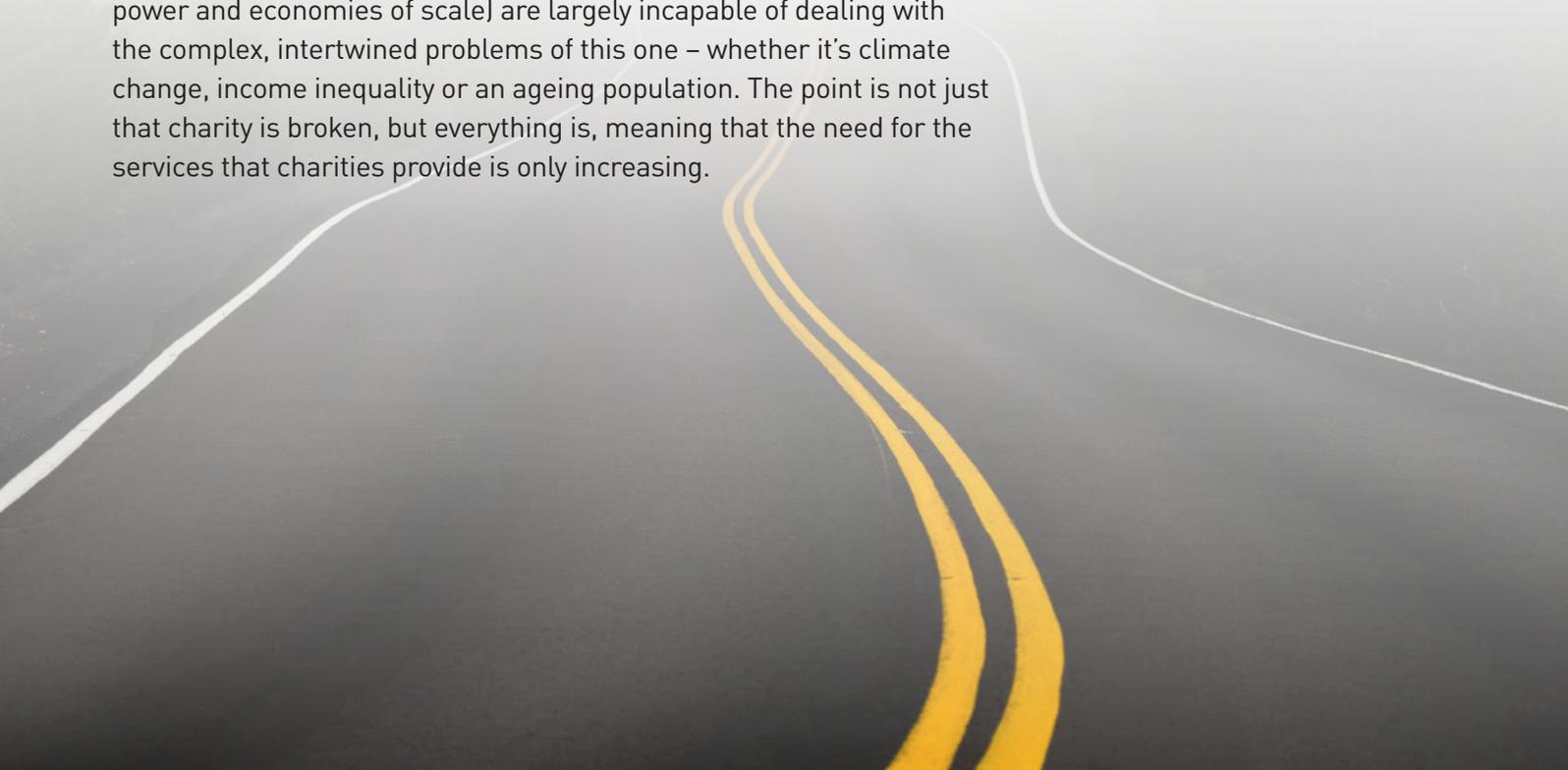
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FOREWORD

It's an increasingly popular mantra that charity is broken. The opening pages of this excellent report express this very sentiment time and time again. Whether it's concerns about poor governance, the evaporation of trust, brand protectionism over the needs of beneficiaries (from whom charities seem increasingly distant) or organisational cultures that talk about innovation, but crush it unthinkingly.

These problems, however, are not unique to the charity sector. A cursory glance at our political system, the corporate world, education or healthcare would reveal a similar set of woes. Organisations created in the last two centuries (underpinned by philosophies of concentrated power and economies of scale) are largely incapable of dealing with the complex, intertwined problems of this one – whether it's climate change, income inequality or an ageing population. The point is not just that charity is broken, but everything is, meaning that the need for the services that charities provide is only increasing.



It is only in the last five years that I've been asked to help charities to consider the future. I looked forward to my initial engagements in the sector, convinced, that of all the organisations most likely to be 'ahead of the game' and innovating for a better world, charities would surely be in the front running. I was sorely disappointed.

For the most part, the established charity sector still runs itself as if it's 1975. Worse, the leadership and trustees of many charities appear to actively pride themselves on their inertia and insularity. Criticism of obvious flaws, I have found, is considered unseemly and ungenerous. 'Talk to us about the future, yes, but don't expect us to do anything different in the face of it.' Or, another false mantra: 'technology will fix it'. No, it won't. Bill Gates' famous observation that technology applied to a crappy process will just enhance its crappiness is important to heed.

Society needs a rethink – and charities (or certainly the service to society that they provide) should be at the heart of that rethink if they are to have any chance of fulfilling their dreams of a more equitable, sustainable, humane and just world.

How? Some of the answers are to be found towards the end of these insightful pages. Implicit in nearly all of the recommendations you'll find here is the concept of true collaboration and socialisation. Nothing, absolutely nothing can be done without trust. Trust is built first by sharing stories, then information, then assets, then engaging in joint projects, then working together to change the rules of the game. Within, and across the charity sector there needs to be considerably more sharing – and then between the sector and others there must be the same.

Collaboration is a bit like falling in love. It can be scary, it's best when you have trust and respect, and done right it's transformative, and a huge amount of fun. In short, charity, you need to get out more.

**Mark Stevenson, Resident Futurist:
Charity Futures / Médecins Sans Frontières**

This interesting report echoes many of the findings of the Civil Society Futures report. It supports our view that a fundamental behavioural change is required across organisations, across civil society, to meet an increasingly uncertain and challenging future. In doing so it challenges all of us to think about the ways in which charities and other organisations are governed, led and supported: this report speaks to trustees, regulators, funders and staff, and is a vitally important contribution to the debate.

Julia Unwin CBE, Chair, Civil Society Futures

FEARLESS FUTURES

**Fighting the crisis of confidence
undermining the UK charity sector.**

The UK charity sector is in crisis. While the triple threat of rising inequality, an ageing population and climate change are combining to create a greater need than ever for the services of charitable organisations, the ability of the sector to deliver is hindered by fear. Fear of the future. Fear of tackling the changes required to secure a place for charities within that future. This report aims, for the first time, to pinpoint the source of these fears and suggest approaches to overcome them.



Anyone who works within, or with, the charity sector will be aware of a pervasive anxiety about the future of charities. There is a growing sense that the current operating model is not fit for the future, and that radical and far-reaching changes are required to ensure the sector survives and continues making a positive impact beyond the first couple of decades of the twenty-first century.

We are three consultancies who have worked with, and continue to work with, many organisations in the charity sector. We have each found a strong consensus that things need to change. Our clients have talked openly about frustrations and fears. But we've also heard inconsistent stories about why change is needed, and in what form. And we've experienced an alarming lack of urgency when it comes to tackling barriers to change.

We wondered what could be causing this. Is every charity on its own, lonely journey, or are there common themes linking the fears across these diverse organisations? And if there are commonalities, can we suggest straightforward, practical steps - borrowed from the work we've done for both non-profit and commercial organisations - that can help charities tackle these common themes, dispel their fears of change, and work towards future fitness?

To find out, we first conducted a survey of charity employees and depth interviews with a varied selection of charity leaders. We asked them what aspects of the future they were most worried about and the obstacles they saw confronting them. We then sat down with a smaller, focused group to discuss general approaches that might help overcome these obstacles. And finally, we drew on our wealth of experience to suggest practical steps that charities can implement today.

In this report we lay out the major challenges as identified by our interviewees and survey respondents, before switching focus to six major enablers of the changes needed to address technological, societal, demographic and economic change in the decade ahead.

“It’s like climate change, we continue to campaign for change, but it’s not until the streets of London are full of water that people are going to react, and that will be too late.”

Nicky Wilson, Fundraising and Strategy Consultant

THE CHALLENGES

Meeting a growing need

More than a decade on from the global financial crisis of 2007-08, inequality is on the rise in the UK, exacerbated by cuts to funding of public services, the rise of the gig economy, and changes to the tax regime which have favoured the wealthiest ¹.

The UK population is rapidly ageing. The number of older people with care needs is expected to grow by 25% by 2025 ². The increased need for elder care and support for health issues related to ageing, including loneliness, and increased demand for ageing-related public services in general, is a major concern for the NHS.

We are in a state of climate emergency, and the effects of climate change, including increasing frequency of drought, floods, heatwaves and other extreme weather, is making human life increasingly unsustainable across vast swathes of the globe. In turn, this is making Europe a more attractive destination for climate refugees.

The fallout is multifaceted and far reaching, with social welfare, employment, health, migrant and child protection charities increasingly being called upon to fill the gap left by local authorities who can no longer afford to provide support services.

“Society needs the support of charities more and more, but charities are stifled more and more, affecting our ability to have the required impact.”

Cait Allen, Chief Executive Wessex Cancer Trust

¹ <http://www.poverty.ac.uk/report-inequality-income-distribution-wealth-europe/what-drives-growing-inequalities>

² [https://www.thelancet.com/journals/lanpub/article/PIIS2468-2667\(17\)30091-9/fulltext?elsca1=tlpr](https://www.thelancet.com/journals/lanpub/article/PIIS2468-2667(17)30091-9/fulltext?elsca1=tlpr)

Delivering amid uncertainty

Even against a backdrop of significant concern about household finances, with 44% of people reporting that they were worried about money, the total amount given in the UK in 2020 was estimated to be £11.3bn (compared to £10.6bn in 2019)³.

However, while the average donation amount was higher during this period, the number of people giving to charity is falling, with fewer individuals making donations. Traditional fundraising methods are also in decline, and as the cost of living crisis hits households across the UK, charities face uncertainty - intensifying the need to remain relevant to existing and new audiences.

“For many key areas of fundraising, people are absolutely going to raise less in the short term and need to be prepared to raise less in the short term.”

Poppy Naylor, Independent Fundraising and Marketing Consultant

³ https://www.cafonline.org/docs/default-source/about-us-research/uk_giving_report_2021.pdf

Regaining public trust

Alongside dwindling sources of income, charities are also in the midst of a crisis of trust that began in the disastrous summer of 2015 with the high-profile collapse of Kids Company and a public backlash against aggressive fundraising techniques. The sexual abuse scandal that embroiled Oxfam and Save the Children in 2018 cast serious doubt on the moral authority of charitable organisations and made the public question whether their donations are actually doing any good.

This crisis of trust is not restricted to the charity sector, as the rise of misinformation and 'fake news' causes an increasingly sceptical public to doubt what they see and hear. This highlights the importance to all organisations of media monitoring and effectively communicating values, purpose and impact.

While there is evidence that public trust in the charity sector has recovered somewhat since 2015, our interviewees clearly had a sense that the long term trend is negative, and that charities need to be more innovative to counter the effects on fundraising and the ability to influence policy.

“The problem we all face is that protecting and preserving the organisation can become the priority rather than the needs of the beneficiaries.”

Simon Gillespie, CEO British Heart Foundation

Staying relevant in the face of increasing competition

A strong view shared by all our interviewees was that the “increasing competition within the charity sector” is one of the biggest challenges facing charities between now and 2030, and 45% of survey respondents agreed.

Our respondents also recognised the growing threat that commercial organisations pose to traditional models.

All interviewees shared concerns that for-profit companies are moving into the space currently occupied by charities. They voiced concerns about leaner, more agile commercial companies and startups finding ways to respond to beneficiary needs more directly, reducing the need for charity intermediation. They recognised the ability of tech giants like Google and Facebook to fundamentally reorganise the charity space, and the need for new types of partnerships that work together to deliver social change. To support this view, 36% identified ‘competition from the commercial sector’ as posing one of the biggest challenges to the charity sector between now and 2030.

“The operating environment often puts us in competition against each other. We protect our individual brands, because we’re trying to protect and support our beneficiary, but that could be short sighted, when we collaborate we achieve so much more.”

Ruth Sutherland, CEO,
Samaritans

Engaging new generations of supporters

87% of survey respondents agreed that “supporter expectations will change significantly over the next ten years” (100% of respondents under 30 agreed with this statement). But there is clearly a lack of confidence about responding to these changes: 42% think that changing consumer behaviour will have a negative impact on the charity sector.

87% of survey respondents agreed that “supporter expectations will change significantly over the next ten years”

“Brand loyalty isn’t what it once was. Our traditional, loyal, supporters are in their 80s and 90s now. Millennials are changing the ways they interact with charity and generation Z are purely instant givers. Charities have to completely rethink their strategy to survive in the digital era.”

Cait Allen, Chief Executive Wessex Cancer Trust

Reasons for this emerged when we asked respondents to name other factors which will have a major impact on the sector over the next decade:

“Raised expectations when it comes to technology and supporter experiences. Ease of donation, clarity of journey etc.”

“It’s more that charities can’t afford to keep up so many digital channels without employing real niche experts for salaries well above sector average. They will lose out through not being able to be flexible enough compared to commerce. Particularly, small and medium sized charities will suffer more.”

Our survey and interviews revealed that there is widespread acknowledgement that the current model of fundraising is no longer fit for purpose. “Disruption to traditional fundraising methods” was the second most-recorded answer when respondents were asked about the biggest challenges to the sector between now and 2030 (55%).

When survey respondents were asked about what inhibits their organisation’s ability to fundraise effectively, “data management capabilities” was the second most-popular answer (74%), suggesting one reason for the lack of innovation in fundraising.

“Fundraisers need to be excellent marketers, they need to motivate people to take action when there are thousands of other organisations trying to do the same.”

Michael Docherty, CEO, Kent, Surrey & Sussex Air Ambulance Trust

Delivering change within the Trustee model

Interviewees told us about organisations constrained by archaic structures and modes of governance. They told us of charities unable to keep up with the pace of change due to restrictive structures which are becoming more costly and administration heavy, about a lack of ambition, and about a trustee model that is flawed, defined by business as usual and a lack of accountability.

Just 25% of respondents agreed with the statement “our organisational structure is fit for the future”, 74% agreed with the statement “our structures and processes inhibit our ability to change” and 76% disagreed with the statement “our organisation is highly skilled in dealing with changes in the industry”.

Half of respondents rated the digital capabilities of their organisation’s trustees as poor or very poor.

“Governance structures continue to hold us back. Our response needs to be more innovative and agile to survive and thrive – we need to change, this includes trustees and executive leaders. The way we have to lead now largely doesn’t give sufficient innovation or agility.”

Simon Gillespe, CEO British Heart Foundation

“Most charities started as true examples of innovation. Our founders saw a social need, they responded to it and founded a social movement. Now we’re entering into a more highly regulated environment, rightly to endorse public trust we need to think carefully about how to deliver the very innovation that the public and particularly excluded groups want and need. Good governance needs to promote and support innovation not suffocate it.”

Ruth Sutherland, CEO, Samaritans

Preparing for technological change

Less than a third of respondents (33%) agreed with the statement “our organisation is ready for the next decade of technology”, pointing to a lack of confidence that the sector can respond to technological change. 62% reported that their organisation struggled to meet supporter expectations by delivering an effective digital experience and, among those respondents, 53% blamed poor organisational culture, and 47% an inability to recruit requisite skills.

Underinvestment and internal digital capabilities are other possible reasons for technological pessimism: a majority (54%) disagreed with the statement “our organisation is investing enough in technology”; and 52% rated the digital capabilities of their leadership team as poor or very poor.

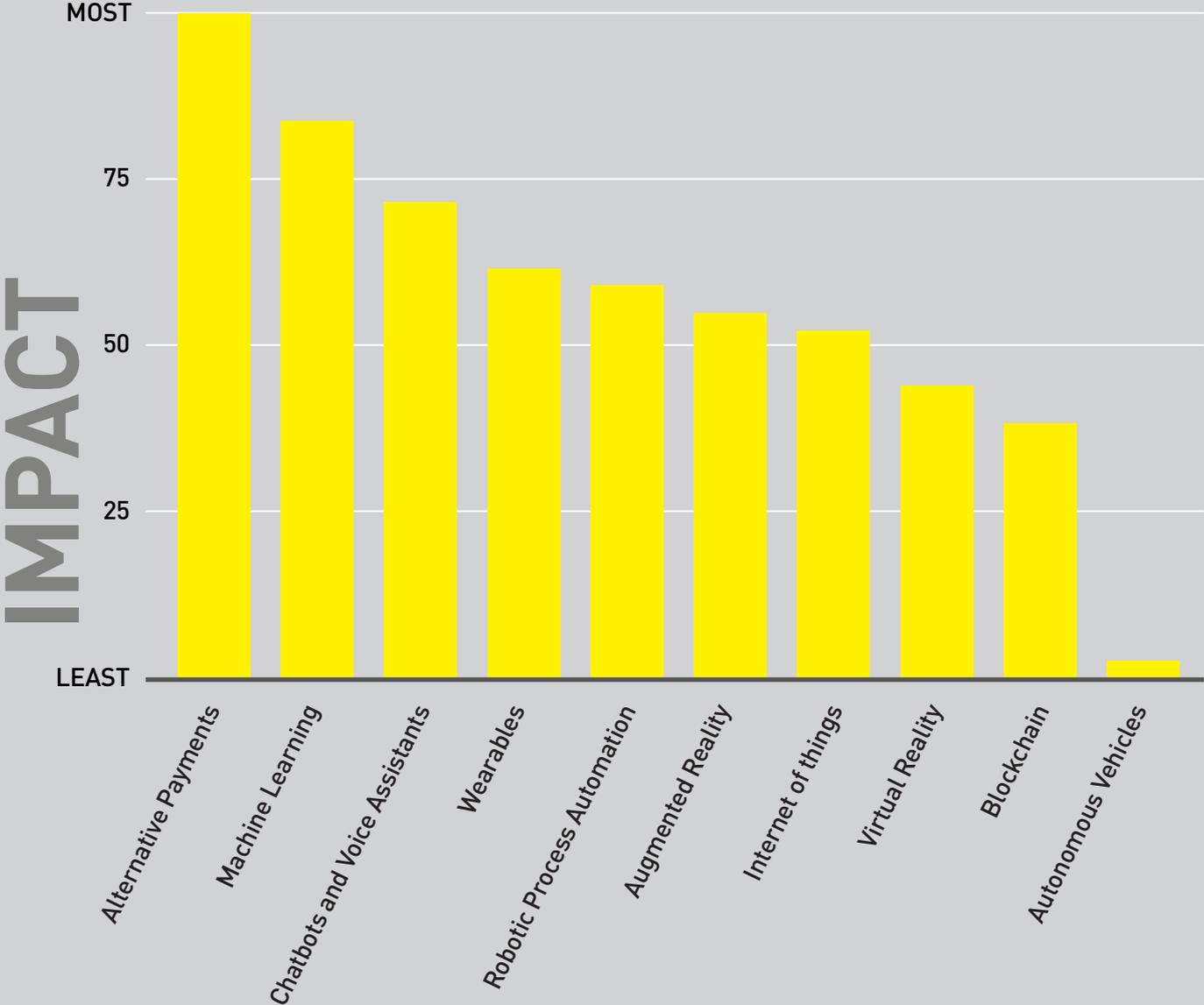
Despite the challenges, our interviewees spoke of the positive opportunities presented by new technologies, and echoed the concerns that culture, leadership, skills and lack of investment might stand in the way.

75% of survey respondents thought that changes in technology would affect their organisation in a positive way, highlighting their optimism.

“We, as a sector, are too comfortable about our role in the world – technology and the application of data will find better ways to do what we do.”

Matthew Treagus, Management Consultant

Q10. Over the next ten years, how much impact do you think the following technologies will have on the charity sector?



A large, white percentage symbol (%) is centered on a bright yellow background. The symbol is composed of a large '0' followed by a diagonal slash and another large '0'.

“93% agreed that the skills mix in the charity sector needed to change significantly over the next decade”

Overcoming a culture of inertia

Those of us who have worked in the charity sector know that for these reasons, amongst others, making change stick is difficult. Interviewees spoke of the frustration that occurs when there is alignment on a vision but something still stands in the way of making real, sustainable change. Some felt that they were rewrapping the same strategy year after year.

Our interviewees talked frankly about how major cultural shifts are needed within charity organisations, and across the sector as a whole, and bemoaned the lack of appetite for this change among leadership.

When asked directly about the internal culture of their organisations, our survey respondents were split. While 64% agreed with the statement “our culture supports and promotes change”, when asked to identify barriers to successful delivery of digital experiences, “poor organisational culture” was the top answer (46%).

But when asked broader questions about the need for change, the answers were unambiguous: “embracing new technology” was most cited as the biggest challenge facing the charity sector between now and 2030 (57%); 93% agreed that the skills mix in the charity sector needed to change significantly over the next decade; and 76% pointed the finger at internal processes when asked what inhibits their ability to fundraise effectively.

“Really capable and inspired people arrive at the door and for some reason start to behave in different ways to how they would in other organisations. The culture within charities is limiting and restrictive.”

Mark Astarita OBE, Principal & Director, AAW

THE ENABLERS

We understand that meeting all the challenges above will require cultural and organisational change on a grand scale, and possibly even a reevaluation of the current charity governance model. However, that doesn't mean that the process of change can't start today, with smaller, targeted initiatives that lay the foundations and build momentum for larger scale transformation. To that end, we've identified six major enablers of positive change, outlining the common barriers to putting those enablers in place and presenting potential paths forward. Those paths are accompanied by a set of first steps that charities can begin exploring right now.

(RE)DEFINING PURPOSE

In 2022, charities in the UK face multiple, converging crises: economic, demographic, climatological, technological and societal. While the need for the services and support that charities provide is greater than ever, public trust in charitable institutions is weak, income is dwindling, and competition, both from within the sector and from a newly purpose-driven commercial sector, is on the rise.

How can charities use their greatest asset in the battle for attention - their charitable purpose - to remain relevant, regain public trust, fend off commercial competitors, and meet the growing need for the services they provide?

The Barriers

Exploring the theme of purpose with our focus group of senior charity professionals and consultants that work in the sector, we identified the following barriers to change.

Growth at all costs

Charity organisations are locked within a framework which makes growth an imperative and prioritises financial indicators over all other measures of success. This leads to charities 'chasing pounds, not purpose'.

Saturated market

Interviewees spoke of market saturation, fragmentation of messaging, brand dilution, and the need to stand out in a crowded sector. According to the Charity Commission, in 2021 there were more than 169,000 registered charities in England and Wales. When taking into account Scotland, Northern Ireland and the many charities that are exempt from registration, there could be as many as 400,000 charities in the UK.

"We need to ask ourselves: if we were to build a charity from scratch, what would we care about?"

Clive Sanders, Director of Events,
Save the Children UK

Trying to do too much

An inability to measure real-world impact leads to a lack of focus. When those designing and implementing initiatives can't measure their success, doing more becomes a proxy for doing better. This doesn't apply in fundraising, where success is easily measured, which is why so many large organisations are now so focused on fundraising instead of delivering services and support.

Divided loyalties

Humans are social animals, so it's only natural that loyalties to colleagues, team, department and organisation often trump loyalty to the cause. Rigid hierarchies, silos and a lack of diversity among charity employees only compounds the problem.

The Solutions

How can purpose be revisited, clarified and made more relevant to charity executives and employees as they plan and carry out their work? Our discussions with charity leaders suggested the following avenues.

Differentiation

With the competition so intense, is your charity's purpose distinct enough from other organisations to avoid a duplication of efforts? If not, can your purpose be refined and focused to differentiate your charity from its nearest competitors in both the charity and commercial sectors?

Consolidation

If you can't differentiate yourself from your nearest competitor, is it time to consider a merger?

“Previously, Prostate Cancer Research Foundation and Prostate UK were two very similar organisations. They often funded the same research projects, and even at one stage had trustees in common. Merging has streamlined us – we only need one office, one database, and can raise more money with our combined resources (including the trustees) and fund more work.”⁸

Strategic collaboration

Where your purpose overlaps with that of another charity, or for-profit company, can you collaborate strategically on initiatives which fulfil the purpose of both? In the most famous example, Save the Children’s partnership with GSK has immunised nearly 100,000 children against preventable diseases and trained over 20,000 health workers to reduce child deaths in poor communities.

Measuring more than just income

Can financial indicators be replaced with ones that align more closely with purpose? We’ll revisit this topic in our section on ‘Measurement’.

First steps...

- A facilitated workshop on purpose, bringing together stakeholders from across the organisation, could help you refine your charity’s purpose to differentiate it from similar organisations and identify possible partnership opportunities. We’ve provided a **Charity Model Canvas** to help you do this.
- Similarly, revisiting culture and values with leadership and a wider group of employees will help determine whether they help people within your organisation deliver to the purpose, and prioritise delivering to purpose, meaningfully.
- Test your purpose against alternatives - with both your employees and your audiences - to see which resonate more.
- Promote purpose throughout your organisation, revisiting both internal and external communications strategies to ensure that purpose underpins all.

“How do we keep holding up our business as usual and filling the critical gaps, whilst delivering innovation and change? You can’t think of it all coming from the same pot of energy. You need a mix of strengths in your team. You can find the energy to think forward and it will give you more energy to continue to plug the gaps.”

Rosie Slater-Carr, Chief Information Officer, British Red Cross

BUILDING CONFIDENCE

Rapid and unpredictable change in the technological landscape, and the changing expectations of supporters are also contributing to a growing sense of unease in the charity sector. Supporters are becoming accustomed to bypassing traditional fundraising journeys in favour of direct action or donation embedded in commercial products and services. New technologies are empowering disruptive new entrants into the charity space.



Ask almost anyone who works or leads in the sector and they'll tell you that change is needed, that charities need to be brave and take risks. And yet a culture of inertia prevails among charity leaders. How can they find the confidence to deliver the bold leadership that's needed?

The Barriers

Exploring the theme of confidence with our focus group of senior charity professionals, we identified the following barriers to change.

Fear of failure

Making brave, bold choices to enable transformation necessarily comes with risk attached. It also requires a huge effort to bring everyone along with you - pockets of power within your organisation can disrupt your plans if you don't do enough to win their backing.

Consequences of getting it wrong

In a climate where risk-aversion prevails, taking risks which don't pay off could see you labelled as unreliable, irresponsible or negligent. Given the small size of the charity leadership job market, this could have disastrous personal consequences.

Isolation of leadership

Hierarchical governance structures leave those at the top isolated. Unpaid trustees may not be sufficiently engaged, or have enough time available, to provide support. Intense competition between charities leads to little support between peers.

Leadership capability gap

Most will acknowledge that leaders in the charity sector lag behind their counterparts in the commercial sector - both in terms of technical understanding and soft leadership skills. This is the consequence of a tendency to promote from within, often too early, leaving little time to develop these capabilities.

"We know that empowering people, removing hierarchy, and having self-managing teams should lead to better results, but the challenge is in effecting this change."

Atanu Roy, Deputy Director of Digital, Save the Children UK

The Solutions

How can charities develop the brave, bold leadership required to reinvigorate their organisations, and the sector as a whole? Our discussions with charity leaders suggested the following avenues.

Finding the right people for leadership roles

Charities can do more to attract experienced agents of change from a wider variety of backgrounds, instead of just defaulting to the restricted talent pool that already exists within the sector.

Coaching and mentoring

To address the skill and confidence gap that exists in leadership positions, charities could provide coaching and mentoring for those who need it. Mentors should bring outside experience wherever possible.

Build appetite for risk at board level

Trustees have an important role to play, since their appetite for risk determines how bold and brave leadership can be. Now is the time to reassess policies and attitudes to risk management.

Ring fence resources for innovation

Successful innovation requires failure. Resources should be set aside for conducting experiments where no immediate return on investment is expected.

Cross sector support forums

The charity sector must build better support networks to combat the isolation of leaders, and help them share knowledge and experience of operating effectively within the charity governance structure.

First steps...

- Carry out a review of the culture and values within the organisation to identify where these promote confidence, and identify whether they reward considered risk taking.
- Identify your organisational 'stories', what are people talking about, do they promote confidence in taking risk, or hold people back? Do you talk more about successes, or failures, and when you talk about failures, do you talk about what you learnt and how you grew, or who did what wrong? Once you've identified stories, create an empowering alternative. Then, share these stories widely.
- Use targeted coaching and training to improve leadership capabilities across leadership roles, and facilitate healthier conversations across the different levels in your charity.
- Ensure roles and responsibilities in decision making are clear, understood and being followed. Identify where authority has been delegated and ensure that this is really happening.
- Try to reduce the workloads and project portfolios of leaders and managers. Which projects provide a clear route to value (and value can be a clearly defined 'test', a quantified risk, or a known optimisation) and which are being continued simply because they were started?
- Review the decision making and accountability culture at trustee and board level, and identify areas for targeted, micro, improvements. Create an agenda item that has the team look retrospectively at their decision making progress, culture and development. Use Robert Cialdini's 6 Principles of Persuasion in understanding the dynamics and resistance within leadership groups.
- Have your leaders shadow a working member of an organisation to understand what happens day-to-day. Let them discover first-hand what are barriers on the ground. When they discover such knowledge for themselves, there is greater buy-in leading to ownership of the problem and desire to see it resolved.

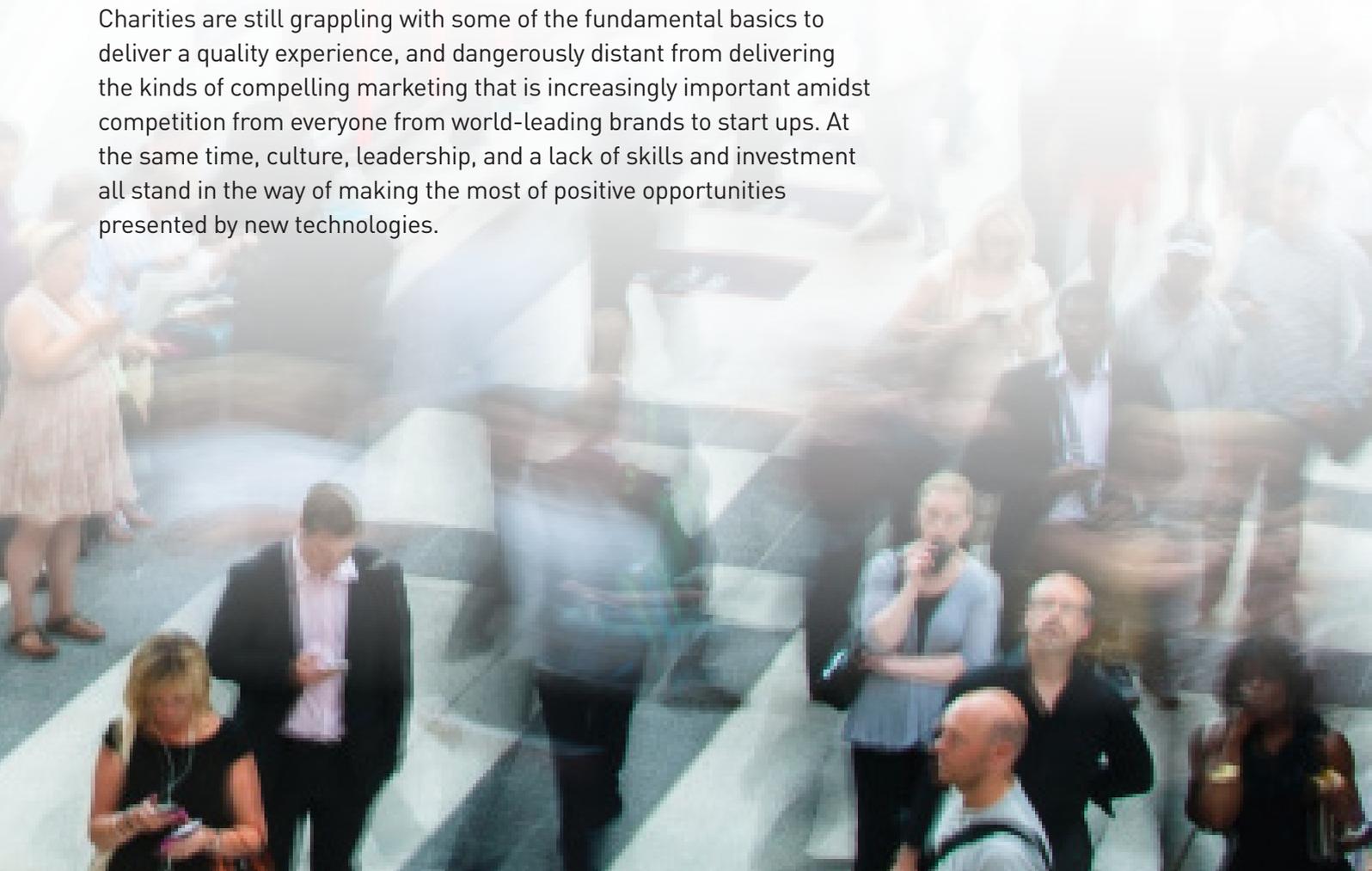
“We have some excellent, business strategists and entrepreneurial people on boards of trustees, can we better utilise these skills and take more measured risks?”

Ian Merrill, CEO, Tempo

SECURING THE RIGHT PEOPLE

There is widespread acknowledgement that the current model of fundraising is no longer fit for purpose. While legacy giving and philanthropy can plug the gap for a while, ultimately new models of giving need to be found for the next generation of supporters, who transact in different ways and aren't invested in the history and heritage of organisations.

Charities are still grappling with some of the fundamental basics to deliver a quality experience, and dangerously distant from delivering the kinds of compelling marketing that is increasingly important amidst competition from everyone from world-leading brands to start ups. At the same time, culture, leadership, and a lack of skills and investment all stand in the way of making the most of positive opportunities presented by new technologies.



The Barriers

Exploring the theme of people with our focus group of senior charity professionals, we identified the following barriers to change.

Lack of diversity

Is it possible to meet the needs of a diverse range of supporters and beneficiaries when the diversity of your organisation doesn't match that of wider society? This lack of diversity of people from different backgrounds is also reflected in a lack of diversity of thinking. A wide variety of inputs leads to greater variety of solutions to choose from.

Below market salaries

It is accepted as a rule in the charity sector that you will earn less than people doing equivalent jobs in the commercial and public sectors. Purpose is important, but it's often not enough to bridge the salary expectation gap and attract talented people from other sectors.

Lack of leadership follow through

It is demotivating to the wider organisation when leaders launch strategic initiatives but fail to follow through, leaving staff feeling like they're going through the same motions every few years.

Poor incentives

It is difficult to fire under-performers and impossible to give bonuses to high-fliers. Over time, the lack of performance management tools leads to a reversion to the mean, as those who underperform see little point in improving and those who excel see little reward for their extra efforts.

Lack of proper management

Even allowing for the fact that managers in the charity sector lack incentivisation tools, performance management practices still fall far short of what is considered best practice in the commercial sector.

“We need to do much more to attract and retain talent as a sector. It doesn't have to be financial, benefits like flexible working, investment in learning and development all play a part.”

Linda McBain, Director of Digital,
Save the Children UK

Disengaged trustees

The unpaid nature of the trustee role is not only a barrier to attracting trustees from diverse backgrounds, but also means that trustees are mostly taking on their duties in addition to a full-time job, and there is limited investment in trustee engagement. .

The Solutions

How can the charity sector reimagine its approach to employees and attract the right mix of skills and energy?

Our discussions with charity leaders suggested the following avenues.

Remote and flexible working

Especially since the pandemic, these are no longer 'nice to haves' but an essential part of the employer's offering to potential new employees. Many people now see working from home and flexible working as the norm, and more organisations are experimenting with a four-day working week.

Active recruitment strategies

Headhunting may have given a charity a unsavoury reputation in the distant past, but these days it's understood that, particularly for senior appointments, candidate sourcing has to be active. Competition is too intense and passive strategies too time consuming.

Pay market rates

Increasing competition for attention between the charity and purpose-driven commercials means that charities have to be able to draw from the same pool of talent. That may mean difficult conversations about paying higher salaries to fewer employees.

Upskill leadership

Money isn't the only consideration for potential new employees. The chance to work with inspiring leaders who can help you grow and develop is another big draw. As per the previous section, coaching and performance management skills must be a priority.

Dual-track progression

A well-established principle in the commercial world, a dual-track career path allows upward mobility for employees without requiring that they be placed into supervisory or managerial positions. Instead they follow an increasingly specialist path, developing their skills to add value to the organisation.

First steps...

- Begin an honest conversation about the skills gap within your organisation, followed by a skills audit which aims to discover training and development needs, not draw attention to individual failings.
- Start work on a training and development strategy, beginning with areas of the organisation where building capacity and maturity are most urgent, with the ultimate aim of creating a 'learning organisation'.
- Devise a leadership development programme which focuses on coaching skills, empowerment and collaboration.
- Invest in a mentoring and coaching programme for all senior leaders.
- Prioritise the recruitment of people with the skills and disposition to be agents of change. Make sure that the interviewees are both skilled and confident enough to fill the needs of the target culture, rather than relax into the comfort of the current culture.

“When making decisions about perceived risk (or benefits), consider the perspective of the individual as well as the organisation. Each person can be thought of as an organisation of one, with their own intentions and reasons, co-existing in the context of a whole organisation.”

Helen Palmer, Organisational Change Author & Speaker, Founder, Questo

MEASURING MEANINGFULLY

The charity leaders we interviewed were concerned by the current low levels of trust in charitable organisations, and their diminishing authority and influence. They saw a need to rebuild this trust by regaining focus on the purpose and the impact of charitable organisations. This requires not only a re-examination of each organisation's core purpose, but also finding new approaches to measuring impact and new ways of meaningfully communicating that impact to supporters.

Our interviewees suggested charities need to recognise the changing behaviour of consumers and open up to the idea that each individual wants to relate to the cause in a different way. A higher level of personalisation, and audience-first services and campaigns, can be enabled through the smart use of data.

The Barriers

Exploring the theme of measurement with our focus group of senior charity professionals and consultants that work in the sector, we identified the following barriers to change.

Not knowing what to measure

Like many organisations in the age of mobile computing, charities can find themselves drowning in a sea of data, without any insight into what is worth measuring and what's irrelevant.

Too much emphasis on financial data

The trustee model places an emphasis on the financial responsibilities of board members, which leads to financial data taking precedence over other measures of performance. Financial data is also usually the easiest to gather and most familiar kind for audiences to digest, and so tends to serve as a proxy for other, non-financial performance indicators.

Only reporting the positive

A fear of exposing failure often results in a practice of cherry picking data to fit a narrative of success, or retroactively changing the parameters of success to fit the data. These little white lies are innocuous in isolation, but together have the power to shift an organisation off course.

Neglecting impact measures (until the Annual Report)

There is usually an urgency around gathering and reporting data on impact immediately preceding the Annual Report. For the rest of the year, it's hard to build any focused engagement with developing measures of impact.

“We are falling behind and we don't know what we don't know. We don't yet even have the tools to use insight as well as we should, whilst our commercial competitors think like data scientists.”

Claire Rowney, Executive Director of Fundraising, Marketing and Communications, Macmillan Cancer Support

The Solutions

How can the charity sector use the data at its disposal to better demonstrate impact, respond to the needs of audiences more effectively, fundraise more efficiently and create truly audience-first services and campaigns? Our discussions with charity leaders suggested the following avenues.

Build a data-savvy culture

This doesn't mean putting a data scientist in every department (though that might not be a bad idea) but setting out an organisational approach by deciding which data points are important for measuring progress towards strategic goals and then training everyone in how to use them.

Introduce honest reporting

Leadership by example is required to combat the fear of exposing failure. When leaders own their failures, and show how those failures can be used as a learning opportunity (partially due to the data they generate), it encourages everyone else to do the same.

Set non-financial KPIs

Financial performance indicators must be accompanied by KPIs of the non-financial kind. The amount of money spent on a problem is not a measure of impact. Creative approaches may be required to find ways to measure what is not already being measured.

Longer reporting periods for impact

Depending on the organisation, the delay between funding an intervention and seeing the impact of that intervention can be significant. Often it's simply not appropriate to report on impact on an annual basis. The reporting basis should be adjusted accordingly.

Invest in data capabilities

As digital pervades ever more spheres of human activity, it's getting easier to obtain the data required to track progress or gain insight into behaviour, but harder to join it all up. The right tools can help, but you may need to call in outside help to select the right ones and make best use of them.

No more 'penny in the pound'

The 'x pence in every pound goes directly to the cause' measure of charity effectiveness is not standardised and isn't appropriate as a direct comparison between two charities with different operating models. It's misleading, toxic to the sector and needs to stop.

First steps...

- Start by understanding the appetite at board and trustee level to start digesting new types of data.
- Participate in a facilitated round-table discussion, or other forum which brings together multiple and diverse voices from the sector, to develop a better understanding of the barriers and potential solutions.
- Gain consensus on the measures that are most important to your organisation's strategic objectives at trustee, CEO and Director level.
- Make sure they contain both financial and non-financial data points, that they are few enough in number to digest easily, and that they can be measured sustainably over the long term.
- The enterprise balanced scorecard (BSC) approach can help.
- Communicate your new measures throughout the organisation and ensure that everyone is comfortable using them and knows how their role contributes to them.
- Make them part of the induction process for every new starter.
- Review people's views on measurement and what's important to them, in their roles and in their teams, to ensure you understand where the drive for existing measurements are coming from.
- Run new reports alongside existing data (don't attempt to unravel what exists) and then retire old measures as they're replaced.

COLLABORATING ACTIVELY

Many of our interviewees identified a need for more collaboration between organisations in the charity sector. It was felt that only by working together could charities overcome the inefficiencies that result from a saturated market and address the widespread issue of lack of trust and perceived lack of accountability. Others pointed to the need for sector consolidation, either through mergers or through forming alliances to share back office operations to free up resources for innovation in fundraising and service delivery.



There were also calls from several of our interviewees for collaboration across the entire sector to address the issues of eroding trust, reinvigorate the culture of giving, tackle the failing trustee model and adopt longer-term perspectives to help charities prepare for the challenges that lie ahead.

The Barriers

Exploring the theme of cross-sector sharing with our focus group of senior charity professionals, we identified the following barriers to change.

Reluctance to share information

Organisations tend to treat all data as confidential by default, even when that data isn't commercially sensitive. Intense competition exacerbates this tendency, making it hard to gain an accurate picture of key features of the sector (such as nationwide fundraising totals) and forcing a reliance on third-party surveys.

Internal reporting is unfit for purpose

There is a lack of confidence in the data generated internally by most charities. When two departments come up with different numbers, which would you share with external organisations? Or do you own up to the inconsistency, and make yourselves look foolish?

Can't see the value of collaboration

The value of collaborative efforts across the entire sector, or even across sub-sectors, isn't immediately apparent to individual charities wrestling with their day-to-day challenges. In addition, any such collaboration is likely to take some time to pay off.

Lack of joined-up thinking

Current efforts at collaboration between charities are ad hoc (e.g. Gradunique), small in scope and inconsistent. The lack of a sector-wide vision precludes the possibility of tackling strategic objectives over the long term.

"The sector needs to work together to educate society as to why charity is important and why charities can solve problems that other institutions can't."

Claire Rowney, Executive Director of Fundraising, Marketing and Communications, Macmillan Cancer Support

The Solutions

How can organisations across the sector collaborate in a consistent, joined-up way to build a collective voice and push the sector as a whole forward? Our discussions with charity leaders suggested the following avenues.

Build consistent sharing

A framework needs to be established for the consistent sharing of non- commercially sensitive data across the whole sector. Understanding prevailing trends in giving, fundraising, volunteering and more are essential for confronting the challenges presented by new technologies and rapid social change.

Embrace the whole sector

The press often takes aim at the sector as a whole but responses come only from individual charities or organisations without the authority to speak for the whole-sector. Building a collective voice requires participation in long-term conversations and initiatives with other charities that have the potential for taking practical action.

Create a shared enterprise

One of the goals of a collective body could be to set up a social enterprise to provide charities with enterprise-level technology - a commercial venture that puts all its profits back into developing the capabilities of the sector and reducing its reliance on for-profit platforms.

First steps...

- Begin a conversation about changing your charity's articles of association to provide for a duty for trustees to not only act in your organisation's best interests, but in the interests of the charity sector as a whole.
- Design a collaboration method that works for your organisation so you understand the resource, processes and key elements you need for success.
- Participate in a facilitated round-table discussion to explore opportunities for collaboration.

“There needs to be a lot more collaboration across the sector in order for it to have the impact it needs to have. It’s hard to inspire systemic change if it feels like charities are constantly in competition.”

Caroline Silke, Trustee and Consultant

LOOKING **BEYOND** THE SECTOR

Many of our interviewees recognised the need to open up to influence from the private sector, through partnerships which would not only generate value, but help charities 'follow fast' when it comes to keeping up with the faster pace of technological innovation in the private sector.

There was also a recognition that commercials are better suited to some activities than charities (and vice versa) making strategic partnerships a must for delivering the best-possible outcomes for beneficiaries.

Utilising the specialist skills, capabilities and access of commercial organisations would also help inject new energy into the sector and help it learn how to compete with commercials for the best talent.

The Barriers

Exploring the theme of collaboration beyond the sector with our focus group of senior charity professionals, we identified the following barriers to change.

Perception of charities as difficult

There is a widespread perception in the commercial sector that charities are slow, weighed down by bureaucracy, saddled with incompetent staff and generally difficult to work with.

CSR effect

For many commercial companies, charity partnerships are more of a box-ticking exercise in corporate social responsibility than a strategic, purpose-driven effort to bring about real change.

Lack of purpose synergy

Not every commercial is suitable to partner with but ensuring that a large, multinational company with complex operations and diverse suppliers is in complete alignment with your purpose would require a huge effort in due diligence.

Focus on 'corporate' partnerships

An historic focus on corporate partnerships (i.e. donations from corporate entities in return for publicity) has left many unaware that strategic collaboration is even possible.

Fear of relinquishing control

Under the trustee model, the board takes ultimate responsibility for the organisation's strategy, not the executive. Risk aversion leads to a fear of handing over strategically important functions to commercial partners, even where the value of doing so is clear.

It's not about mimicking the private sector, it's about prioritising learning and gaining insights, behaviours and skills, from each other and from outside the sector to be better at everything we do.

Ian Merrill, CEO Tempo

The Solutions

How can the charity sector make more use of the skills, capacities and access of commercial companies to deliver more for their beneficiaries and drive greater efficiencies? Our discussions with charity leaders suggested the following avenues.

Bake external partnerships into strategy

Charities should identify the big challenges that could be solved with help from the commercial sector and then make realising those partnerships a strategic imperative.

Shift innovation focus to include partnerships

Resources that are ring-fenced for innovation could come with a directive to seek external partnerships wherever possible. Successful small-scale experiments could have the potential to scale up.

Reduce barriers to participation

Often for-profit companies are excluded from sector events or charged prohibitive fees to participate. Removing these barriers would provide a greater diversity of potential partners (i.e. not just those with products and services already aimed at the charity sector).

Use partnerships strategically

Partnerships should be reframed as first and foremost an opportunity to cut costs or achieve things that otherwise couldn't be done. Corporate partnerships should become an afterthought.

First steps...

- Conduct a market-mapping exercise to identify commercial organisations with whom you are in competition for attention, purpose or talent.
- Send envoys to industry events and meetups centred around skills or operational capacities that you lack or need to improve on.
- Participate in round-table discussions or other forums which bring together charities and experts from outside the sector.
- Consider how you can creatively maximise strategic partnerships through sharing of insights, shadowing and mentoring.

“One way to understand why you’re experiencing change inertia is to consider if the change is generating value for the individuals - once you know their values, you can better understand their motivations and priorities.”

Helen Palmer, Organisational Change Author and Speaker, Founder, Questo

ABOUT THE SURVEY

We surveyed 105 people currently employed in the charity sector. Our respondents came from a wide range of organisations, with large contingents from charities dedicated to health (48%), international aid (26%) and children (28%)¹⁰.

The vast majority of respondents (75%) worked at charities with an annual income of £10 million or more, and more than half (53%) were from charities with an annual income of £50 million or more.

Respondents were distributed throughout the different functions within charities, but with a skew towards fundraising (39%) and digital (35%) departments. Legal (3%), finance (3%), support (3%) and HR (1%) were least represented. 3% of respondents were trustees and 6% worked at board level, while the majority (58%) were managers.

Respondents were overwhelmingly aged between 30 and 55 years (80%), and the majority were female (59%).

¹⁰ Overlapping remits were possible, hence total responses added to more than 100%.

ABOUT THE INTERVIEWS

We conducted one-to-one interviews with twenty leaders in the charity sector, including both senior figures working for charity organisations (trustees, C-level executives and heads of department) and experienced consultants working in the charity sector.

A full list of job titles follows:

- CEO (4)
- CIO (3)
- Trustee (3)
- Executive Director, Fundraising
- Director of Innovation
- Director of Digital
- Director of Individual Giving & Trustee
- Director of Events
- Director of Information and Involvement
- Director of Support Operations
- Head of Analytics
- Head of Marketing, Digital & Creative
- Senior Manager & Trustee
- Charity Marketing/Strategy Consultant
- Senior Fundraising Consultant

CONTRIBUTOR COMMENTS

Jim Bowes, Innovation Director, TPXimpact

This report has been a year and a half in the making. It certainly could have been done quicker, but spending a long time on it has allowed us to witness change during the process of creation.

The time we've taken tells us several things, one is that we've been busy working with numerous organisations, helping them transform, which makes it hard to work on your own projects. It tells us that partnerships are hard – just making our schedules line up with each other's has been tough. But overall, it has shown us that there are many amazing, talented people in the charity sector who have a strong idea of what they need to do. When we first showed the report – based on just the survey and the depth interviews – to some of our critical friends in the sector it wasn't punchy enough. They told us they needed more: more to share with their organisation; more to challenge the status quo; and more useful tools to help spark ideas and bring people together to make a difference. So that's what we've aimed to do. To anyone reading this, I hope you find it useful and that, in a small way, it helps you create impact and own your future.



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John Tasker, Director, Massive

Re-reading this report, I was struck by the number and scale of the challenges facing charities, but as an optimist I took away a sense of excitement and possibility about the opportunities ahead.

New technology will disrupt. Ways of giving will evolve. Competition will increase. Trust will be an issue and Gen Z will come to charity with new expectations and needs. But the desire to help and make change in the world will endure – collectively, we just need to find new ways to enable that.



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My favourite quote in the report, from Ruth Sutherland, highlights the fact that all charities started from a place of innovation – identifying a need and creating a movement to address it. If we are in a crisis, I believe the people we've spoken to and those like them who are dedicated to making a difference, aren't the kind to let the opportunities of a good crisis go to waste. If that's you, I hope this report moves you a step further towards a positive and exciting future.

Kelly Southcott, Transformation Consultant and Director, Kivo Transformation

Around two years ago, I paused and took stock of everything I'd learnt to date in my change management career. I was keen to understand two things: firstly, why, despite so many nodding heads and people voicing the same desire, did culture and organisational change rarely go further than a promise in PowerPoint? Secondly, how could we, as change leaders working with the sector, harness transformative change and maximise the value that we bring? Perhaps naively, I kicked off this research trying to find the magic answer! However, 25 interviews, an extensive survey, and a lot of reading later, no solution was in sight. Yes, we'd gained insights, but rather than close the gap, we'd opened the problem statement wider. And no one wants that.

So we got back to work, eliciting the help of many big brains, and found our way to useful, relevant and applicable next steps, which you'll find in the report.

The change needed across the sector is bigger than any of us. However, we've taken the first step in demonstrating how collaboration and sharing can achieve results. If we each apply the principles in this report to ourselves as individuals and leaders, we'll stop being part of the problem and start the journey into a more positive future.



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USEFUL RESOURCES

Charity Model Canvas:

<https://www.tpximpact.com/insights/aligning-your-organisation-around-purpose-with-the-charity-model-canvas/>

CharityComms Peer Support Scheme:

<https://www.charitycomms.org.uk/my-career/peer-support-scheme>

Six Principles of Persuasion:

<https://www.influenceatwork.com/principles-of-persuasion/>

How to Conduct a Skills Gap Analysis:

<https://resources.workable.com/tutorial/skills-gap-analysis>

Global Disaster Preparedness Center Data Culture Playbook:

<https://www.preparecenter.org/content/data-culture-data-playbook-beta#overlay-context=content/data-essentials-data-playbook-beta>

Social Enterprise Balanced Scorecard:

<https://www.nefconsulting.com/our-services/evaluation-impact-assessment/prove-and-improve-toolkits/social-enterprise-balanced-scorecard/>

WITH THANKS

We would like to extend our heartfelt thanks to everyone involved in contributing to this report, including everyone who gave up their time to complete the survey or take part in a depth interview.

Special thanks are due to those people who reviewed early drafts of the report and gave us feedback on how to make it more meaningful and useful for charity organisations, especially those who worked with us to outline solutions. More proof that collaboration is key to bringing about the change we need.

Special thanks to our editor Jamie Griffiths. Jamie Griffiths is a writer and editor who focuses on technological change and how it is transforming society, culture, politics, economics and the environment.



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