2017 Q4 Research

Role of Technology in Charity Innovation

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Prepared by

The Social Investment Consultancy

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Foreword

As institutional funding becomes increasingly stretched and public services are removed, diversifying income streams has increasingly been at the fore of executives minds across the third sector. In 2013 TSIC undertook independent research into the current market of charity trading in the UK. The resultant *Charities Unlocked* report was based on interviews with 50+ charity leaders across a range of areas and sizes. The research pioneers an assets-based approach to help charities identify unique opportunities for charity-led trading enterprises, and since then, we have provided bespoke consultancy services to many charities in their income strategies. However, the charities that need this most cannot afford our consultancy support. Therefore we are looking to create a technological solution that can make the methodology more accessible to a wider range of charities.

Whilst access to funding is becoming more difficult, the needs of beneficiaries are not lessening (and in many cases are increasing); charity services are more crucial than ever. Based on our experience working with charities we know that there are many great ideas – both from frontline staff and from users - across organisations that could improve charitable programmes and services. But very few ideas actually become integrated into strategy and implementation, due to the lack of capacity and innovation process. This proposed tool provides a simple feedback loop for stakeholders of charities to influence programme design, ensuring that charities are responsive to the ever-changing needs in society.

There is an urgent need for faster, cheaper and better innovation for charities. At TSIC, we have been advising a range of organisations in income generation through the Charities Unlocked methodology for the past four years. A discussion with Esmee Fairbarn Foundation, our funder for this research and pilot, has led to the conceptualisation of Ideas4Good, a platform for charities and social enterprises to generate ideas and test them, so that they can achieve breakthroughs in their income strategies and programme design, thus maximising their social impact. It is also the aim of this platform to improve collaboration in the sector – within charity, across charities, and between charities and funders.

To ensure that the design of this platform meets the needs of the charity sector, and to embed co-creation and co-facilitation within the design process from the outset and throughout, we have undertaken original research based on literature review, survey and interviews to answer two questions:

1) What is the understanding of innovation within the charity sector? What works, and what is needed to accelerate innovation?
2) What is the role of technology in relation to charity innovation? How can the potential of technology be harnessed by charities?

A recent article by CAST (Centre for Acceleration of Social Technology) noted that the potential of digital technology 'still remains largely untapped by established charities.' This report will build on the knowledge that has already been accumulated, and it seeks to advance the sector's collective understanding of the role of technology in charity innovation.

For any questions on our research and our services, please contact me on bonnie@tsiconsultancy.com or visit our website www.tsiconsultancy.com for more information. If you'd like to get involved with the pilot of Ideas4Good, please let us know.

Bonnie Chiu
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Key Points

Charities defined innovation as 'different perspectives of thinking that address a real challenge'

So we should think about innovation in the third sector as incremental changes that translate to greater impact for service-users

Innovation matters to organisations in the third sector

But charities often lack the time and resources to develop innovative approaches

Income generation remains a key challenge for charities

And a technological solution could be an effective way of making sure that charities who need the most support in overcoming revenue generation challenges can get it

Charities are open to the possibilities for innovation that technology and digital tools offer

But the technology needs to be cheap and simple

Collaborative approaches that incorporate a wide range of voices will be critical in driving change

'Different perspectives' should be heard from within organisations, as well as between organisations and across sectors

Introduction

Introduction

Charities are often seen to be lagging behind in their commitment towards driving innovation, especially when compared to the private sector, where the inherent element of competition necessitates innovative ideas and practice. The reasons supplied for charities' alleged lack of regard for innovation are manifold, but generally tend to sing from the same hymn sheet: that charities have a culture of risk aversion; that they are static organisations where change is discouraged; and in the last few years particularly, that they are self-serving and spendthrift, with a myopically driven agenda to satisfy their donors.

And yet, these commonly accepted assertions did not seem to ring true on the ground. In the last ten years, we've heard a repeated refrain coming from the charities we work and interact with: that they recognise the value of innovation, and would love to be able to innovate in all sorts of ways – if only they had the time, capacity or resources. Anecdotally at least, it became apparent that when it came to innovation, particularly with regard to revenue generation, charities did not lack the will, they just lacked the way. As such, with seed-funding from Esmee Fairbairn Foundation, we looked to create a solution by developing a tech platform called Ideas4Good, which charities could use to help them innovate, and to do so in a way that is both time and money efficient.

As part of that development process, we have undertaken original research in order to test our assumptions and impressions gleaned from experience in the sector, and to ensure that the tech solution we hope to offer responds directly to the need in the sector. We wanted to understand how charities perceive innovation, and whether they feel a web tool could facilitate increased levels of innovation. We also wanted to dig deeper into charities relationship with technology, and whether general sentiment was in favour of deploying technological solutions to respond to the challenges, funding and otherwise, that charities are increasingly facing.

Indeed, the data we gathered as part of this research piece corroborated our anecdotal understanding, with participants in our interviews, focus groups and surveys pointing to a myriad of reasons for why innovation is important to them in their organisations. The reason most often cited by the participants was to catalyse greater impact, but many saw innovation as allowing them to identify opportunities or improve existing products as well.

This research then aims to lay the groundwork for the ongoing development of our web tool, Ideas4Good. However, more than that, we hope that its findings will set the tone for the debate going forward, by challenging misguided assumptions about what charities need and want with regard to technology, and its role in encouraging and facilitating innovation.

Report Overview

This report brings together primary and secondary market research conducted over a period of four months, which sought to ask what the role of technology can and should be in charity innovation. The market research was carried out in three stages: a literature review of existing research around charity innovation and use of technology; focus groups, semi-structured 1:1 interviews and focused surveys with a range of stakeholders, representing different functions and levels within a variety of organisations, of varying size and issue area; and competitors analysis, to learn and draw from existing products on the market, thereby incorporating innovative product features into the development of the web tool. Based on these findings, we have drawn some tentative conclusions about how to encourage more effective engagement with technology within charities, and how technology could be used as a catalyst for innovation in the sector.

Historically there have been relatively few in-depth research pieces available on the topic of innovation in the charity sector. Even more pronounced is the lack of research into how charities can leverage on digital technologies to stimulate innovation. Indeed, a recent article by CAST (Centre for Acceleration of Social Technology) noted that the potential of digital technology 'still remains largely untapped by established charities.' (Hale, 2017). However, the tides are beginning to turn, and recently we have seen the publication of far more academic reports, many driven by a determination and commitment to seeing the sector evolve. This existing literature overview will provide a succinct summary of the main reports so far published, as well as indicate the emerging trends in the space, with reference to key reports from reputable journals, think tanks, funders and industry experts.

Desk research was the methodology used for this literature review, involving refining search terms and following footnotes. In accordance with our twofold aim – to understand first charities' relationship to innovation, and also to ascertain what role technology might play in advancing innovation in the sector, the literature review has been split into two subsections; that which deals with the understanding of innovation in its broadest sense, and that which pertains specifically to technology, or more correctly, technology as a catalyst for innovation.

Charity Innovation

Defining Innovation

The definition of innovation most often cited is taken directly from private sector discourses, which are fundamentally based on 'radical' product innovation. Yet this definition in the context of the social sector is inadequate, as social sector innovation is often largely derived from incremental organisational change and development activities. We must therefore view innovation for our purposes as a contingent and relative term. It may be helpful at this point to look to the definition chosen by our research participants, in order to establish a common baseline: different perspectives of thinking that address a real challenge.

Innovation determinants

There is unresolved debate in the literature as to whether charities are predisposed to innovation, with one side positing that VCSEs are 'agile and flexible', and as a result, 'seem to have a type of creativity and climate for entrepreneurship which is not possible in public organisations.' (Clark, Good and Simmons, 2008). More commonly, it has been suggested that charities are not 'naturally' innovative, and that their capacity to be so is to a large extent influenced by external factors, such as, among others, changing government policies and fluctuations in funding environment (Osborne et al, 2008). As such, many have concluded that a VCSE's capacity to innovate is largely contingent on other factors, of which perhaps the most significant is access to funding. When VCSEs' access to grant funding has been curtailed, this necessitates a noteworthy and unusual degree of innovation (Chew and Lyon, 2012).

Barriers to innovation

The body of literature is quick to point out the many challenges that charities face in their attempts to innovate. The most often cited of these is access to capital, with several reports indicating that a lack of investment in innovative projects has stifled charities' ability to advance these projects. Much of the literature frequently pointed to an over-reliance on government or grant funding as an important factor in preventing innovation, whilst some also highlighted the lack of willingness to take risks. One particular phenomenon deserving of mention is what has been referred to as 'institutional isomorphism' (DeMaggio and Powell, 1983). That is to say, when an organisation depends on another organisation for resources - as is often the case with charities and their funders, institutional or otherwise - there is a high risk of the resource-low organisation changing to become similar to the resource-rich organisation. In other words, the prescriptive nature of funding processes means charities are forced to stick within strict criteria for programme and service delivery, inevitably stifling all innovation. Other reports emphasised the 'weak ecosystem' for innovation on a systems level, with organisations being poorly connected (Stokes, Baeck and Baker, 2017).

Literature Review

Connecting the dots…

A few reports have put forward some sensible concrete suggestions for resolving the identified issue of a relative lack of innovation in the third sector. Especially noteworthy is the suggestion that partnerships and collaborations, particularly between large and small organisations, holds the key to advancing the innovation cause (Jarvis and Marvel, 2013). This idea of promoting 'cross-pollination' seems to be gaining traction, with more recent reports also highlighting the need to share best-practice and encourage a culture of collaboration (Stokes, Baeck and Baker, 2017).

The Role of Technology

Overview

In order to successfully produce a technological solution that social sector organisations can use, we needed to have good understanding of how they think about and use technology. Specifically, we wanted to investigate 1) How 'tech-savvy' are charities?; 2) In what ways do charities already use technology?; and 3) How would charities like to use technology in the future?

Much of the existing research on technology in the social sector focuses on how organisations are developing disruptive technological solutions to social problems. This approach tends to focus on those at the forefront of technological innovation, as opposed to charities that do not centre their work around technology, but may utilise it in various ways. The conclusion of most reports is that, whilst some charities have been quick to embrace technologies in certain areas (for example, social media for fundraising), the sector has been generally slow to adopt technology.

Trends in charities' use of digital

Perhaps the most insightful piece of research produced to date on this subject has been Lloyd's UK Business Digital Index (2016). Its findings reveal that charities lack digital skills relative to other sectors,

with 49% of charities lacking at least one of Lloyd's identified five basic digital skills (managing information, communicating, transacting, creating and problem solving). Another important finding from the report showed that much of charities' technological focus is on fundraising. Indeed, there has been a large increase in the degree to which they receive online donations (24% of charities in 2015 to 53% in 2016), which indicates that charities have the capacity to adopt new technologies very quickly if it is in their interest.

Long Live the Digital Revolution in Charities, a report by nfpSynergy and sponsored by PayPal, backs up the Lloyd's report findings regarding technological capability amongst charities. However, it also finds that people who work in the social sector appreciate the large potential of using technology. Whilst there is a disproportionate focus on fundraising, the potential in other areas is also recognised.

Future prospects

Much like the literature on innovation, emerging from this body of literature is the idea that bridging the gap between charities' use of technology and other sectors' will only be possible if a collective approach is adopted (Bull, Lumley, Sabri and Bowler, 2015). Additionally, it was frequently suggested that management or top-level buy-in will be instrumental in changing sectoral attitudes to technology.

Research Gaps

Although a good many reports have indicated a need for cross-sector and intra-sector partnerships to stimulate innovation, and in particular, digital innovation, there remains a significant lack of research into how best charities can build support networks and collaborate in pursuing meaningful innovation. There is also a general lack of steer from the technology sector to engage with charities, and much more could be done to engender more widespread and concrete opportunities for upskilling, training and development.

With Ideas4Good, TSIC proposes a solution to these issues. Through making available our open-source methodology for stimulating innovation to the wider sector, we hope to encourage a culture of sharing knowledge and meaningful collaboration, and redress the imbalance in our sector of financial, logistical and technological capacity. As such, the launch of Ideas4Good can be seen as an effort to democratise innovation in the third sector.

Much of the existing literature highlighted charities' need to access better support and access to new types of funding to create innovation. As a recent report published by the House of Lords Select Committee on Charities identified, 'Small charities often face a difficult trade-off, [they] want to innovate but if innovation requires investment they are often not able to move forward as they have minimal resources for development [and] instead the majority of their income is needed to cover service delivery.'

Yet, to date there has been very little by way of research into how to fund innovation, or alternatively how to mitigate the disparity in charities' capacity to access innovation.

TSIC hopes to level the playing field with the launch of Ideas4Good, allowing those organisations that are unable to put aside cash reserves or direct resources towards innovation, a platform to explore and unlock new possibilities in their product and service design, in turn engendering more sustainable impact for their beneficiaries. This decentralisation of the current system will be capable of supporting a far greater number of organisations, creating an innovation ecosystem far more broadly accessible.

Market Benchmarking

Market research was undertaken to provide insights into existing web platforms available to charities in the fields of collaboration, revenue generation, innovation and building community approaches. Tellingly, our research found that there are very few tech solutions targeted at charities to support them with idea generation and stimulate innovation in a collaborative manner. Instead, internet research reveals the majority of apps utilised by social sector organisations tend to fall into one of three categories:

1. **Fundraising apps:** It is perhaps unsurprising that many of the apps aimed at the charity sector are for giving and receiving donations.

2. **Apps for beneficiaries**: These apps are designed by social sector organisations for their beneficiaries to use (for example, interactive learning portals to provide training).

3. **Apps that cater to both social and corporate sector organisations:** There are a number of apps that are used primarily by corporates but which charities can and do also utilise. In some cases there is an explicit nonprofit discount. Examples include cloud-based accounting software, meeting apps, file sharing apps and ideas sharing apps.

Whilst there are a number of idea management web tools, there is far less available in the way of collaborative idea generation, and even more scarce are solutions targeted specifically at charities, taking into consideration their unique needs, and responding to their distinct challenges. Some current web solutions that are used by charities (or could be) were identified. These included OpenIDEO, Be-novative, ThanksBox, Digital Social Innovation, Make Sense and Better Place. These operate on different content generation models, with some relying on centralised content generation (which requires someone to compile and edit information that is submitted by users) and others based on curated content generation models, where users can submit content (for example, a challenge their organisation is facing) that is then curated centrally.

Lastly, there is the user-generated content model, which is based on the premise that users create and manage all content on the web platform.

For charities to be able to innovate, particularly in terms of revenue generation, it was felt that the latter two content generation models would be a better fit. Our experience over the past ten years has shown us that people working within third sector organisations are best placed not only to understand their own challenges, but to generate and implement their own solutions. This process is most often successful when all voices are heard, and a culture of collaboration and open dialogue within organisations and beyond is fostered. The latter two models lend themselves to a more democratic, 'horizontal' power structure, granting agency to anyone who is interested in having a say. In a sector that is (rightly) increasingly concerned with including users in the programme and service design process, it was noted that technological tools should be created to reflect and facilitate that important development in the way the social sector operates.

Primary Market Research

To bolster the findings of the secondary research, we conducted primary research using a mixed methodology, comprising both qualitative and quantitative approaches. The former entailed focus groups and 1:1 interviews with 12 organisations (representing local, regional, national and international interests), and for the latter we conducted a survey, for which we received 23 responses from different organisations.

Through this triangulation approach, we were able to unpick the findings of the existing literature, gleaning charities' preferences and needs in regards to innovation and the use of digital tools.

Thoughts on innovation in the sector

As previously mentioned, the most popular definition of innovation selected by our research participants was 'different perspectives of thinking that address a real challenge.' In line with the findings of the desk research, participants invariably understood the importance of innovation in this broadly defined sense.

Equally, the participants were generally forward-looking and actively seeking ways to innovate. They perceived barriers to innovation as coming from external (and therefore apparently uncontrollable) variables. Funders were thought to be a particularly important barrier, due to their hesitance to fund ideas that haven't been tried and tested, even if there is good academic research supporting them.

Focus groups participants frequently spoke of their frustrations in this regard, highlighting the slow pace of change when dealing with public sector organisations, and notably local authorities. These were deemed particularly intractable organisations, where resources are stretched, meaning there is little capacity to experiment with innovative solutions. Programmes that have been ongoing for a number of years are often not improved because they are viewed as successful, even if improvements could be made.

Affects of the funding environment on innovation

Reflecting the wider debate in the literature, the groups believed that reduced funding could drive innovation in some cases but not always. On the one hand, when funding is tight the *necessity* to innovate increases, but on the other hand, the *capacity* to innovate decreases.

According to the focus group participants, who were largely in agreement on this, when there are fewer resources, charities are so stretched that they do not have the time to think about innovation, and resources focused on innovation are the first to get cut. The results of the survey further corroborated with this, indicating that the top two factors impeding innovation is lack of time and lack of guidance. Equally, the results of the survey reflected the wider debate, with most respondents choosing 'lack of funding' as one of the main barriers to innovation, but very few selecting it as the biggest barrier.
[Figure 1]

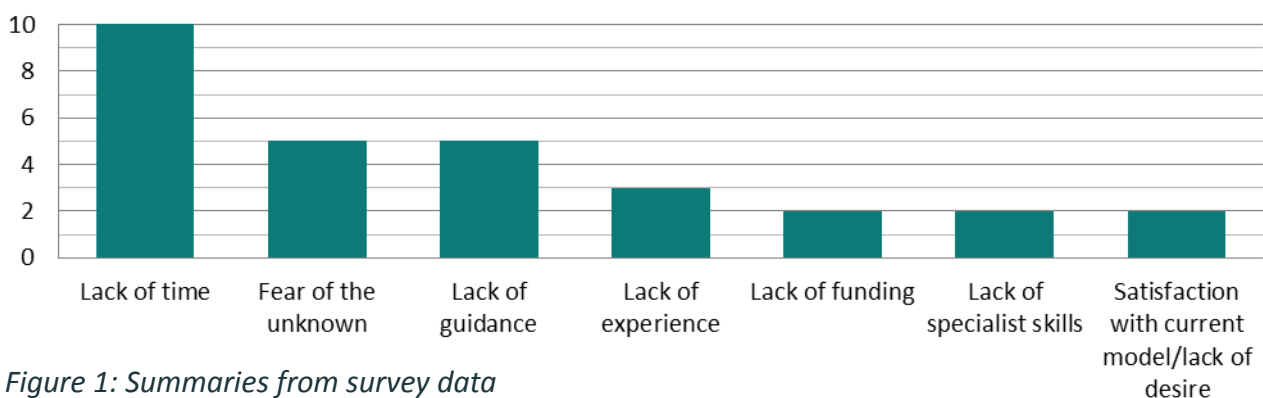### Rank the following factors which may impede your innovation

Figure 1: Summaries from survey data

Primary Market Research

Factors driving innovation

The role of innovative individuals was highlighted by participants as one of the key drivers of innovation, possibly ahead of funding . According to participants, in many cases when new ideas were successfully implemented, they were down to the right person being in the right place at the right time to push them through. The importance of the CEO was mentioned, particularly in their capacity to bring risk-averse people round or to put a handbrake on innovative ideas; however, other individuals could also impact innovation, and many participants suggested that their organisation's champion of innovation did not necessarily come from the highest ranks.

Use of technology

Existing research shows that most charities are behind the curve when it comes to technology but were open to developing this if possible. The focus group participants corroborated this.

using an app as opposed to a face to face interaction was thought to reduce the quality of service. Some felt there should be more research on what services could be done online. Participants thought that many organisations pursued technology because they felt it was what one should do – the "let's make an app" mentality. This is in line with the survey findings , where only 34% of respondents said that they would use technology in more areas in their organisations. Whilst this shows a reluctance in the third sector for trying new technologies, 70 % agreed that technology has made their jobs easier and almost 90 % said that technology is useful **[Figure 2].** Thus, the third sector experience the benefits of new technologies but have yet to adapt to the mind-set of using technologies.

Digital technologies: a way to innovate?

Respondents to the survey were split on their views about whether digital technologies have enabled charities to innovate more **[Figure 3].** Overall it was felt that a lack of technological skill was an issue
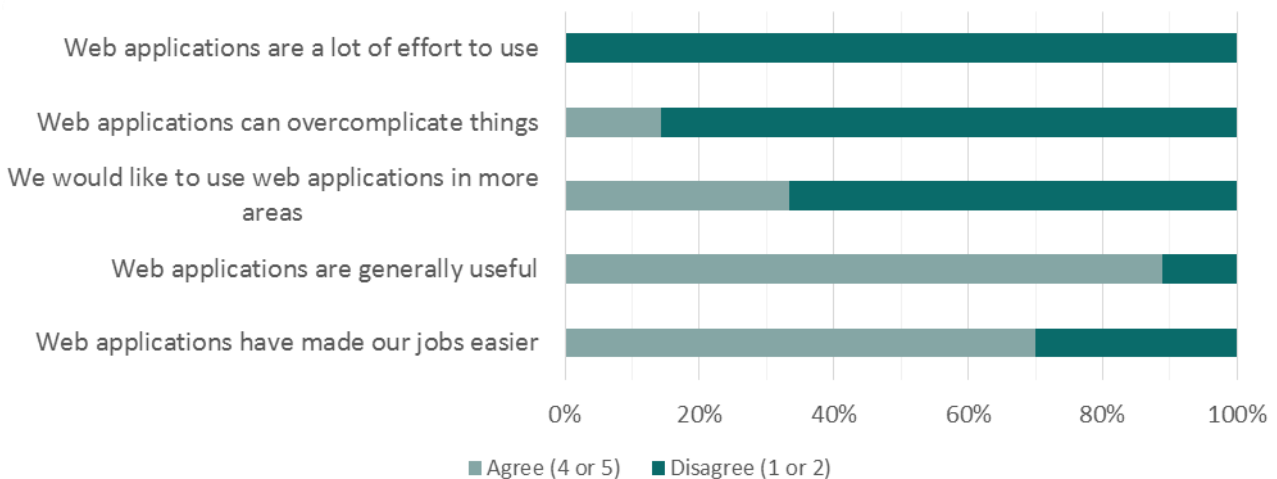

Figure 2: Summary of findings from survey data

The strong consensus was that technology should be used to make life easier and not for the sake of it. Whilst there are situations where it can help, the limits should be acknowledged and the need of the beneficiaries should be considered first and foremost. In many situations in the social sector,

both for organisations and their beneficiaries, as technology is only as good as the user. This is in line with the survey, where the top reason for not using technology was a lack of expertise, while uncertainty about the best option came a close second. This suggests that charities lack knowledge about technology and what options are available.

Concluding Thoughts

This study has shown that innovation does matter to organisations in the third sector, but that the tools and networks to support charities in generating and implementing genuinely innovative programmes are lacking. Charities have never had the luxury of limitless capital, and rarely have enough time to free up some capacity. But given the harsh financial climate we live in, and the fact that a heightened need for generating revenue has stifled organisations' ability to think beyond the next calendar year, now more than ever it is essential that we as intermediaries support charities to develop their own solutions, in an uncomplicated, cost-effective way.

We have always been advocates for open-sourcing, and we have always tried to encourage those organisations with little capacity and resources to think about revenue diversification through our open-source methodology, Charities Unlocked. But we realise this is not sufficient. There needs to be a paradigm shift in the way we think and act as stakeholders in the social sector. We need to

democratise access to tools that will help stimulate genuine innovation in income generation strategies, but they need to be comprehensive, cost-effective and easy to use in order to effect the kind of systemic change we all want to see in order sector.

The advantages of leveraging on technology to advance this democratisation process are apparent: previously little or unheard voices are amplified, processes are improved, and the way we live and work has been transformed. Charities too (despite dominant assumptions) are open to the idea of technology as a catalyst for innovation, as this research has shown. In fact, it is clear that there is huge desire from social sector organisations to have a low-cost tech solution for income generation. But charities have also been clear that the right tools and support networks are not yet readily available. This should be seen as a significant opportunity. In other words, if the right tool was developed, charities expressed considerable appetite to make use of it.

About Us

The Social Investment Consultancy (TSIC) operates at the intersection of the for- and non-profit worlds, dedicated to helping charities and businesses maximise their social impact. The latest models of social enterprise, revenue generation and social investment, and the integration of skills and expertise from across the public, private and third sector form the basis for our work.

Our consultants have **in-depth experience** of working in-house for and consulting to many of the **world's leading private and charitable organisations**. The integration of skills and expertise from across the **public, private and third sector** forms the basis for a range of professional services that drive **social impact** and **organisational change**. We work across the whole spectrum in social change.

Our services to charities & social enterprises include:
- Exploring revenue-generating opportunities and incubating new business ideas
- Preparing for successful investment and fund-raising through strategy and communications planning
- Evaluating and communicating the impact of charitable programmes

Our services to businesses include:
- Building flagship corporate community engagement programmes through the TSIC Fuse process
- Identifying high-impact cause areas and partners, performing due diligence
- Developing external marketing campaigns and reporting on impact
- Engaging employees and internal stakeholders

We also undertake original research, and work with **philanthropists & foundations** through our partner brand, Ten Years Time.

In 2015, TSIC became one of the 62 founding B Corps in the UK, certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency.

Our current and past clients include: