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Digital Technology Adoption in the UK Charity Sector

2024 Project Report

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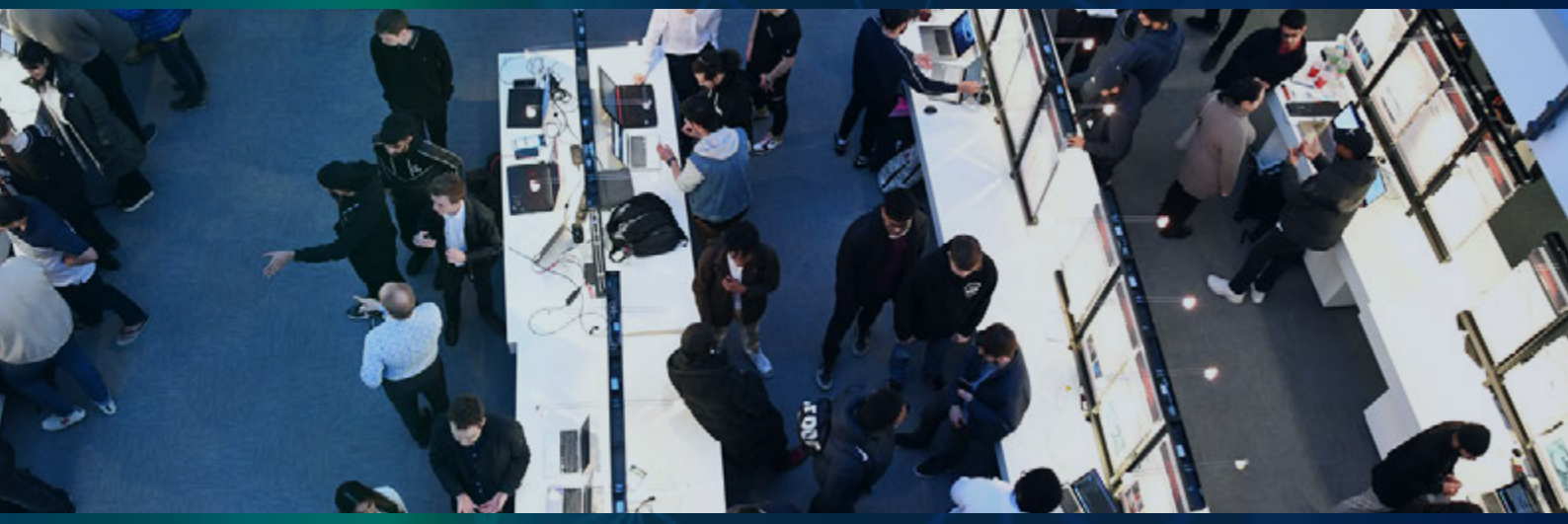

Figures and Tables

1 | Introduction

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Digital technologies have transformed lives, organisations, communities and societies, from smartphones and apps to the Internet of Things. The UK takes a leading role in developing digital technologies of the future, such as artificial intelligence, and continues to build the leading European technology ecosystem. Digital technology is one of the key measures to turbocharge the growth sectors of the future, as recommended in the HM Treasury Autumn Statement 2023.[1]

The UK digital sector gross value added has grown at a faster rate than the UK as a whole, at a 19% increase compared to 2.3% for the UK economy, since February 2020 pre-pandemic.[2] The total digital sector gross value added was estimated to be around £158 billion in 2022, and the digital sector contributed 7% to UK gross value added as of September 2023.[3]

Digital technology has impacted every industry, and its impact on the charity sector has been huge. For example, digital technology has helped to boost fundraising, enhance marketing and communications, improve service delivery, strengthen trust and transparency, and support day-to-day operations.[3] COVID-19 was a key trigger to digital technology adoption, and as a result, 81% of charities changed how they use digital technology in 2021, as reported by the National Council for Voluntary Organisations[4].

However, the charity sector on the whole is yet to unleash the power of digital technology. Over 52% of UK charities are in the early stage (the curious and the starting out stages) of digital technology adoption and 73% of them feel unprepared for the opportunities and challenges of artificia3l intelligence, although the majority of UK charities are aware of the potential of digital technology in transforming their strategy

1 HM Treasury (2023). Autumn Statement 2023. https://assets.publishing.service.gov.uk/media/6568909c5936bb00133167cc/E02982473_Autumn_Statement_Nov_23_Accessible_Final.pdf

2 The UK Department for Culture, Media and Sport and the Department for Science, Innovation and Technology (2023). DCMS and Digital Economic Estimates: Monthly GVA (to Sept 2023). https://www.gov.uk/government/statistics/dcms-and-digital-economic-estimates-monthly-gva-to-sept-2023#:~:text=Digital%20and%20telecoms%20sectors,-contributed%207%25%20to%20UK%20GVA.

3 CharityDigital (2023). The Future of Digital Transformation. https://charitydigital.org.uk/topics/topics/the-future-of-digital-transformation-8510#:~:text=The%20impact%20of%20digital%20on,of%20in%2Dhouse%20charity%20teams.

4 The National Council for Voluntary Organisations (2021). The Covid-19 Voluntary Sector Impact Barometer. https://www.ncvo.org.uk/news-and-insights/news-index/new-survey-digital-technology-during-the-pandemic/

and daily operations.[5] Given their significant economic and social contribution to the UK economy and society, the charity sector's needs for digital technology to improve its efficiency and effectiveness deserve attention.

In this study, we aim to investigate the key opportunities and challenges of digital technology adoption, understand the enablers of, and barriers to, digital technology adoption in the UK charity sector, and provide recommendations for the future development of the charity sector when adopting digital technology.

Table 1. UK Charity Sector Statistics and Key Facts

The Charity Commission for England and Wales[6]

- The UK had 168,893 charities registered with the Charity Commission for England and Wales in March 2023, plus another 19,333 charities that operate outside England and Wales.
- In 2022/23, the Charity Commission received 8,583 applications to register a charity, 48% of which were successful. In the same period, 4,146 charities were removed from the register.
- The total income of registered charities in 2022/23 was £88 billion, and the total spend was £85 billion.
- Micro charities and small charities (defined by an income less than £10,000, and £10,000 to £100,000 respectively) make up more than 80% of the sector. Major and super-major organisations (income over £10 million) make up less than 1%.

The National Council for Voluntary Organisations[7]

- Income and spending of the UK charity sector has increased since 2000/01 but the rate of growth has slowed in recent years. Especially, during 2020/21, the year of the pandemic, there was a drop in both income and spending.
- Despite the overall growth of the sector, almost one in ten voluntary organisations reported zero income.
- Social services is the largest voluntary subsector, accounting for around a fifth of organisations. The social services subsector also contributes the most to the UK's economy, at around £3.4bn per year.

5 Amar, Z. & Ramsay, N. (2023). Charity Digital Skills Report 2023. https://charitydigitalskills.co.uk/wp-content/uploads/2023/07/Charity-Digital-Skills-Report-2023.pdf

6 Charity Commission for England and Wales (2023). Charity Commission Annual Report and Accounts 2022-23, for the period 1 April 2022 to 31 March 2024. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1168460/Charity_Commission_Annual_Report_and_Accounts.pdf

7 National Council for Voluntary Organisations (2023). UK Civil Soc Almanac 2023. https://www.ncvo.org.uk/news-and-insights/news-index/uk-civil-society-almanac-2023/financials/#:~:text=In%202020%2F21%2C%20the%20income,voluntary%20organisations%20reported%20zero%20income.

2 | Digital Technology in the UK Charity Sector: An Overview

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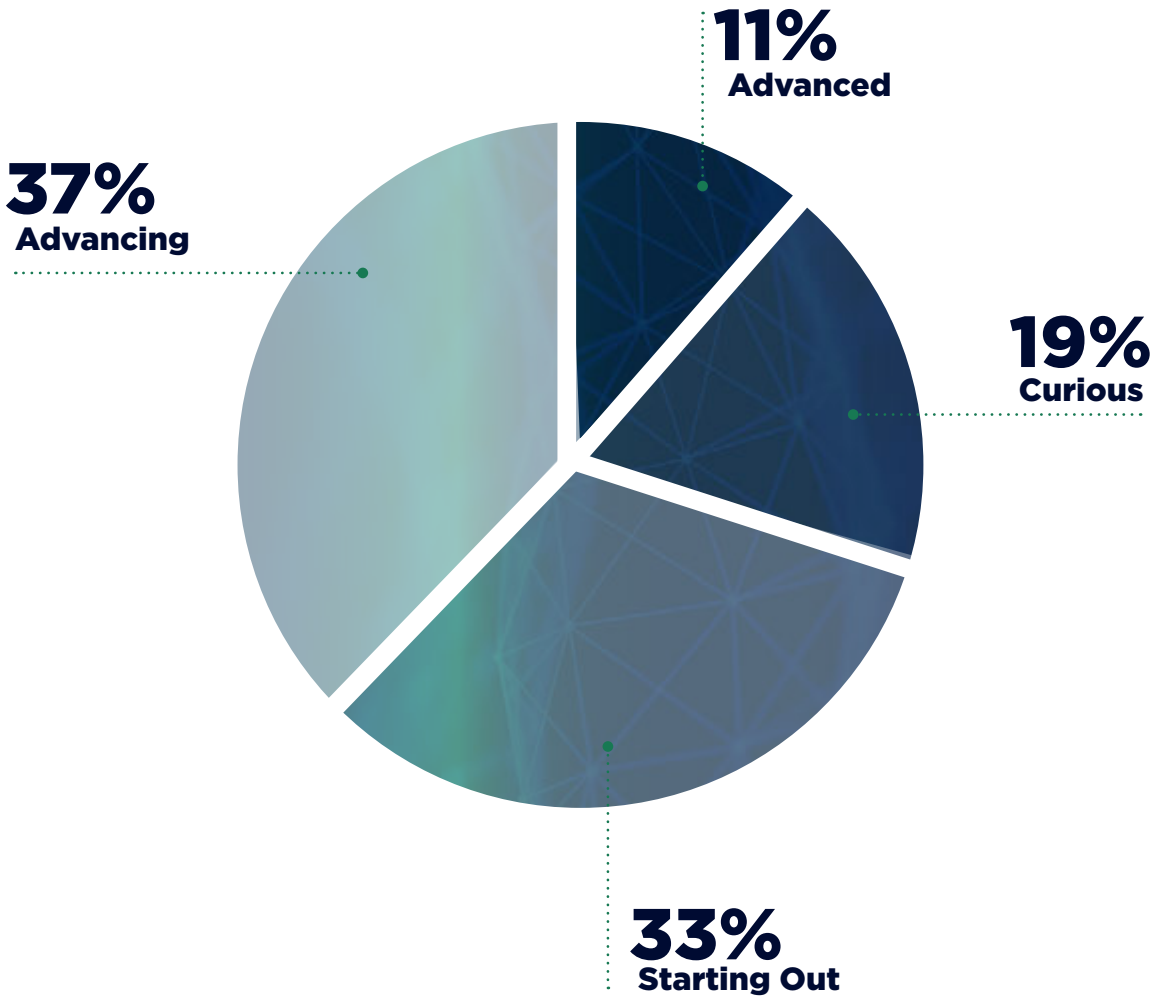
According to the Charity Digital Skills Report 2023,[8] digital technology adoption in the UK charity sector can be categorised into four key stages:

- **Curious Stage.** Around 19% UK charities are at the first stage of digital technology adoption, and this number has increased from 12% in the previous year. At this stage, charities use basic digital technology, such as social media and remote working. Around 65% of UK charities have a hybrid working model (remote and office-based), and 23% are all working remotely and do not have an office or shared physical space. Only 12% of charities work in an office or a community building.
- **Starting Out Stage.** At this stage, charities are developing digital technology across their organisations, but they do not yet have a digital strategy in place. Around 33% of UK charities are developing the use of digital technologies across their organizations.
- **Advancing Stage.** Charities at the advancing stage invest in digital technology and develop digital skills; digital technology is part of the strategy, but it has yet to be deeply embedded in their business operations. Around 37% of UK charities have a digital strategy in place, but implementing this strategy remains a challenge.
- **Advanced Stage.** Digital technology is not only an integral part of the UK charity's strategy, but also embedded in their daily operations. Around 11% of UK charities are at this advanced stage, and the number remains similar to that in 2022.

Image source: The Brunel University London Digital Asset Library, Photo ID: 16009, 2022.

8 Amar, Z. & Ramsay, N. (2023). Charity Digital Skills Report 2023, op. cit.

Figure 1. UK Charities Digital Development Stages



Curious

We have some digital basics in place, such as social media or remote working, and recognise we could do more.

Starting Out

We're developing our use of digital across the organisation but we don't have a strategy in place yet.

Advancing

Digital is part of our strategy, but we've not embedded this yet. We're investing in technology and developing our skills.

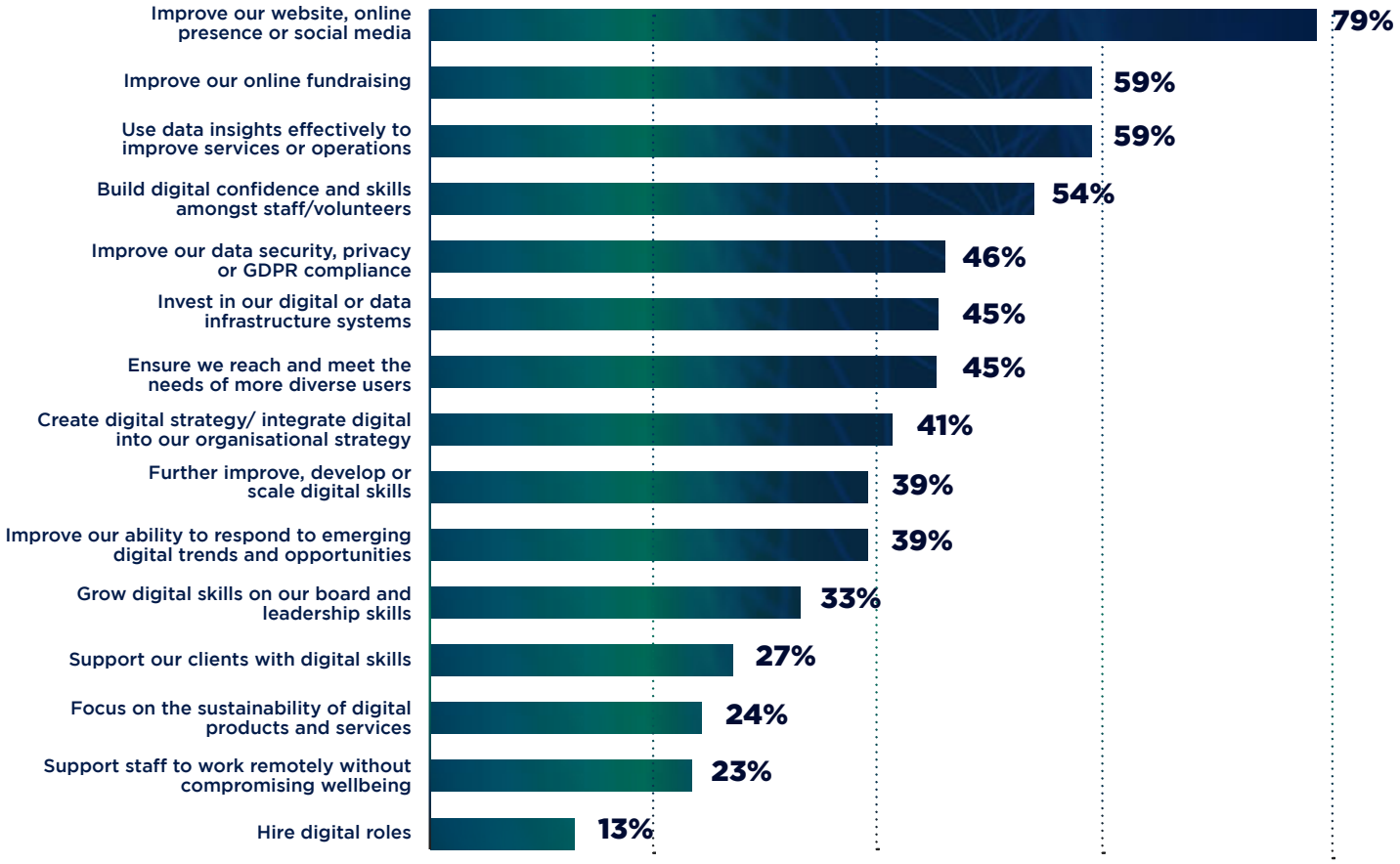
Advanced

Digital is integral to our organisational strategy and embedded in everything we do.

Although the majority of UK charities are aware of the potential of digital technology and have placed digital technology as a priority, many are yet to unleash the power of digital technology. According to the Third Sector Insight Report[9] produced in association with Microsoft, the top four areas of digital technologies that charities are in urgent need of help with are: increasing automation (31%), personalising customer experience (20%), digitalising internal operation (16%), and increasing cross-team collaboration (12%).

The Charity Digital Skills Report (2023) has identified a number of digital needs in UK charities, and the top four priorities are improving websites, online presence or social media (79%); improving online fundraising (59%); using data insights effectively to improve services or operations (59%); and building digital confidence and skills among staff and volunteers (54%) (see Figure 1).

Figure 2. Digital Needs in UK Charities[10]



9 ThirdSector & Microsoft (2023). Unlocking the power of digital: How charities can make the most of technology. https://www.thirdsector.co.uk/unlocking-power-digital-charities-technology/article/1814167

10 Amar, Z. & Ramsay, N. (2023). Charity Digital Skills Report 2023, op. cit.

3 | Project Background

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This study was conducted by the project team, in association with Renard Group, "a technology and media company that delivers a wide range of custom technical, media, and marketing solutions to help both growing and established organisations take their unique competitive advantage to the next level – increasing their impact."[11]

To understand the enablers of, and barriers to, digital technology adoption in the UK charity sector, we conducted three focus groups and two individual interviews with charity leaders from 16 charities in October-November 2023. The majority of the charity leaders were based in the UK, with the exception of two charity leaders based in continental Europe to gather their insights on digital technology adoption.

In the following sections, we report the findings from the focus groups and individual interviews and complement our own findings with evidence from the existing studies to put our findings into perspective, in the wider context of digital technology adoption in the charity sector.

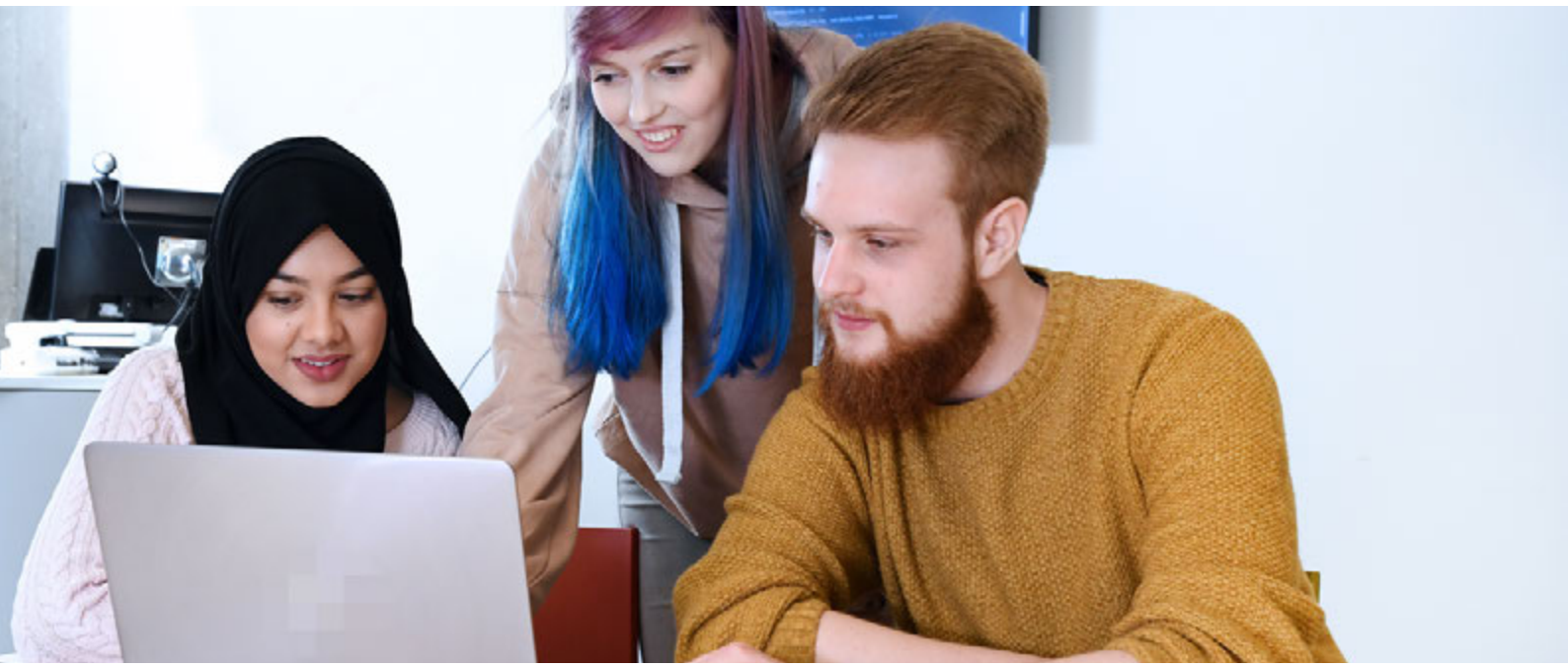

Image source: The Brunel University London Digital Asset Library, Photo ID: 10280, 2019.

11 Renard Group, https://renard.group.

4 | Digital Technologies in Use

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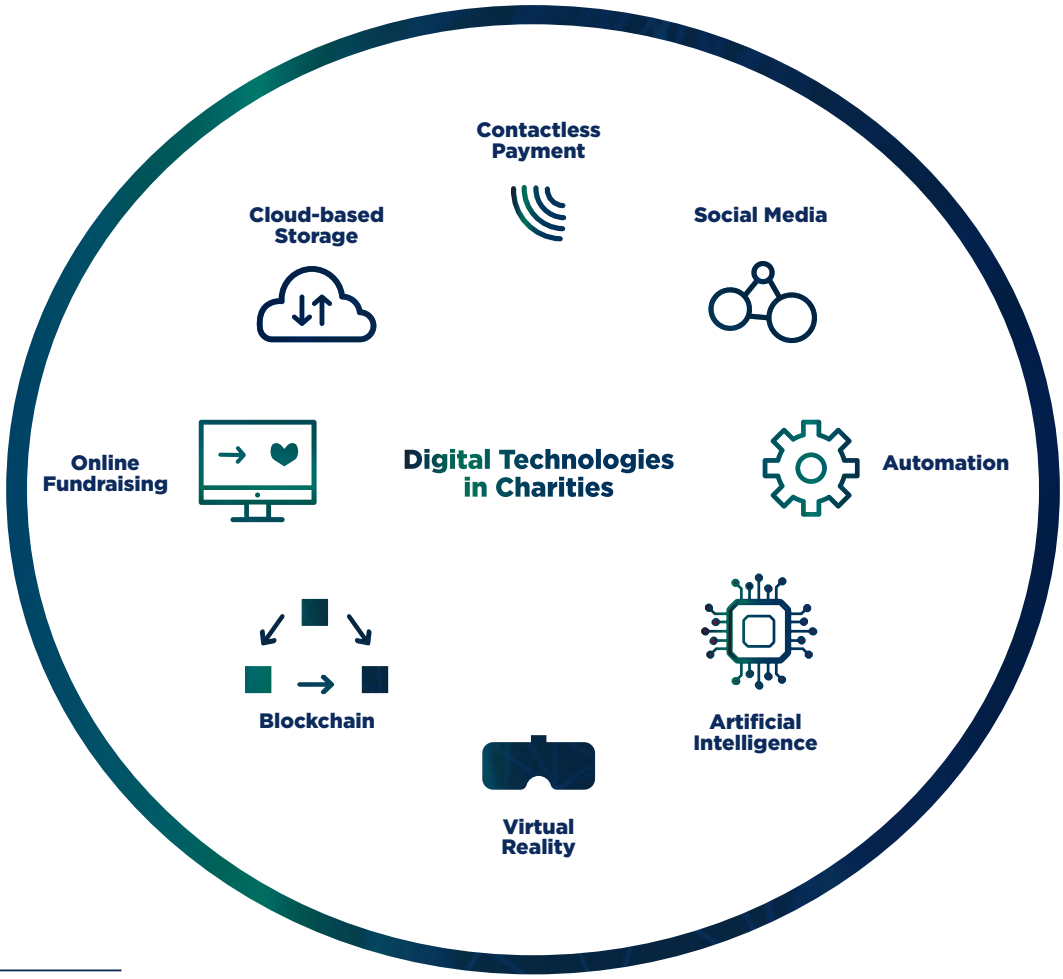
Digital technology includes a wide range of tools, systems, devices and resources that can generate, create, store or process data. In the charity sector, the common digital technologies available include social media, digital payment systems, online fundraising, virtual reality, automation, cloud-based storage, artificial intelligence and blockchain, according to CharityDigital.[12]

Figure 3. Common Digital Technologies Available in Charities



12 Charity Digital, https://charitydigital.org.uk.

Charity leaders who participated in our focus groups and interviews reported increasing use of the following digital technology (see Figure 4):

- Social media, such as websites, Facebook, Instagram and YouTube, for marketing and communication purposes;
- Video conferencing, such as MS Teams and Zoom, to facilitate remote working;
- Event booking via Eventbrite; cloud-based data transfer and storage, such as OneDrive and SharePoint;
- Online fundraising as a popular tool.

A few charities started to explore artificial intelligence and blockchain, but they remain at the curious stage of digital technology adoption.

Figure 4. Digital Technologies Used by Charities in This Study

Below is what the charity leaders said about their use of digital technology.

Figure 5. Digital Technology Used by Charities: What have charity leaders said about digital technology in supporting their charity work?

5 | Digital Transformation

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The adoption of digital technology can greatly assist charities in multiple ways, improving their efficiency, reach, and effect. Digital transformation involves a deeper engagement of digital technology in charities' strategy and operations, and the integration of digital technology to help modernise a charity's current environment.

Digital transformation goes beyond simply upgrading information technology infrastructure, but necessitates a fundamental shift in a charity's culture, processes, and strategies. Digital technology can help a charity improve in the following areas and beyond.

- **Increasing fundraising and engagement.**

  Technology has allowed charities to continue interacting with supporters, customers and other stakeholders while operating virtually, especially during the COVID-19 pandemic. Indeed, technology can facilitate the enhancement of communication quality and improve engagement with existing supporters, volunteers, and beneficiaries. Technology can also facilitate charities to take more targeted actions and become more responsive to solving social problems.[13]

- **Enhancing security.**

  Implementing sophisticated security protocols, including network segmentation, multifactor authentication, and encryption can help charitable organisations improve their security. This is paramount to their compliance with data protection and building trust with key stakeholders, because charities often hold substantial amounts of personal information, frequently pertaining to individuals who are vulnerable.[14]

13 Five Ways Charities Benefit from Better Technology (2023). Third Sector. Accessed February 29, 2024. https://www.thirdsector.co.uk/five-ways-charities-benefit-better-technology/article/1701917.

14 Igors Astapciks. "Why Do Companies Need Digital Transformation?" Forbes. March 20, 2023. https://www.forbes.com/sites/forbestechcouncil/2023/03/20/why-do-companies-need-digital-transformation.

- **Improved efficiency and cost savings.**

  Technology can substantially enhance the efficacy of charities through the automation of manual procedures, streamlining processes, the reduction of errors, and an improvement of productivity. Technology such as cloud storage can help charities reduce their hardware expenditures and physical storage requirements.[15]

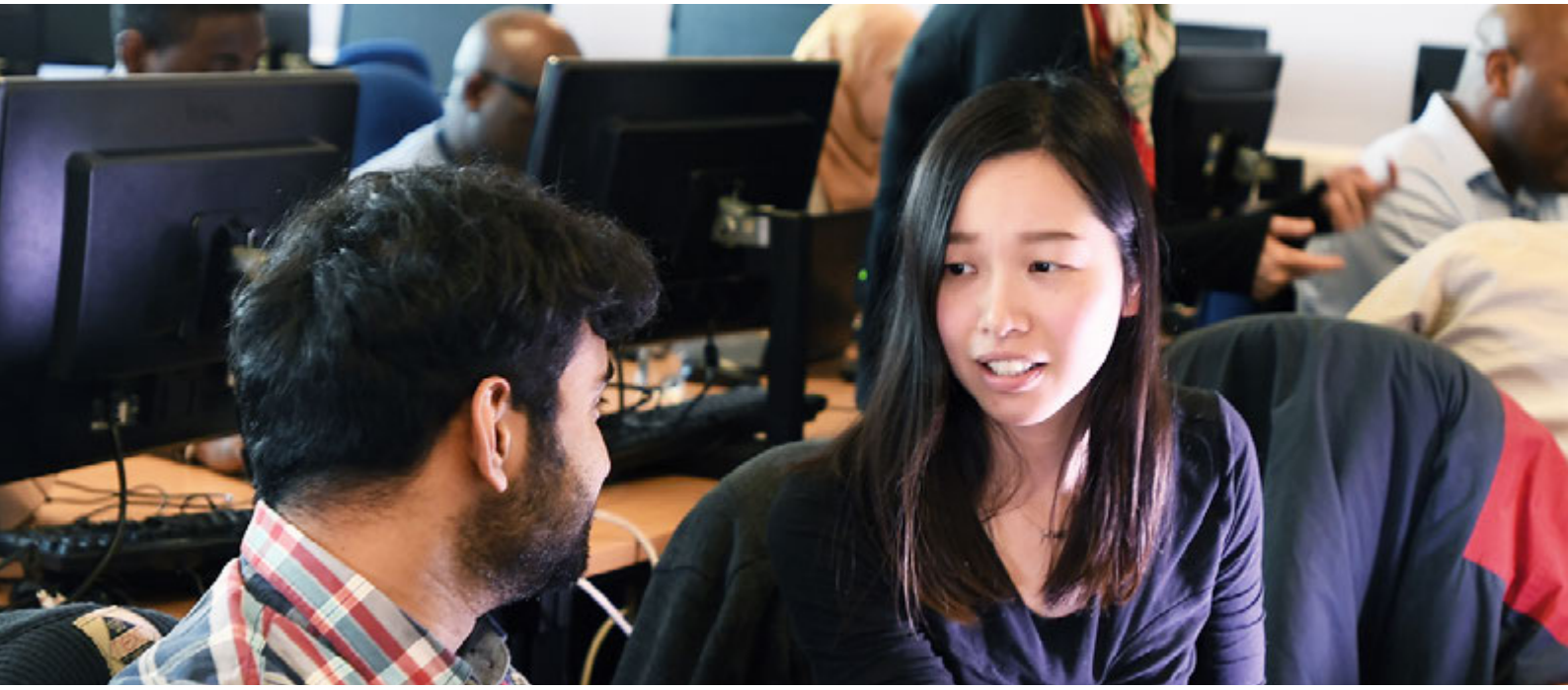
- **Improve Transparency.**

  Blockchain can drastically improve transparency. Charities can adopt blockchain to allow donors to track their donations through to the recipient organization and monitor its expenditure by utilizing a blockchain-based platform. This is indeed the goal of many of the charity sector's current blockchain initiatives. This considerably improves transparency and builds trust between the charities and their donors and supporters.[16]

- **Strategy renewal.**

  Charities may rethink their strategy as they experiment with new technologies more gradually. Digitalisation can not only improve the efficiency and effectiveness of charities, as mentioned above. Potentially, charities can fundamentally transform their business models and change the way in which they serve their users and engage with their donors and supporters.[17]

Image source: The Brunel University London Digital Asset Library, Photo ID: 5309, 2017.



15 Astapciks, I. (2023). Why do companies need digital transformation? https://www.forbes.com/sites/forbestechcouncil/2023/03/20/why-do-companies-need-digital-transformation.

16 Charity Digital (2023). http://charitydigital.org.uk/topics/topics/the-future-of-digital-transformation-8510.

17 Almaghrabi, A., & Alhogail, A. (2022). Blockchain-based donations traceability framework. Journal of King Saud University-Computer and Information Sciences, 34(10), 9442-9454.

Table 2. Case Study Examples of Digital Technology Adoption in Charities[18]

TAP LONDON	alice
Digital payment methods have made fundraising in the charity sector much easier and more efficient than the traditional methods. In 2019, the Mayor of London partnered with TAP London to create easy mediums for cashless donations for homeless people. They set up 35 donation centers, serving over 22 charities that supported the homeless. By switching to digital payment methods, this initiative has made it much easier than the traditional payment methods for users to donate, and managed to raise more than £7,000 in the first few weeks.	Blockchains have been used to improve the transparency of donations and the accountability of charities. For instance, Alice, a digital financial platform, introduces blockchain into the charity sector. Users can track payments made to a particular charity and set conditions around how money may be spent, as well as pulling back donations if charities do not meet the conditions. Alice can freeze donations until the charity provides evidence that money was spent to meet the defined goals.
NSPCC Learning	WaterAid
Computer simulation programmes and gamification have been used to tackle social problems. For example, the NSPCC teamed up with Attensi, a gamification training provider, to create an immersive 'Talk To Me' simulation for those working with children who may be victims of abuse. This helps adults working with children to build confidence in talking about challenging issues, such as abuse.	Artificial intelligence has been adopted by the charity sector to engage with users and potential donors. For example, WaterAid's 'Talk to Selly' campaign allows potential donors to chat with a bot purporting to be someone who would benefit directly from the charity's support. Mencap's 'Understand Me' chatbot guides users and potential donors through a conversation with Aeren, who was born with a learning disability.

18 Charity Digital, https://charitydigital.org.uk.

Livestream gaming has been used to support charities' fundraising. For example, the Norwegian Refugee Council benefited by working with Gaming Without Borders, which created a $10 million prize fund to support charities on the frontline in the fight against COVID-19. Elite gamers competed over seven weeks and viewers watched their livestreams, occasionally donating to their favourite causes.

Edinburgh Science Foundation, an education charity best known for organising Edinburgh's annual science festival and its science and outreach programs, invested in a shiny new NetZeroToolkit website to tackle climate change. The new website has enhanced the user experience and interaction with the toolkit and improved the engagement with donors, funders and other stakeholders. This platform has also facilitated remote working and the development of an on-demand programme of events.

Image source: Pixabay

6 Key Drivers for Successful Digital Technology Adoption

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There are broadly speaking three categories of factors that influence the success and failure of digital technology adoption: organisational, technological and external factors.[19]

Organisational Drivers

- Top management support signals and endorse the strategic relevance and importance of digital technology.[20] It is also crucial to guarantee the allocation of resources for the efficient utilisation and integration of digital technologies. In addition, their support is essential to help overcome the internal resistance.[21]
- Human capital is the foundation of digital technology adoption in charities. Charities that possess a significant amount of skilled and knowledgeable personnel are more likely to be among the first to adopt and utilize digital technologies[22]. Highly skilled workers demonstrate a greater ability to adjust to novel work structures compared to workers with lower skill levels and are more inclined to possess the necessary qualifications to capitalise on the potential chances brought about by digital technologies.
- Financial resources make or break a digital technology adoption initiative. Charities will need to invest significantly to digitalise their operations and acquire needed infrastructure. Investing in new digital technologies has been widely acknowledged as highly risky and challenging. Thus, charities with sufficient financial resources would consider implementing digitalisation in their operations as a viable initiative to pursue.[23]

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19 Omrani, N., Rejeb, N., Maalaoui, A., Dabi, M., & Kraus, S. (2022). Drivers of digital transformation in SMEs. IEEE Transactions on Engineering Management; Shahadat, M. H., Nekmahmud, M., Ebrahimi, P., & Fekete-Farkas, M. (2023). Digital Technology Adoption in SMEs: What Technological, Environmental and Organizational Factors Influence in Emerging Countries? Global Business Review, 09721509221137199.

20 Jöhnk, J., Weißert, M., & Wyrtki, K. (2021). Ready or not, AI comes—an interview study of organizational AI readiness factors. Business & Information Systems Engineering, 63, 5-20.

21 Omrani, N., Rejeb, N., Maalaoui, A., Dabi, M., & Kraus, S. (2022). Drivers of digital transformation in SMEs. IEEE Transactions on Engineering Management.

22 Giotopoulos, I., Kontolaimou, A., Korra, E., & Tsakanikas, A. (2017). What drives ICT adoption by SMEs? Evidence from a large-scale survey in Greece. Journal of Business Research, 81, 60-69.

23 Ghobakhloo, M. (2020). Determinants of information and digital technology implementation for smart manufacturing. International Journal of Production Research, 58(8), 2384-2405.

- Strategy following a clear vision would enhance the integration of digital technologies by enabling charities to effectively plan, visualize, and comprehend the necessary steps and decisions required to facilitate the adoption process.[24]

Technological Drivers

- Perceived benefits of digital technology are effective triggers of its adoption. If the advantages of the technology surpass the current practices and procedures, it is probable that this technology will be adopted. Charities adopt new digital technologies solely if they recognize that they can create new opportunities or address current shortcomings.[25]
- Technological competencies, such as information technology infrastructure and prior exposure to digital technology, are crucial factors that drive the adoption and transformation of digital technology.[26]
- The European Union Agency for Network and Information Security (ENISA) believes that cybersecurity maturity is a key facilitator for the adoption of digital technologies. Integrating cybersecurity into the culture and strategy of an organisation, and creating a well-developed and unified cybersecurity vision, would enhance the process of adopting digital technologies by effectively aligning business functions with digitalization processes[25]. An integrated cybersecurity system that guarantees the security, safety, and reliability of communications enhances the perceived value of digital technologies. From the same standpoint, technology literacy is crucial for promoting the acceptance and adoption of technology.[26]

External Drivers

- Competition and peer pressure. The external pressure comes from the advancements taking place in digital technologies, but also peer pressure from large charities in the charity sector adopting new technologies. For example, the booming of artificial intelligence use in chatbots and especially generative ones, such as ChatGPT, will increase charities' curiosity about adopting such technology in their processes.
- Collaborative relationships with external partners. In a collaborative relationship with a governmental body or a private institution that adopts digital technology extensively, a charity will be pushed towards adopting technology along with its partners.
- Accessible government support. One of the most important external elements influencing the adoption of digital technology is thought to be government

24 Omrani, N., Rejeb, N., Maalaoui, A., Dabi, M., & Kraus, S. (2022). Drivers of digital transformation in SMEs. IEEE Transactions on Engineering Management.

25 Ibidem.

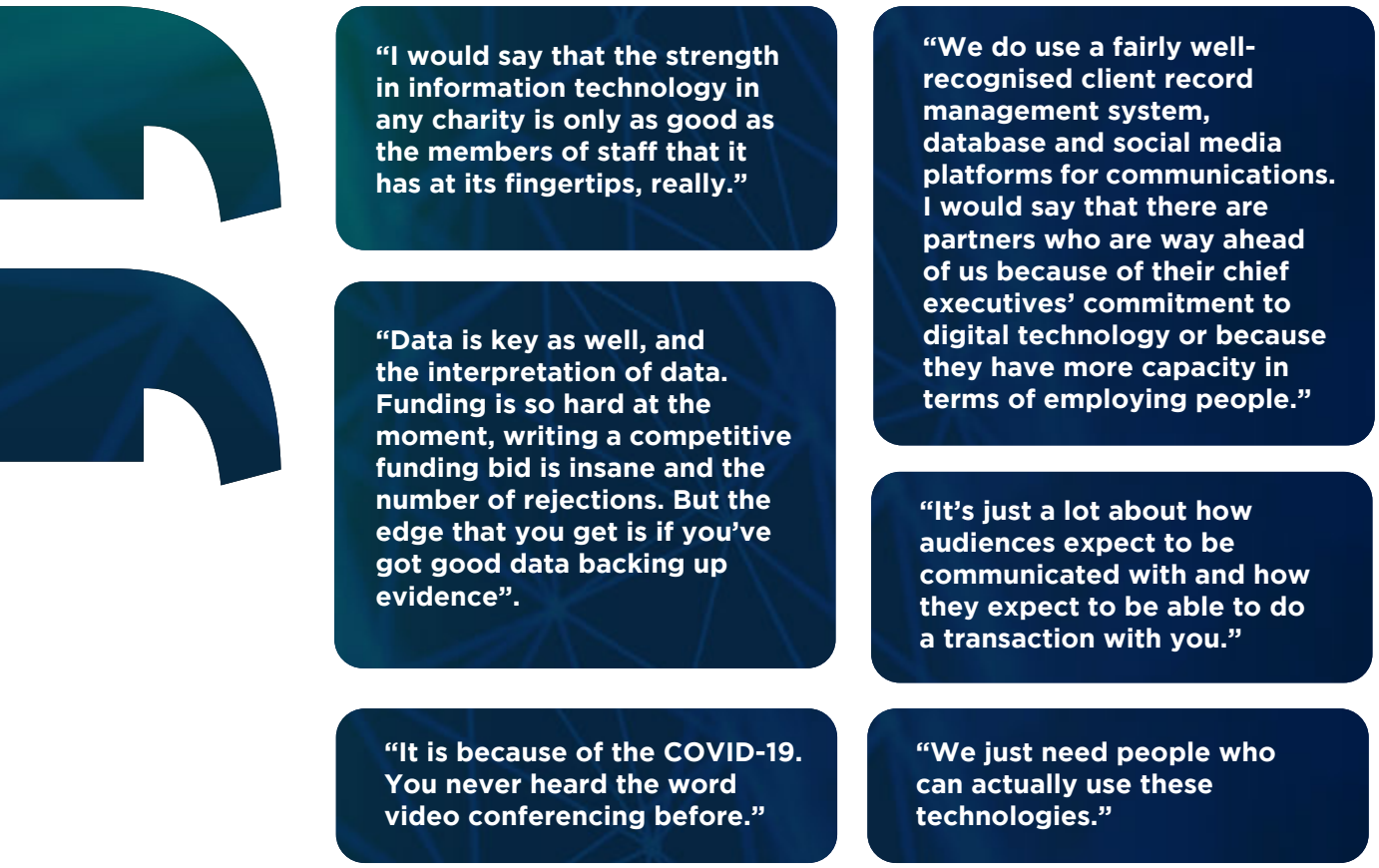
26 Shahadat, M. H., Nekmahmud, M., Ebrahimi, P., & Fekete-Farkas, M. (2023). Digital Technology Adoption in SMEs: What Technological, Environmental and Organizational Factors Influence in Emerging Countries? Global Business Review, 09721509221137199.

support. This support can be in the form of infrastructure accessibility and the government's willingness to encourage the use of new technologies.[27]

- Customer and clients' needs. External pressure may come from customers and market demands that may force charities to adopt digital technology. Digital technology can help deliver customised and on-demand services that would otherwise be too costly to operate.

The charity leaders who participated in our focus groups and interviews have discussed some key drivers for digital technology adoption in line with the above organisational, technological and external factors.

Figure 6. Key Drivers



27 Ibidem.

Table 3. McKinsey's Critical Success Factors of Digital Technology Adoption

There are five practices that increase the chances of exceeding performance expectations:

Laying out clear priorities. To achieve better results in digital transformations, it is advantageous to concentrate on a limited number of distinct themes that are closely linked to measurable business objectives. The probability of achieving exceptional effectiveness in a digital transformation is also greater when leaders identify the aspects of the transition that require irreversible decisions crucial to the company's direction and reach a consensus on how to address such aspects.

Investing in talent - especially at the top. Optimal outcomes in digital enablement are more likely to be achieved when a company prioritises the recruitment and cultivation of exceptionally skilled individuals, namely those with robust digital and analytics proficiencies. The Chief Digital Officer is a crucial element of the leadership team, as well as the Chief Analytics Officer.

Committing time and money. The senior management must prioritise the digital transformation and remain committed to the digital strategy. Companies must provide adequate financial resources for their digital transformations.

Embracing agility. Organisations must frequently reassess and reorganise their priorities due to the rapid pace at which competitors and customers operate, and adjust their digital strategies accordingly. In effective digital transformations, individuals are more inclined to get incentives for producing innovative concepts, undertaking suitable risks, and adhering to test-and-learn methodologies while pursuing chances.

Empowering people. Successful digital transformation requires commitment at the top, but also digital enablement for employees at all levels. Effective digital transformations are associated with good practices, such as assigning clear roles and duties to individuals; designating an "owner" to lead each transformation endeavour; enforcing individual accountability for reaching assigned targets, and managing expectations among key stakeholders.

Source: McKinsey report "Digital transformation: Improving the odds of success" 2019

Table 4. BCG's Critical Success Factors of Digital Transformation Success

1. An integrated strategy with clear transformation goals. The strategy describes the why, the what, and the how, which are tied to specific, quantified business outcomes.

2. Leadership commitment from CEO through middle management. The company has high leadership engagement and alignment, including often-overlooked middle-management ownership and accountability.

3. Deploying high-calibre talent. Management identifies and frees up the most capable resources to drive the transformation program.

4. An agile governance mindset that drives broader adoption. Leaders address roadblocks quickly, adapt to changing contexts, and drive cross-functional, mission-oriented, "fail-fast-learn" behavioural change into the wider organization. They deal with individual challenges without losing sight of the broader goals.

5. Effective monitoring of progress toward defined outcomes. The company establishes clear metrics and targets around processes and outcomes, with sufficient data availability and quality.

6. Business-led modular technology and data platform. The company puts in place a fit-for-purpose, modern technology architecture driven by business needs to enable secure, scalable performance, rapid change deployment, and seamless ecosystem integration.

Source: Boston Consulting Group (2020) Flipping the Odds of Digital Transformation Success.

7 | Key Barriers to Digital Technology Adoption in UK Charities

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The key drivers for successful digital technology adoption, discussed above and the key barriers are two sides of the same coin. In the wider context of small and medium-sized enterprises, the World Economic Forum (2021) has identified a range of barriers to the implementation of digital technologies (see Figure 7).

Figure 7. Key Barriers to Digital Technology Adoption in SMEs

- **Lack of resources, skills, and training.**

  A barrier in the not-for-profit sector is the absence of both skills and financial resources in addition to the shortage of technical resources, such as internet connectivity.[28] Digital transformation encompasses not only technology aspects but also involves significant human involvement in terms of communication and cooperation among teams and departments.[29]

- **Lack of leadership support.**

  Leadership support is a crucial determinant of the success or failure of digital technology adoption.[30] The absence of support from senior management and a well-defined strategy, backed with a strong commitment, guarantees the failure of any innovative endeavour.[31]

- **Lack of goal and vision.**

  Digital technology adoption must address a specific problem within the organisation. Seeking new technology without a set of well-defined objectives to direct the technological pursuit is likely to result in failure.[32]

- **Resistance to change**.

  Employees are used to operating within an established framework and are cautious about any alterations to the existing structure and processes due to fear of uncertainty.[33]

- **Security challenge.**

  The security and technical fragility of the information poses significant technological barriers. This gives rise to substantial privacy concerns among the stakeholders. The absence of adequate security measures hinders the adoption of digital technologies, and failure to comply with information and data security regulations can lead to legal ramifications.[34]

- **Lack of strategic planning.**

  A well-defined plan based on a comprehensive evaluation, encompassing both technological and financial aspects, is necessary to comprehend the concepts and fundamentals of adoption. A lack of strategic planning is a primary cause of failure to implement digital technology.

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28 Godefroid, M.E., Plattfaut, R. and Niehaves, B., 2023. Identifying key barriers to nonprofit organizations' adoption of technology innovations. Nonprofit Management and Leadership.

29 Rohn, Samantha, 2022. https://whatfix.com/blog/digital-transformation-failures.

30 Godefroid, M.E., Plattfaut, R. and Niehaves, B., 2023., op. cit.

31 Bajpai, A. and Misra, S.C., 2022. Barriers to implementing digitalization in the Indian construction industry. International Journal of Quality & Reliability Management, 39(10), pp.2438-2464.

32 Rohn, Samantha, 2022,. op. cit.

33 Kabra, G., Ramesh, A., Jain, V. and Akhtar, P., 2023. Barriers to information and digital technology adoption in humanitarian supply chain management: a fuzzy AHP approach. Journal of Enterprise Information Management, 36(2), pp.505-527.

34 Kandasamy, J., Venkat, V. and Mani, R.S., 2023. Barriers to the adoption of digital technologies in a functional circular economy network. Operations Management Research, pp.1-21.

Figure 8. Key Barriers to Digital Technology Adoption in Charities

"One of the biggest barriers in the charity segment is that it's based on volunteering. Simple as that."

"The amount of personnel that you have available just within the charity to deal with even the printer breaking down."

"A lot of the charities don't know where to start."

"Money is always an issue. We're always on a tight budget."

"We're so busy doing the day-to-day work that we don't have the capacity to be updating."

"Staff training and the skill sets of the people."

"Time and staff resource."

"With GDPR issue, extra training is needed as well as turnover of volunteers, often volunteering as a route to employment, people gain new skills and opportunities and then move on."

"A lot of people had high levels of sort of information technology poverty, didn't even know how to use the computer or have access to the Internet."

Image source: The Brunel University London Digital Asset Library, Photo ID: 7331, 2022.

8 | Digital Technology and Trust-based Relationships

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The public generally perceive charities as more trustworthy than most other institutions and sectors. In 2016, trust and confidence in charities fell to 5.7 out of 10, as compared with 6.7 in previous years.[35]

This rating was the lowest trust and confidence level ever recorded by the Charity Commission. This decline was attributed to critical media stories about charities' mismanagement (e.g. Kids Company),[36] huge cash surpluses (e.g. Comic Relief investing millions in arms, tobacco and alcohol and sitting on £100 million cash),[37] and sizeable funds spent on administration.[38] There were also reports of aggressive fundraising practices[39]. These led to a distrust of charities. Since then, the charity sector has regained trust steadily, but there are few, if any, signs of trust returning to those pre-2015 levels.[40] It is imperative for charities to demonstrate prudent stewardship of funds and improve the transparency in the spending of donations.

Digital technology adoption adds a new dimension to the trust relationship between charities and their stakeholders. Indeed, digital technology can have a double-edged effect on building trust relationships in the charity sector: it may hinder or facilitate building and maintaining trust relationships between the charity and its stakeholders.

For example, online fundraising scams are globally prevalent, in both developing and developed nations. The lack of trust between the fundraiser and the donor is a significant obstacle in soliciting individual donations in online donation-based crowdfunding.[41] Some other obstacles to the success of online crowdfunding campaigns are the asymmetry

35 Charity Commission for England and Wales (2016). Public Trust and Confidence in Charities. https://assets.publishing.service.gov.uk/media/5a800410e5274a2e8ab4dae5/Public_trust_and_confidence_in_charities_2016.pdf.

36 BBC (2016). Kids Company closure: what went wrong? 1st February 2016. https://www.bbc.co.uk/news/uk-33788415.

37 Kelly, T. (2013). How Comic Relief invests millions in arms, tobacco and alcohol: Panorama expose also reveals charity is sitting on £100m and will not say how money is spent. https://www.dailymail.co.uk/news/article-2521057/BBC-Panorama-expose-reveals-Comic-Relief-sitting-100m-say-money-spent.html

38 Craig, D. (2014). The Great British rake-off... what really happens to the billions YOU donate to charity: Fat cat pay, appalling waste and hidden agendas. https://www.dailymail.co.uk/news/article-2835947/The-Great-British-rake-really-happens-billions-donate-charity-Fat-cat-pay-appalling-waste-hidden-agendas.html.

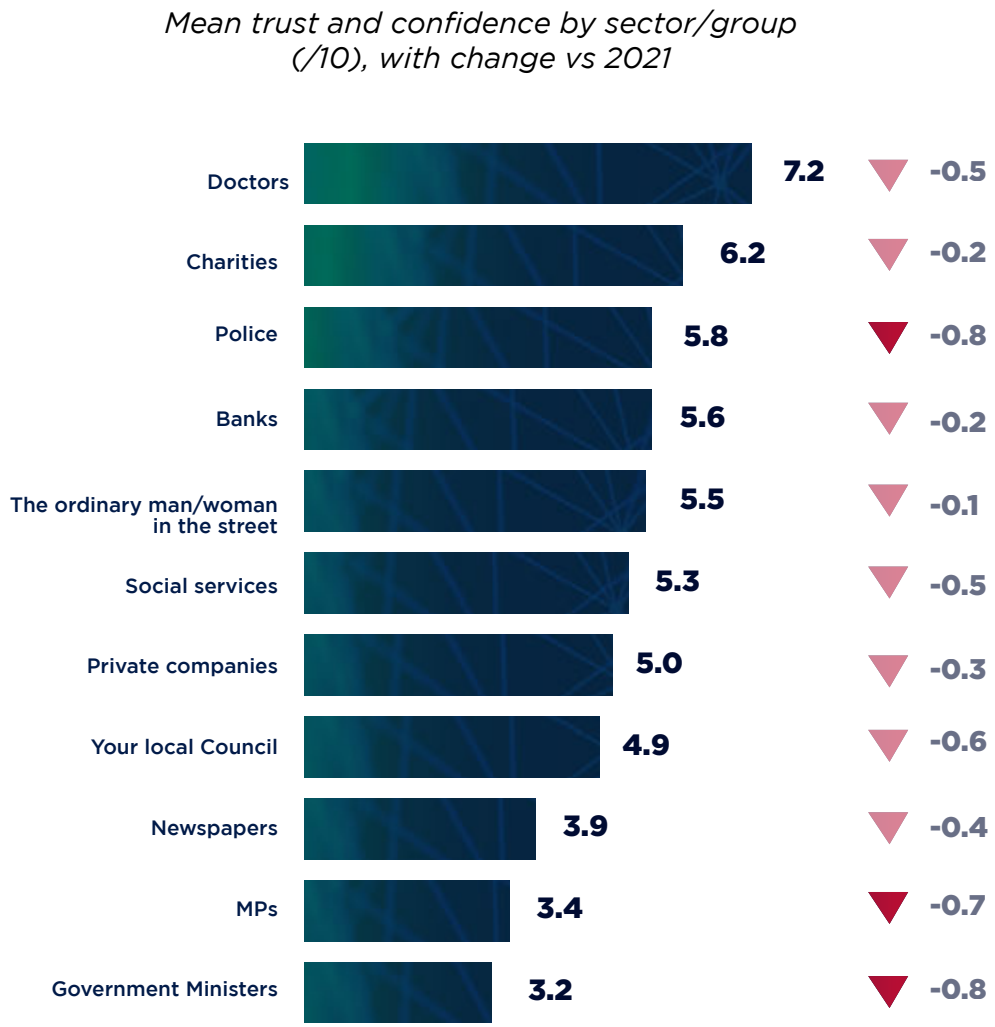
39 Este, J. (2016). Why has trust in charities been declining? The Conversation, 29th February 2016. https://theconversation.com/why-has-trust-in-charities-been-declining-49825.

40 Charity Commission for England and Wales (2023). Public Trust in Charities 2023. https://www.gov.uk/government/publications/research-into-public-trust-in-charities-and-trustees-experience-of-their-role-2023/public-trust-in-charities-2023.

41 Chen, Y., Dai, R., Yao, J. and Li, Y., 2019. Donate time or money? The determinants of donation intention in online crowdfunding. Sustainability, 11(16), p. 4269.

of information between the fundraiser and the potential donor, concerns about the potential misuse of donated funds, the risk of personal information being mishandled, and a lack of confidence in using online platforms. The presence of these hurdles in the online environment undermines the trust of potential donors, which is crucial for their willingness to make donations.[42]

Figure 9. Public Trust by Sector as of April 2023[43]



On the other hand, online crowdfunding campaigns supported by digital technology can help reach out to a much wider audience. Moreover, the usage of blockchain technology can improve the transparency of funds and enhance the efficiency and effectiveness of fund management. This in turn fosters trust among donors, recipients, and other stakeholders. Blockchain technology can also help charities demonstrate to contributors the tangible impact of their contribution, swiftly obtain funds through crowdfunding, and empower the beneficiaries by relinquishing control.[44]

42 Charity Commission for England and Wales (2023). Public Trust in Charities 2023. https://www.gov.uk/government/publications/research-into-public-trust-in-charities-and-trustees-experience-of-their-role-2023/public-trust-in-charities-2023.

43 Ibidem.

44 Koksal, Ilker, 2019. How Blockchain Technology Can Re-invent Charity. https://www.forbes.com/sites/ilkerkoksal/2019/07/12/how-blockchain-technology-can-re-invent-charity/

Indeed, the charity leaders who participated in our focus groups and interviews also referred to the double-edged effects of digital technology in building trust relationships between charities and their stakeholders.

Figure 10. Digital Technology and Trust Relationships

The Charity Commission for England and Wales has designed a road map for building trust in charities, based on the four factors, as illustrated in Figure 11.

Figure 11. The Four Key Factors that build Trust in Charities[45]

Where the money goes	Impact	The 'how'	Collective responsibility
The high proportion of charities' money is used for charitable activity	That charities are making the impact they promise to make	That the way they go about making that impact is consistent with the spirit of 'charity'	That all charities uphold the reputation of charity in adhering to these

Image source: The Brunel University London Digital Asset Library, Photo ID: 6126, 2017.

45 Charity Commission for England and Wales (2023). Public Trust in Charities 2023. https://www.gov.uk/government/publications/research-into-public-trust-in-charities-and-trustees-experience-of-their-role-2023/public-trust-in-charities-2023

9 | Future Challenges

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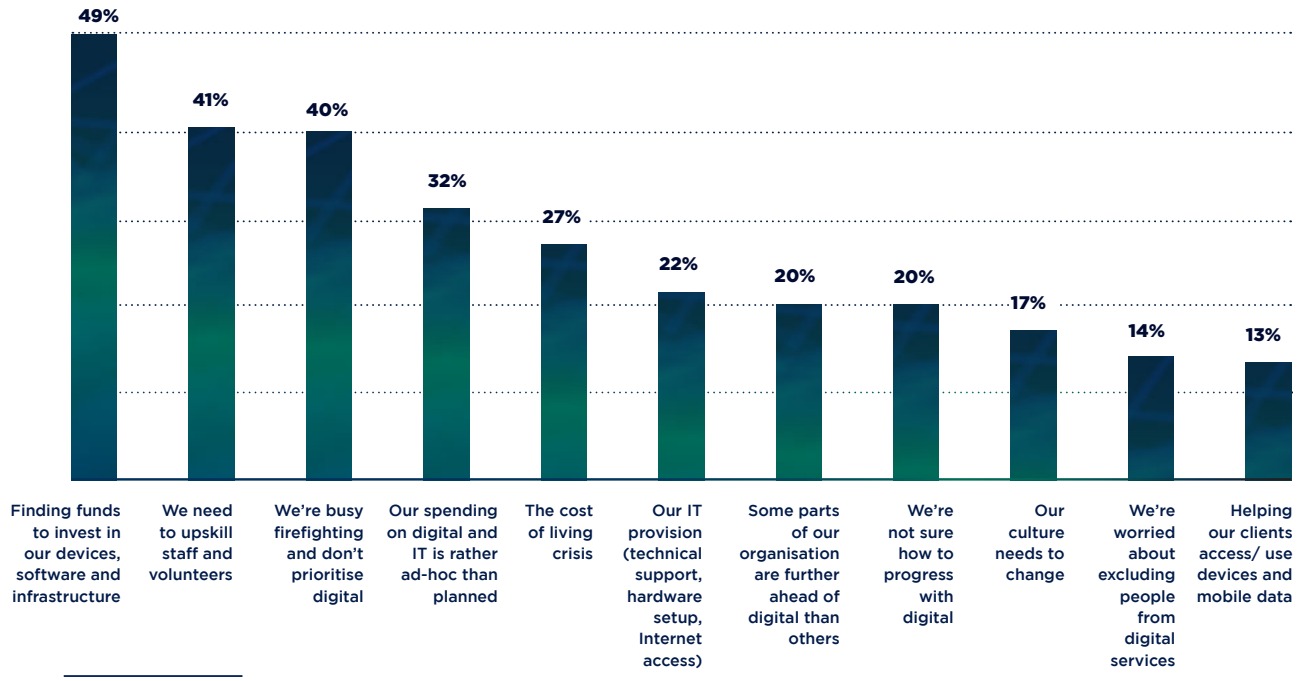
The UK charity sector has faced immense challenges in recent years.

The Charity Aid Foundation reports that the increased demand and falling donations create a 'perfect storm' for charities in the cost-of-living crisis: 86% of charities are concerned about the impact of rising living costs on people who rely on charity services; over 80% of charity leaders are concerned about the increased costs of utilities and higher wages; and 59% of charities are concerned about people having less money to donate to charities.[46] Among many other measures, adopting digital technology to cut costs and improve efficiency and effectiveness is a pressing challenge.

According to the Charity Digital Skills Report 2023,[47] the top three biggest challenges in relation to digital technology adoption faced by UK charities are: the acquisition of financial resources for purchasing devices, software and infrastructure (49% of charities), skilling up staff and volunteers with digital skills (41%), and strategically prioritising digitalisation (40% of charities) instead of firefighting (see Figure 10).

Figure 12. The Biggest Challenges for Digital Technology Adoption



46 Charity Aid Foundation (2024). Increased demand and falling donations create "perfect storm" for charities in cost-of-living squeeze. https://www.cafonline.org/about-us/press-office/increased-demand-and-falling-donations-create-perfect-storm-for-charities.

47 Amar, Z. & Ramsay, N. (2023) Charity Digital Skills Report 2023, op. cit.

10 | Digital Platforms Supporting Charities

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There is a plethora of digital platforms that provide a wide range of support services to UK charities, for example fundraising, digital technology adoption and social media, corporate social responsibilities, and matchmaking. The majority of these digital platforms provide services in one area, but Catalyst offers charities support in digital technology adoption, networking, matchmaking, and more.

The Third Sector Lab also provides both services, through its initiative, Digital Trustees, supported by Catalyst. Whatimpact provides charities with resources and services on corporate social responsibilities, and is the only social value management platform in the UK to match companies with local social value initiatives and deliver evidence-based impact reporting.

Image source: Pixabay

Figure 13. Digital Platforms Supporting Charities

11 | Conclusion

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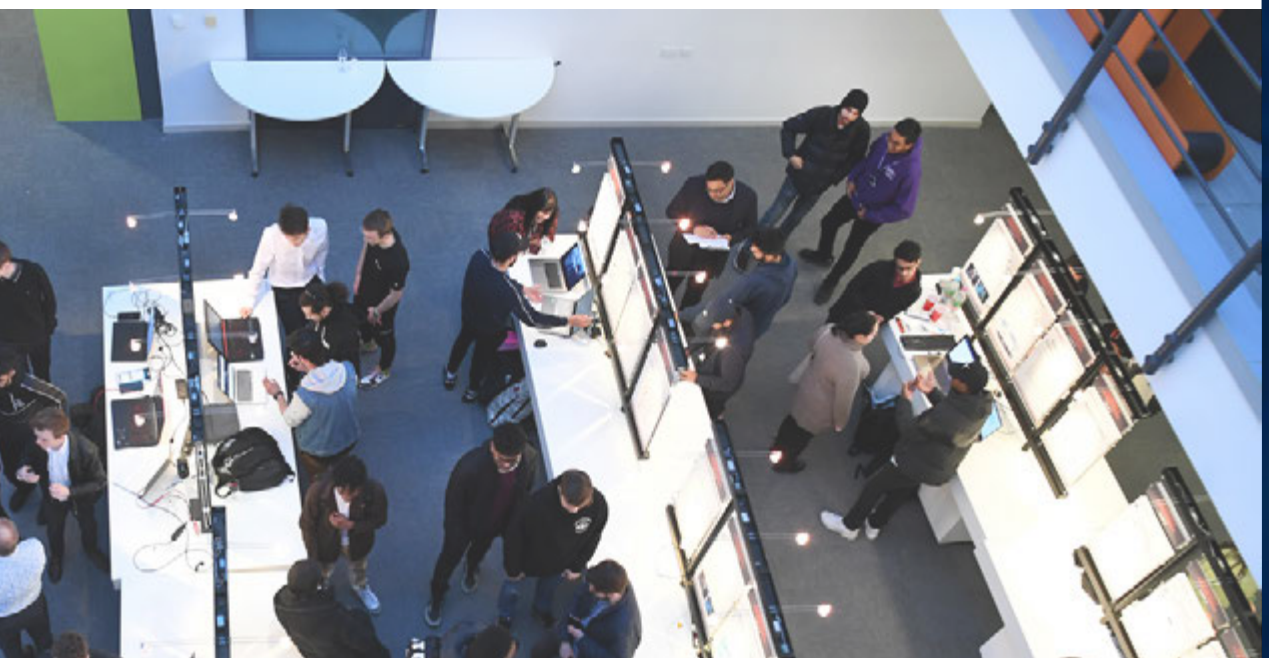
Digital technology presents opportunities and challenges to the UK charity sector. Whilst the majority of UK charities have embraced digital technology, accelerated by the COVID-19 pandemic, a deeper engagement with digital technology is needed to transform how charities operate. Digital transformation has gained increasing significance across industries, but the charity sector is constrained by the resources and skills required for digitalisation.

UK charities are in need of support, especially in the current cost-of-living crisis, when charities are facing increased operating costs, reduced funding and donations, and a growing number of people relying on charities. While there is a plethora of organisations that support charities on digital technology adoption, social media, fundraising, corporate social responsibilities, and matchmaking, the information is fragmented and overwhelming for charities that are already understaffed and short of digitally skilled people. This calls for a streamlined information portal and a tailored approach to supporting charities, in order to unleash the potential of digital technology adoption in the sector.



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