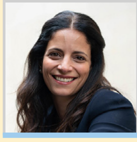
Using data in the charity sector to inform donations



By Sarah Gammoh
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Data analytics will radically change the way we live and do business in the future. This technological and strategic revolution will include charities and philanthropists too.

Most of us want to make the world a better place. We make career choices, investment decisions and even lifestyle changes to fulfil our roles on this journey. There are new and innovative tools available to help us align and integrate our values with almost everything we do, because we care.

And because we care, we are making important decisions about which charities to support and which causes to contribute towards. Individuals in the UK donate more than £10bn every year, yet surprisingly, there are few resources available to help us find charities that match with our personal choices or philanthropic strategies.

With over 170,000 charities to choose from in the UK alone, is it possible for us to take on any level of due diligence research on our own? Why do we end up supporting the usual charities and struggle to find the new, lean and impactful organisations that would promote the evolution in the sector? Even when we do find charities that align with our values, how can we remain active and engaged while building the vital long-term relationships needed to help charities achieve more?

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The information gap

The ability to undertake diligent research to find the 'right charity' is dependent on the availability of useful and reliable data in the public domain. It is not too hard to prove that information regarding a charity's effectiveness and sustainability is not readily available; often either hidden within many pages of a glossy report or too difficult to access. In fact, such evidence is often too expensive to produce and too complex to understand.

So, what information do we have?

Charities consistently produce annual reports and accounts (which are regulatory requirements), but this on its own isn't sufficient to gather a clear picture about their work. Alongside this, charities use their websites as a free space to share information with the public and to showcase their good work. But this space is just that – free. Each charity chooses what it shares and how it shares it, making it difficult to know what information to look for.

Bridging the gap

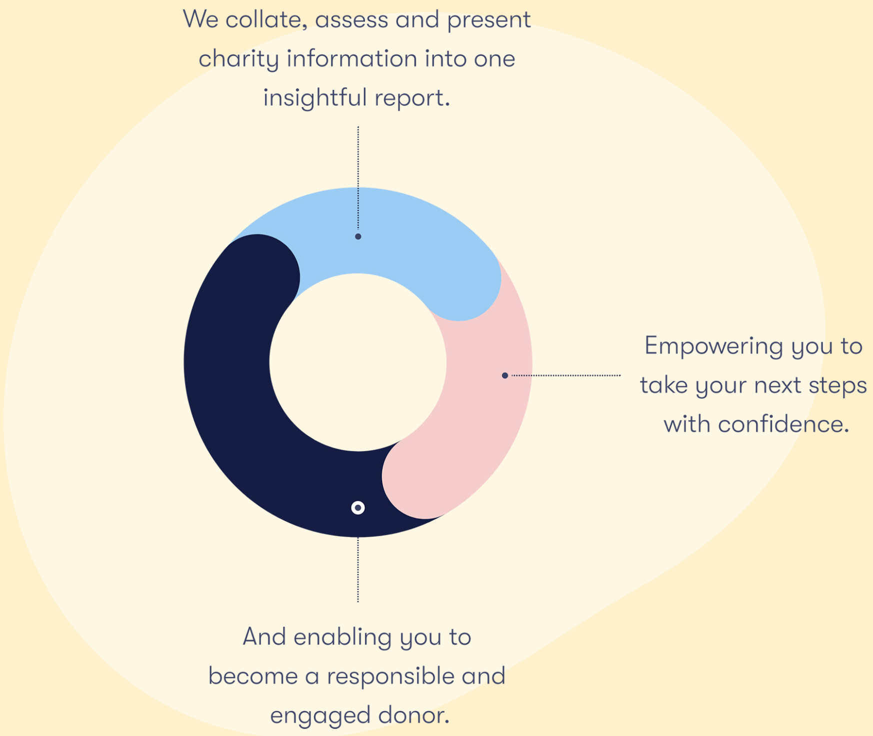
With a background in environmental, social and governance (ESG) reporting in the corporate sector, I wondered: could we apply the data analysis methods used in the ESG world to help gain an understanding of a charity's performance? What answers would reassure us that we are supporting a 'good' charity that aligns with our values? Would such an approach be helpful to the charities themselves?

By arranging charity data into three themes, we can create a holistic, standard and informative narrative about a charity – designed to shed light on the effectiveness, efficiency and sustainability of any given organisation. By going one step further, we can even compare the data published by each charity with existing voluntary-sector codes and conducts of best practice – analysing whether a charity goes above and beyond, or completes the bare minimum.

And thus, the idea of Charizone was born.

Working closely with experts in the sector who care deeply about charities, I began to create a framework that considers the following:

Impact
By nature, every charity exists to make a positive impact. While measuring impact is extremely difficult and expensive, we would still need to know that the intervention the charity is implementing actually works. Following guidance from charities SORP (Statement of Recommended Practice), we can expect all charities, big or small, to reliably and transparently report on how effective



they are in achieving their charitable mission. There are several resources and tools available to charities from sources such as Social Value UK and NCVO to aid charities in the process, giving us a suitable benchmark to compare charities against.

Governance

Good governance is reflected in a charity's compliance with the law and relevant regulations, along with adherence to best practice. The board of trustees is responsible for the mission and the assets of a charity. In fact, how a charity is managed and operated is key to understanding its effectiveness, focus and priorities.

In light of recent scandals in the sector, just 'good' governance isn't enough when considering the complexity of running an organisation. The Charity Governance Code, now in its 12th year and its 3rd edition, offers a practical tool to help charities and their trustees develop high standards of governance – making it another ideal variable for comparative research.

Finance

Finally, the finances of a charity are the monetary resources necessary for its sustainability, resilience and survival. Whilst every charity has a different business model, we can expect all charities to demonstrate their sustainability and resilience – after all, a defaulting charity could cause more harm and undo all the good work that it has done over the years. The charities SORP sets out how charities should prepare their annual accounts and report on their finances. We therefore have standards that allow us to recognise charities with good financial management.

Introducing Charizone

The information needed to structure reporting under these headings is found in various public sources such as annual reports, charity websites and other publications made available by the charity. In addition, the data itself can be either objective in nature or require further subjective analysis. Thus, while this framework works in theory, manually gathering this information for multiple charities is time consuming to say the least.

However, when combined with technology, learnings from the private sector, and a team of dedicated people who just don't take 'no' for an answer, we've found a way to make timely and affordable due diligence research into the charitable sector a very real possibility.

It is important to know that there is no perfect framework for deciding whether a charity is effective or efficient; the subjective nature of this topic renders that level of due diligence expensive and mainly justifiable for very large donations. But that shouldn't stop donors from asking the right questions and demanding evidence from the charities they're willing to support.

This is the stake in the ground, motivated by a long-term commitment to the charity sector. An idea that creates sector standards – inspiring charities to achieve more, while creating and facilitating engagement and stewardship for philanthropists to nurture new and existing charitable relationships.

Easily digestible reports that collate data from a number of sources, designed to give insight, aid comparison and become a cornerstone for due diligence research into the charitable sector. That's our solution, hopefully empowering philanthropists and wealth managers to feel that they're using their wealth for good.

The call

The charitable sector is dependent on its donors more now than ever. By demanding answers to practical and important questions and holding charities accountable we, as a community, are forging two-way dialogues with charities, promoting sector standards, and ensuring that information crucial for building the trust and legitimacy of this sector's work becomes readily available.

Our Charizone framework is developed in line with guidance from experts within this sector as a tool to support good reporting and transparency. We're a young platform at the beginning of our journey, and welcome all constructive feedback. Find out more at charizone.co.uk – I'd be delighted to hear from you!