

A bigger slice or less pie – why charities should invest to grow

Jonathan Baker, researcher with not-for-profit sector think tank and research consultancy nfpSynergy, on why charities should hold their nerve and continue to invest in fundraising to beat the recession.

The challenge

Quantitative easing, pay freezes, efficiency savings and paying down national debt are fancy ways of saying that there is not as much money as we once thought, and so all of us are going to have to make do with less. We may celebrate 2012 for the Olympics, but also the return of 2008's levels of prosperity. This loss has already happened and the argument now taking place in public and in politics is how to share the pain out.

There is less money in the UK economy to go around, and the charitable sector faces two choices – persuade people to give a higher proportion of their money to charities, or face lower real incomes for several years. It should be obvious what the best choice is, but it will be hard to make happen. The task is not as difficult as it might seem at first. Charity income has been growing in real terms for many years and we should recognise why in order to stay on track and continue with this trend.

The response

Innovative fundraising and increasingly pervasive charity brands have helped to grow the charity sector's slice of the pie for many years and this needs to be continued, not scaled back. If charities want to take a bigger slice maintaining fundraising, budgets should be a priority even in the face of lower income, and charities should hold their nerve. During the recession of the 1990s, one thing that characterised nearly all of the worst performing charities was a negative spiral of fundraising budget cuts leading to lower income. In contrast, of the top 50 fastest growing charities, 45 increased, or at least maintained, their fundraising spend – and 7 of the fastest growing charities did this in the face of falling income at the start of the recession (1). The rationale should be obvious but is often ignored: if you don't ask, you won't get.

In contrast to charities, businesses have been aggressive in their response to the crisis. In our own offices, most of us will have seen an increase in salespeople pushing low cost solutions to problems big or small, persuading us in almost any way they can. Businesses

have to do this to survive, but charities may feel too secure and are happy to take small cuts in income rather than take radical steps to grow. Some of the biggest names in the charity sector today accelerated through past recessions rather than slowing down and once again the bold have the opportunity to overtake the cautious.

To this end, both experienced fundraising professionals and innovative, fresh ideas should be seized for preparing a plan of action for the potentially painful transition some charities will have to make. There is an unusual surplus of talent available in this sector and beyond, and this is a great time to bring in expertise. This is indeed already starting to happen and it is rare to attend a charity gathering without hearing at least one story of a recent and dramatic career change.

Another helpful hint is to empower others within the firm to become fundraisers. There should be no 'them' and 'us', and the input of everyone in a charity - from the CEO downwards, rippling out to volunteers working for you door to door, overseas and on our high streets - can make a difficult job easier in trying times.

Charities also need to adjust to the emerging and oftentimes overwhelming reality of government cuts and several years of spending restraint. Charities that have become used to generous public funding may soon feel like neglected zoo animals - deprived of food and sent back to the wild to fend for themselves. Any charity that receives central or local government money should, with an eye to the next election which could augur a radically different political landscape, be actively forging bonds with opposition parties – as well as planning ahead for possible slashes in their revenue. Mere passive complaints about funding cuts may ring hollow. Using innovation, flexibility, mergers and partnerships to provide more cost-effective ways of dealing with social problems will also become more common.

This is also a chance to change lobbying strategies – all charities are gearing up for a new set of faces and a new government. Many see this as a serious challenge as we believe there may be less money available for our sector. There will, however, be a chance to push against expensive or unhelpful bureaucracy with a government keen to prove their mettle in that area. A Conservative government will be desperate for good PR on the charity sector, and with little money to offer, charities need to identify what they can change – simplifying Gift Aid and VAT recovery may perhaps be one solution.

Charities have been taking a bigger slice of the pie for many years, and must keep their chins up high and maintain the confidence to stay on track. Apprehension will cause lost years of growth that will impact on the very people that charities are there to help.

Sources

1. Charities Aid Foundation, Charity Trends, Dimensions 1989-1996