

## SUMMARY: SCOPING THE CHARITY OUTSOURCING MARKET – A RESEARCH REPORT

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APRIL 2009

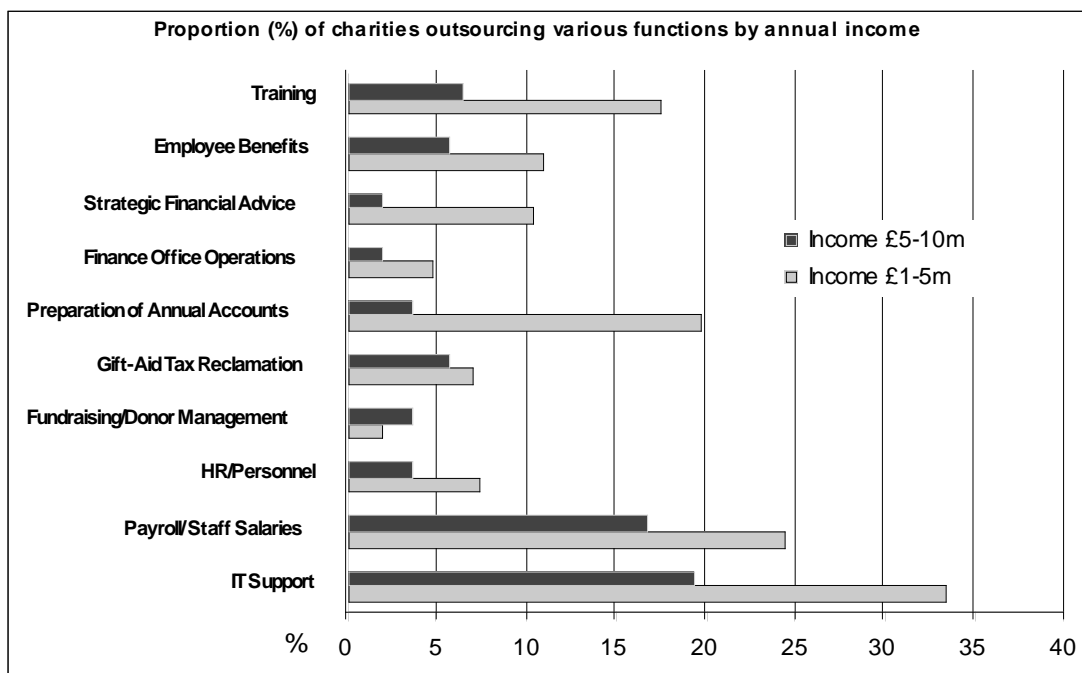
*Scoping the Charity Outsourcing Market* reports the findings of independent research to assess the potential use of outsourcing in the third sector. In a recession charities need to ensure that as high a proportion as possible of their donations is devoted to their mission. Outsourcing, or employing external providers for routine functions, may offer significant opportunities to streamline. Although outsourcing has been high on public and private sector agendas, this is the first research to assess its current scale in the third sector focusing on the larger charities.

The research was commissioned by Charity Business in the summer of 2008. A telephone survey of 464 charities with incomes between £1-10 million per annum was carried out: this represented just over 13% of the actual population of registered charities in this income band, a substantial sample. Key stakeholders, including infrastructure bodies, were also interviewed in-depth.

### FINDINGS

#### The market-place

The results indicate that the charity market place for outsourcing has an income of £3.4 billion. Commenting on the potential for savings, Mark Freeman, CEO of Charity Business, providers for outsourced services to the charity sector, says “With our clients’ realising an average saving of 40% on their back office costs, these figures could mean a total of £136 million extra for charitable activities.” Outsourcing is already well-established amongst charities for certain functions.



Key points include:

- an average of three services was outsourced per charity;
- 65% of charities were outsourcing Training, in whole or part;
- IT was outsourced by 61%, in whole or part;
- Annual Accounts preparation was outsourced by 42%;
- Finance functions were outsourced by a substantial 12%, in whole or part, and strategic financial advice was very frequently outsourced; and
- Charities with incomes from £1-5m were considerably more likely than those with incomes between £5-10m to outsource IT, payroll/staff salaries, annual accounts, finance office operations, strategic financial advice and training.

### **Outsourcing potential**

Views of outsourcing were generally positive. Three-quarters (76%) of the sample thought that the employment of external providers or out-sourcing might have an important role in the current recessionary economic climate. Two-fifths were keen to find out more.

### **Attitudes and perceptions of outsourcing**

Although not opposed to the notion of outsourcing, charities are confused about the most appropriate role for outsourcing finance functions, and whether it is either a solution for small charities that lack capacity, or for large charities that could make considerable economies of scale.

The findings demonstrate that perceptions of the risks as well as rewards of outsourcing are widespread – can suitable suppliers be found, will they share the organisation's values, how can trust between internal and external staff be established, will organisational control (of its service, its brand, its reputation) be put at risk? The significant advantages offered by outsourcing in offering additional expertise, taking some burdens off charity shoulders and freeing them to pursue their mission, are also acknowledged, but a key finding was that many charities, however, have simply not considered outsourcing. Infrastructure bodies provide limited promotion of outsourcing to members, partly because of lack of understanding and information, but also because of factors such as risk-aversion.

### **Moving forward**

The market segment of top charities in this research showed significant willingness to consider further outsourcing. Although they reported considerable current use (including, in addition to the more common areas shown above, a diverse range of services such as cleaning, catering, architecture and tree surgery) there is a huge gap in information. This needs to be addressed if charities are to explore potential for further outsourcing. Ways in which this could be met include:

- Simple, straightforward and accessible information about the product offerings;
- A clear reliable source of information on outsourcing, possibly web-based;
- Access to further information amongst infrastructure and membership bodies;
- Training events and one-to-one advice on how outsourcing could best be employed and managed within their individual organisations.

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<sup>i</sup> The data for the charity sample was provided to us by GuideStar Data Services CIC. The GDS database covers all registered and incorporated third sector organisations, and more information can be found at [www.gs-ds.co.uk](http://www.gs-ds.co.uk).

*A copy of the full report and results can be obtained from Charity Business by calling 01793 554204 or via email to [marketing@charitybusiness.com](mailto:marketing@charitybusiness.com).*