

"Robust" charity outsourcing market could provide relief in recession

Charities could save money by outsourcing more, but are being held back by a "huge gap in information" and an aversion to risk, according to new research.

An independent study conducted by the ESRC Research Centre for Charitable Giving and Philanthropy at Cass Business School found that while the value of outsourcing for the charitable sector is currently around £3.4bn a year, outsourcing is higher on the agenda in the private and public sectors.

Three quarters of those surveyed - senior management staff at more than 450 organisations with an annual income of between £1m and £10m - said that outsourcing has a significant role to play during the recession.



Professor Cathy Pharoah, co-author of the research, said that outsourcing could be a cost-effective way of bringing valuable expertise to a charity. "While charities are always aiming to keep their costs to a minimum, in times of recession it is even more important for them to spend donors' money wisely. For many organisations outsourcing may represent a viable and valuable alternative and can often bring expertise and skills which were otherwise lacking to a business," she said.

"What our research shows more than anything is that the market for charitable outsourcing is robust and we would encourage chief executives to evaluate their options for sourcing some of their services to external specialists."

Mark Freeman, chief executive of outsource service provider Charity Business, said his clients saved an average of 40 per cent on their back office costs. "This could mean a total of £136 million extra for charitable activities," he said. "In the current climate, we are surprised that more charities are not looking to utilise third parties to reduce their administrative burden and remove the high costs of supporting this in-house."

The Centre's research found that the areas where charities were already most active in outsourcing were training (65 per cent), IT (61 per cent), payroll and preparation of annual accounts.

Lack of information

Two-fifths of respondents to the survey said they were keen to find out more about outsourcing. A lack of information as well as aversion to risk and fear of losing control were identified as being the major barriers to charities outsourcing more activities. On average, charities use about 3 outsourced services each.

The Centre called for more information to be made available to charities on the topic of outsourcing, suggesting that umbrella bodies could have a role to play in clearing up misunderstandings on the topic.

Celina Ribeiro
1 April 2009

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Greg Aitken
Chief Executive Officer
Hull & East Yorkshire Mind
April 3rd, 2009

“ Having experience of outsourcing payroll and accounts I can say that whilst there are good reasons for outsourcing cost savings is not one of them. I feel that in the majority of cases outsourcing is the managers easy alternative to tackling inefficiency in their organisation. ”

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