

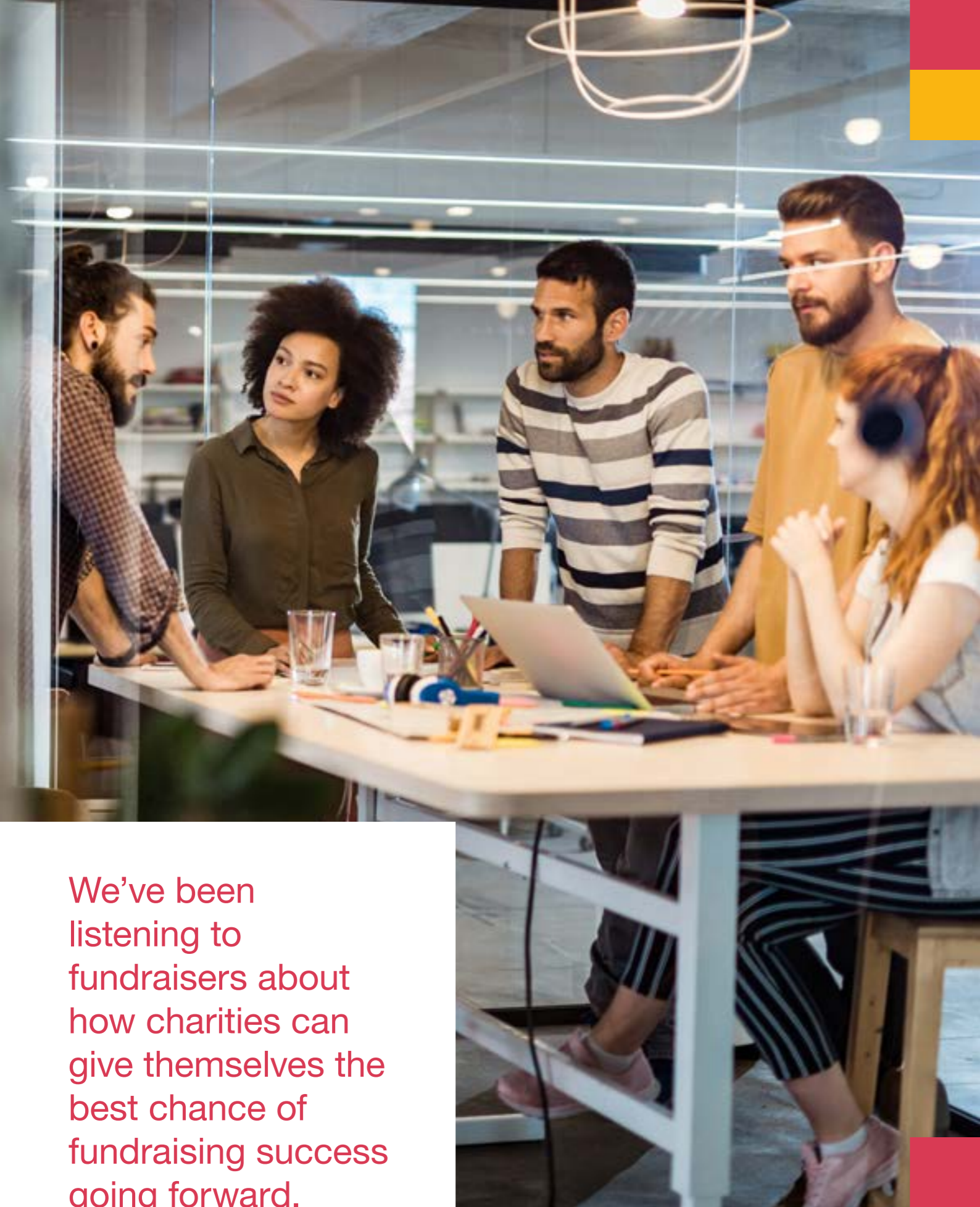
Industry in Focus

# Learning Forwards:

How well equipped are charities to deal with an uncertain future?

October 2023





We've been listening to fundraisers about how charities can give themselves the best chance of fundraising success going forward.

# How well equipped are charities to deal with an uncertain future?

Continued uncertainty and change present significant challenges for charities around how best to adapt to ensure future fundraising success. Yet opportunities do exist. The way forward is to draw on the lessons from the last few years to identify the capabilities needed for what lies ahead.

## Introduction

The sector has had to adapt and respond fast since 2020. We wanted to explore whether that response has equipped charities of all kinds to be more resilient and agile; are charities better able to fundraise amid yesterday's challenges or are charities now better prepared to succeed in the face of any challenge that tomorrow could present?

We've been listening to fundraisers about how charities can give themselves the best chance of fundraising success going forward.

168 charity professionals from across the UK completed our survey designed to consider how future-proof charities and their support bases are. Respondents covered a wide range of organisation sizes and causes, and varied in degrees of seniority. We then spoke with individuals through both roundtable and 1-2-1 discussions to dive deeper and understand the results.

Independent of size or type of charity, the view that charities are equipped to respond to future changes is marked by the largely equal responses of those who agree and disagree.

- Over half (51%) of respondents agree/strongly agree that their charity is well equipped to be agile and adapt priorities and targets based on sudden changes in beneficiary needs.
- Over half (56%) of respondents agree/strongly agree that their charity is well equipped to continue providing valuable services in the face of unprecedented change eg. another pandemic

**This shows that almost as many people feel they are equipped as those who do not.**

When extrapolated, that represents a significant proportion of charity professionals who feel at risk of not meeting beneficiary needs - highlighting that not all fundraisers have been able to take recent experiences and turn them into enhanced capability.

We then went on to ask how charities are equipping themselves with the right skills, capabilities and approaches to manage change. We found that on average only a third of respondents agreed that they:

- Have established approaches to innovation (30% agree/strongly agree)
- Monitor trends and advances in technology in order to better engage an evolving supporter base (32% agree/strongly agree)

There was another stark contrast showing that almost half of the charities we asked feel underprepared in terms of investment, supporter relationships and integrated fundraising:

- 47% of respondents disagree/strongly disagree that they have the right level of investment to deliver objectives.
- 43% of respondents disagree/strongly disagree that they use data to retain positive relationships with supporters and identify potential for future growth in income streams.
- 42% of respondents disagree/strongly disagree that they have integrated fundraising across the charity.

51%

Agree/strongly agree that their charity is well equipped to be agile and adapt priorities and targets

56%

Agree/strongly agree that their charity is well equipped to continue providing valuable services

47%

Disagree/strongly disagree that they have the right level of investment to deliver objectives

43%

Disagree/strongly disagree that they use data to retain positive relationships with supporters

42%

Disagree/strongly disagree that they have integrated fundraising across the charity.

## Overcoming barriers to a more resilient and agile future

Fundraisers shared their frustrations with their charities' lack of ambition and investment in innovation and technology, and challenging conditions to grow new ideas. It appears that the organisation's ability to understand and then engage with different supporter requirements through technology is hindering agility and growth.

## Limited investment in innovation and technology

A theme that came up throughout our roundtable discussions and 1-2-1's was the mismatch between the need for new propositions and ways of working, supported by technology, and the actual investment made in these areas. We have often seen in the sector a reluctance to invest in the technology foundations. There is a general tension between investment in the back office/infrastructure and frontline services, frequently at the detriment of an organisation being able to respond to changing demands and expectations. However, it is not just investment that will breed creativity, the culture of an organisation plays a key role in stimulating the conditions for continuous learning, development and innovation.

## Creating the conditions to innovate

Our research indicates there are barriers hindering innovation and technology as enablers for fundraising success. Only 30% of respondents felt innovation was

**30%**

felt innovation was embedded through their strategy and culture with an established approach

embedded through their strategy and culture with an established approach. This does not mean that charities are not being innovative in their teams, or doing and trying new and different activities and approaches in their fundraising, but it does indicate a strategic, resourced, and purposeful approach to innovation in charities appears to be lacking.

Investment need not be large to be effective. Responding to the rise of Generative AI, Stephen Shirres, Fundraising Governance and Compliance Manager at Cats Protection, reported: "We are in the process of setting up a Gen AI taskforce, recognising that we need to start thinking about the inevitable before it happens to us." With the power to, for example, instantly produce first draft proposals and campaign materials, fundraisers could invest that saved time into idea generation sessions, innovation sprints and donor meetings. That might then create more time to explore technology of the future which could automate data analysis or enhance supporter journeys.

**Small steps can create the time and capacity to take bigger and bolder steps.**

If all charities established an approach to innovation and embraced a culture of making bold choices, fundraisers would have the freedom to test initiatives that could target new demographics of supporters that have yet to be reached. Resistance often lies in hesitation to be the first to fail and to have 100% of the detail before making a decision. Where budgets are tight, there can be a tendency to wait until someone else has proved a success, or failed, or when technology becomes more mature.

However, while remaining hesitant might appear to be financially safer, it might mean that the market is overcrowded by the time you get on board. We have been talking to a number of charities about their willingness to be the disruptor before they are disrupted.

## Creating an innovative culture for fundraising success

Without an innovative mindset, charities will struggle to fail fast and grow stronger, and donor pipelines will start to stagnate. Furthermore, as technology continues to evolve, the skills and capability gap will continue to expand, as the sector tries to catch up. This should not be seen as one person's problem to solve, it is the collective responsibility of all those in the organisation if you are to survive and thrive going forward.



**Fundraisers** need the space and support to develop behaviours and skills which can lead them to be innovative in their approaches alongside keeping conversations flowing with senior leaders to identify the best technology for their requirements.



**Senior leaders** need to establish and maintain a relationship of trust with their fundraisers to try new things and to treat any failures as learning opportunities to improve future innovative approaches. They will further need to keep conversations flowing with boards to identify the best technology for the charity.



**Trustees** need to invest in the long-term and support their organisations to embed innovation as a culture and way of working. An appropriate attitude to risk management and being able to look beyond the budgets or forecasts for a single year will also be key factors.



## Proactively understanding and engaging with the next generation of supporters

Future-proofing an organisation requires engagement with the next generation of supporters. However, as one roundtable participant explained: "We are all very aware of the next generation coming our way. We are just stuck in the now."

Charities are awash with rich data but many are not using it to drive actionable insight. In order to build the technology foundations, it is imperative to be clear on what data is held to be able to access and surface relevant data. However, it goes beyond just accessing data, it is what you then use it for that is critical - what information do you really need to drive strategic and operational insight. Data needs to be considered as a strategic asset, however, half (51%) of respondents said they are not using data effectively to strengthen relationships with existing or identify new supporters. This makes growth and longer term sustainability extremely difficult.

**Millennials and GenZ want to be hands on, they believe in seeing the impact of their support and going beyond the typical financial gift.<sup>1</sup> They are willing to give up their time and talent, using their professional skills to support their charity of choice.**

With the transfer of an estimated £5.5 trillion of inheritance passing between generations in the UK over the next 30 years,<sup>2</sup> it is likely future philanthropists are going to have significant disposable income to give. But it's not just financial support these generations are wanting to give. Evidence suggests that they are inspired by the cause and GenZ in particular are more likely to want to volunteer.

That is why it is important to engage now with these generations through a broad range of opportunities to build and deepen relationships over time because they may go on to become the most lucrative donors (both financially and in terms of time and engagement) you've ever engaged.<sup>3</sup>

There are so many use cases where accessing and using data would drive value for the charity, for example in the identification of skills gaps in the organisation, which in turn could create new opportunities for the emerging supporter base to give their time and voice now. This could lead to both current growth within the organisation where gaps have been filled and future financial reward from engaged future philanthropists.

We are seeing a shift in the importance of having data at the heart of organisations. Many charities are making appointments both operationally, with appointments of heads of data and insight for example, and strategically with the appointment of trustees to focus on data - so we might begin to see a growing number of people in the sector agreeing that they use data to create and nurture supporter relationships. However, as other industries, such as retail, manufacturing and public sector have demonstrated, this is a 'must have' and not a 'nice to have' capability.

Time is of the essence. It's important that charities consider how future donors will want to be engaged with. This will help inform the skills, capabilities and foundations required to be in place to meet the needs of their supporter base. We shouldn't forget that many charities were founded on radical movements to make change, and as we go through a period of rapid change now is the time to consider embracing radical foundations to make rapid change enabled by technology and innovation.

<sup>1</sup> The Beacon Collaborative Giving Needs of the Future Wealthy 22 April 2021; CAF Online What do young donors want from their philanthropy? First published 26 August 2022

<sup>2</sup> Kings Court Trust Passing on the Pounds: the rise of the UK's inheritance economy 2017

<sup>3</sup> Podcast Sharna Goldseker & Michael Moody, Generation Impact: How Next Gen Donors Are Revolutionizing Giving

All staff need to be empowered so they feel they can contribute to fundraising regardless of how closely they are linked.



### Breaking down siloed ways of working

During the roundtables, individuals from charities of all sizes reflected how integration of fundraising across organisations is a common challenge. Throughout our conversations it was apparent that individuals had experienced an ‘us and them’ culture between fundraisers and the rest of the charity, reinforced by only 43% of respondents saying they felt that fundraising was integrated well across the charity. The reality is “donation levels and engagement with charities have still not recovered to pre-pandemic levels”.<sup>4</sup> As such, fundraising is more challenging than ever.

Further analysis of the survey data shows that managers are less likely to feel fundraising is integrated (34%) than CEO’s (57%). Could it be that managers are more exposed than senior leadership to the day-to-day challenges of fundraising in a tougher economic environment within their organisations? And is this leaving more of a divide between senior leadership and the workforce? If this is the case, it could have a detrimental impact not only on daily decision making and morale where there isn’t alignment, but also strategically where there may be a lack of fundraising expertise at board level.

When focussing on the size of charity, the highest scoring levels of integration (55%) came from small charities.<sup>5</sup> While someone sitting in a charity’s finance team may not consider themselves a fundraiser, smaller charities are in a position to bring fundraising to the forefront for other teams due to the smaller number of staff. This naturally enables better engagement with fundraising activities across the organisation. Furthermore, fundraisers can have more influence at board level and provide subject matter expertise where it may be lacking. Olly Du Croz, Deputy CEO at International Nepal Fellowship UK commented: “... at smaller charities [trustees] often know each member of staff so it is easier to develop stronger relationships built on trust and transparency.”

It might not be practical for trustees of large charities to have such a close relationship with the whole workforce. But integrating fundraising across the organisation is still achievable, through a change in culture driven by senior leadership.

So how does a charity ensure fundraising is integrated across the organisation and what is preventing that sustained change? Amy Hutchings, Creative Strategy Director at Open, points out that when people get in a room together they can create a shared vision. But most fundraisers have an individual target, which can actively discourage them to collaborate. Fundraising is best integrated where budgets and targets are across campaigns and not per team or the individual.

#### Amy Hutchings, Creative Strategy Director at Open

“All it takes is one campaign to convince people to change. It doesn’t have to be a significant period of time. Over six months teams will have started to bond, collaboration will have started to become the norm. While it won’t have been perfected after this time if an organisation keeps going, there will inevitably be cultural shifts to integrate fundraising across the charity.”

#### Jayne George, Fundraising Marketing and Media Director at RNLI

shared her success story of fundraising integration. “At the RNLI we relaunched fundraising in 2019 with a Christmas Appeal, Perfect Storm. We ran a co-creation session (involving colleagues from across the organisation) with Philanthropy UK to create a compelling proposition that the whole organisation could get behind. Our aim was to inspire our donors and volunteers to play a role in our efforts ‘To Save Every One’. We also wanted to unite and excite our organisation behind our fundraising so the internal campaign was vital. When we launched the PR campaign it was led by our CEO, timed to align with Saving Lives at Sea and our case studies were the featured crew from the series. When we ran an internal briefing session it was attended by over 200 people from every part of the organisation, the results were breathtaking, the added value outcome was a One Crew ethos that has evolved into shorthand to describe the way we work.”

As Jayne demonstrates, all staff need to be empowered so they feel they can contribute to fundraising regardless of how closely they are linked. And while investment may be needed for new campaigns to achieve this, as charity professionals it is up to you to work together, to demonstrate where investments are worth making and prove that integration is one of the keys to long term fundraising success.

43%

felt that fundraising was integrated well across the charity

55%

of integration came from small charities

<sup>4</sup> Charities Aid Foundation | UK Giving Report 2023

<sup>5</sup> Our survey marked ‘small’ charities as those with an annual income of £10,000 - £100,000

## Big challenges require bold thinking

The charity sector, and fundraising specifically is facing significant pressures, however out of these challenges come huge opportunities. The pandemic clearly showed that charities can adapt with pace when there is an urgency to do so, although we know that this came at a cost for many. While charities can harness their agility and wealth of experience in the face of crises, the importance and value of future-proofing and planning must not be forgotten. This is vital in creating a sustainable pipeline of supporters, and more importantly, the continuing provision of vital charitable services. Big challenges require bold thinking.

We believe charities can make significant steps forwards in future proofing their supporter base, by considering areas such as:



Ensuring the right culture is created for **innovation** to allow for bold decision making, which could give fundraisers freedom to test initiatives to engage with new and hard-to-reach demographics of supporters.



Understanding the **technology** landscape, making the case for investment and adopting appropriate technologies before a chasm is formed between the technology required and skills and capability of the organisation.



Engaging the **next generation** of supporters through a broad range of channels will provide a sustainable donor pipeline. The focus needs to be on the values and preferences of those new generations and how to adopt methods of fundraising and engagement to build long term relationships.



Recognising that using **data and insight** to create and nurture supporter relationships is a vital capability for fundraising success.



Promoting **integration** to enable organisational growth by developing narratives that unite the charity and allow it to be effective in the world. This is especially the case where resources are impacted, meaning you'll need more time and voice from others.

Thank you for taking the time to read this report. We'd now like you to ask yourself what you will do differently to future proof your supporter base and give your charity the best chance at navigating change successfully?

**The Chartered Institute of Fundraising and PwC would like to thank all participants who contributed to the conversation for generously sharing their insights and ideas.**



We believe charities can make significant steps forwards in future proofing their supporter base.



# Thank you

## Contact us

### Alex Henry

[alexander.henry@pwc.com](mailto:alexander.henry@pwc.com)

### Sam Martin

[Samantha.b.martin@pwc.com](mailto:Samantha.b.martin@pwc.com)

### Rachel Thursfield

[rachel.thursfield@pwc.com](mailto:rachel.thursfield@pwc.com)

[pwc.co.uk](https://www.pwc.co.uk)

© 2023 PricewaterhouseCoopers LLP. All rights reserved. 'PwC' refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](https://www.pwc.com/structure) for further details.

RITM14129812