

# Online technologies: opportunities for charities



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Information Technology and developments in non profit organisations: How online technologies offer new opportunities for growth to the charity organisations

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## **Chapter 1 – Introduction**

### **1. 1 Introduction**

As Sergeant and Jay (2004, p. 2) have commented, the concept of charity and their mission of raising funds to help the poor and needy has been around for centuries. However, both the numbers and complexities of charity organisations have multiplied significantly over recent decades. Sargeant and Tofallis (2000) confirmed reports from the NCVO that in the UK as of 1998, the number of NGO's exceeded half a million, of which 40% could be designated as Charity based organisations., This group was then reported to have a collective estimated turnover of approaching £20 billion. Both of these statistics will have grown dramatically over the past decade.

The main mission of charities is to deliver practical and constructive assistance to those in need; providing information on issues such as health problems and disability or promoting the message for fairer laws. These missions can be related to human activity, preservation of the natural world environment and its wildlife or seeking justice for those that are oppressed. However, currently charities have to face up to a number of obstacles in effectively performing the task for which they have been set up, most of which arise in two particular areas. Firstly, with the increasing growth of needy causes, there is a rise in the number of charitable organisations emerging to address these issues, increasing the competition for funds proportionately. Secondly, there is little doubt from the level of research that has been undertaken, that the charity giver is becoming increasingly discerning about the impact of their donations. This concerns centres around the desire to ensure that the gift has the maximum impact. Therefore, it is important to the donor that the minimum amount of that gift is used for the charity's internal administrative purposes.

Despite the fact that the “mission” of a charity has in the past often been deemed more important than “*economic intentions*” (Hussey and Perrin 2003, p. 200), the current climate within this sector is requiring them to become more efficient if they wish to sustain the objectives of their cause. This means that they have to look for ways in which they can improve the effectiveness and the efficiency of their operations. In this regard, although somewhat belatedly when compared with the move by commercial corporations, the charity sector is increasingly studying the benefits of using

information technology processes as a means of achieving the efficiencies that are required.

However, as Hackler and Saxton (2007), although some charities are incorporating information within their organisations, the extent, areas of the business covered and effectiveness of these developments has not yet been perfected in a significant number of cases. In fact, in some it is considered that with some charities it can be reducing efficiency. Indeed the research conducted by Sargeant and Tofallis (2000) concluded that “ *the performance of many charities would appear to fall well short of the efficient frontier with no immediately obvious explanation forthcoming for why this might be so.* ” Indeed, they could also find no pattern to the causes of these failures either.

It is the issue of information technology in particular its effective and efficient use in charity organisations that inspired this research project. Of specific interest is the intention to assess the impact that this technology has upon the dual targets of increasing financial efficiency and improving the delivery of the main services and missions of the charity.

## **1. 2 Aims and Objectives**

As stated previously, the aim of this research is to identify the ways in which information technologies can be used to improve the efficiencies of charity operations. In this regard it is intended to focus the research upon the usage of IT in the online environment. Thus the research question or hypothesis that has been set for this study is as follows: –

*“ Online information technology processes can offer charities opportunities for growth and expansion in terms of the revenue and message and mission generating areas of their operations.”*

To assist with the achievement of this goal the research will use the following framework of objectives: –

- Growth and maximisation of revenue

It is intended to determine the extent to which a charity can make use of the IT opportunities available using the Internet to grow its revenue base and the methods by which this can be achieved.

- Cost reduction and efficiency

Using the same premise as that included within the previous objective it is also the intention of this paper to address the issue of the appropriate IT methods that can be employed for increasing the efficiency of the charity organisation in terms of cost control and reduction where appropriate.

- Mission and programmes

Bearing in mind the unique purpose of the charity format, which is that it has a mission to serve a specific cause, the research will also ensure that, in addition to the financial objectives outlined above, the information processes examined are compatible with the enhancing of the message that charities need to communicate. This will be applied to both the potential and recipient of their services.

The research itself will use a mixture of data to address the research question. This will include reference to the extensive range of financial

statements which are available from individual charity websites or the Charities Commission (2008) online resources, although only a sample of these reports will be utilised. To address the issues and concerns of the individual charities more directly, individual interviews will be conducted with a number of representatives from this sector.

### **1.3 Overview**

The management and presentation of the research paper has followed a logical format. Chapter two presents a review of existing literature that is available and that relates to the issues being addressed by the researcher. This includes publications and comments by academics, professional observers and other interested stakeholders. Following this critical review, in chapter three it is intended to concentrate upon the methodology that has been applied to this project. It will provide an overview of the available methods and the reasons for the method that has been adopted in this instance. Chapter four provides the in-depth results of the research findings, both that which has been gathered from primary and secondary resources and these will be analysed and discussed in more detail in chapter five. Finally, the research project will reach a conclusion in chapter six and, where considered feasible and appropriate, the researcher's recommendations will be presented and explained.

Included at the end of this study, although separated from the main body of the study, will be additional information. This will include a biography of the various resources that have been referred to or used to assist with the development of the project. In addition, in attached appendices, information that is considered of further value in understanding the issues raised and the

examinations undertaken, including the transcripts of interviews, have also been included.

## **Chapter 2 – Literature Review**

### **2.1 Introduction**

To assess the issues of the charity use of online information technology, it is important to perform a critical review the existing literature that is available relating to various elements. In this case that will include providing a brief understanding of the charity environment. In addition, it will include a review of the information technology processes and their advantages as well as the areas where charities have been found to have deficiencies either in the usage of these technologies or the extent to which they have availed themselves of the technology itself. The chapter has been sectioned in a manner that appropriately addresses these areas.

### **2.2 Charities**

As many academics have observed, in comparison with commercial organisations, the charity is a complex organisation, not least because of its structure and mode of operations (Wenham et al 2004, Hussey and Perrin 2003 and James 1983). There are even different to the other types of non-profit organisations referred to by Hackler and Saxton (2007), such as those that are often form for regulating the decisions and objectives of various parts of nation and international political policies. An example of these would be the various organisations that have been set up in the UK to deal with the reduction of carbon emissions such as The Carbon Trust.

The differences attributable to the charity organisation can be observed in many areas of the operation. For a start one of the main intentions that is <https://assignbuster.com/online-technologies-opportunities-for-charities/>

needed for the organisation to qualify as a charity is for it to have a non-profit making objective (Hurray and Perrin 2003). Secondly, its mission that in the corporate sense would be classed as strategic objective is directed to the service of the external stakeholder or user (Hussey and Perrin 2003). In other words, where the purpose of the commercial organisation is to achieve financial success that will enable it to return additional value to the shareholders and potential investor, the charity's financial aim is to utilise its funds specifically for the benefit of those whose demands and needs it is intending to address. Often, because of the break-even requirement, the charity will take on projects that are of no immediate benefit, but will have the effect of helping them to subsidise other, more highly valued activities (James 1983, p. 351).

Another difference in organisational processes is that the charity revenues generating activities relies heavily upon the volunteer donor (Wenham et al 2004), therefore making it difficult to predict. In addition, this places constraints upon administrative expenditure in areas such as computers and other modern equipment (Sargeanr and Jay 2004). Furthermore, because of the purpose of the charity and the need to concentrate its expenditure upon projects that are determined within its mission statement, together with the fact that funds may be limited, many charities are heavily reliant upon the efforts of voluntary employees. Many of these employees might have limited knowledge of the operational processes that are required for an efficient organisation, which can be a disadvantage (Galaskiewicz et al 2006, p. 338). This is especially true if there is a sizable organisation to manage.



Irrespective of these differences, to remain true to its mission statement and stated aims, every charity still has to create a strategy that allows it to address three specific operational procedures. These are the maximisation of incoming funds, minimising administrative costs to ensure the recipients of its objectives, in terms of projects and services, receive the maximum benefit and effective marketing, which is designed to attract donors and service users (Wenham et al 2004). Therefore, it is important for the charity to be organised in terms of its mission, which means having the right strategies in place (Hussey and Perrin 2003, p. 215 and 218) and assessing their appropriateness. As Hackler and Saxton (2007) acknowledge, it is in these areas that the use of information technology can be considered.

All charities have to be registered with the Charities Commission (2008) irrespective of their size. An integral part of this registration is the need to provide regular financial statements which