Cass Business School
CITY UNIVERSITY LONDON

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New research suggests charities could benefit from outsourcing in a recession
Cost-effective measures help charitable organisations focus on their missions

Charities should be more open than ever in a recession to the business potential for outsourcing and give more consideration to employing external providers for routine functions to streamline work, according to new research.

Although outsourcing has been high on public sector agendas for some time and is well-established amongst charities for certain functions such as training, IT and annual accounts, this research from the ESRC Research for Charitable Giving and Philanthropy at Cass Business School*, London shows that poor access to data and misunderstanding about how to maintain control are still common barriers for many organisations.

As charities become ever more mindful about maintaining low costs in the credit crunch it may be time for many of them to consider outsourcing as a viable option for cost-efficient overheads and gaining specialist expertise.

Senior management staff of 464 charities with incomes between £1-10 million per annum were interviewed for this research and the results suggest the charity outsourcing market-place is estimated at an annual £3.4 billion already.

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. 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."

Three quarters of respondents felt that outsourcing could have an important role in the current recessionary environment, although many confessed that the main barriers to seeking outsourcing is a serious lack of information and concerns about how to manage control of services.

Professor Cathy Pharoah, co-author of the research, says: "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.

"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."

Ends

**Scoping the Charity Outsourcing Market* by Professor Cathy Pharoah, with a Foreword by Professor Jenny Harrow, ESRC Research Centre for Charitable Giving and Philanthropy, Cass Business School, 2009. For a free summary of the report, and details of how to obtain the full report, see www.cass.city.ac.uk/philanthropy/newsevents/ournews.

About the research
The research was carried out by Cathy Pharoah with Ian Mocroft, for Charity Business. The fieldwork was administered over May –August 2008 by Plus Four. Telephone interviews were carried out with the Chief Executives (or their nominees) of 464 charities with incomes between £1-10 million p.a., a 25% response rate: further in-depth interviews were held with a small sample of sector infrastructure bodies.

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Notes to editors:

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