

More than Charity

**Building a New Framework for Canadian
Private Voluntary Sector Relations**

**Discussion Paper for Imagine's
Private Voluntary Sector Forum**

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Imagine's Private Voluntary Sector Forum

Imagine's Private Voluntary Sector Forum is designed to contribute to the development of a new framework for understanding and partnership between the private and voluntary sectors in Canada. In a manner similar to the "Working Together" initiative (see Appendix A), launched by the voluntary sector and federal government, this Forum will serve as a platform for addressing emerging issues affecting the working relationship between the private and voluntary sectors. It will also, as appropriate, make recommendations and identify opportunities to improve the working relationship between the sectors. This will include, for example, reviewing Imagine's role in promoting private voluntary sector partnerships and standards for corporate citizenship.

Why a Private Voluntary Sector Forum?

Until recently, the relationship between the private and voluntary sectors could best be described as underdeveloped. Both operated in very different spheres, with little reason to work together (for a brief overview of the history of corporate philanthropy, see Appendix B). Most social services were funded by government and, the primary focus for both the private and voluntary sectors was their relationship with the government. Outside of limited corporate philanthropy, most businesses and charities had little contact. In the last decade, the pressures of globalization and deficit cutting have begun to fundamentally change the relationship between the sectors. As governments have pulled back Canadians are looking to the private and voluntary sectors to take more responsibility for the community and social services once provided by government.

In this environment, all three sectors are trying to understand and reframe their relationships to one another. For the voluntary sector, in particular, these challenges are daunting. As the smallest of the three sectors economically, the voluntary sector has in many ways, only just begun to understand and proactively manage its relationship with the other two sectors. The "Working Together" framework that the voluntary sector has negotiated with the Federal government is an important first step in this regard. While the voluntary sector's relationship with the private sector has historically been of less significance, as governments pull back, this relationship is now of increasing importance. What is needed now is a clear framework for advancing the working relationship between the private and voluntary sectors.

1. Community Building

The primary point of interaction between most voluntary sector organizations and businesses is their relationship in building community. As government cuts back, charities, in many cases for the first time, increasingly looking to business to replace lost government revenue. Business, for its part, is turning to charities to help them connect with the community and demonstrate to Canadians they are concerned with social issues.

As they turn to each other for support however, many organizations from both sectors are becoming increasingly frustrated. Knowledge of the goals, interests and capacity of each partner is often very limited due to the lack of reliable data. This, in turn, can lead to expectations that can't be met on both sides. Corporate philanthropy, also known as "giving at a distance", can preclude the visibility and engagement that many companies and employees now want. On the other hand, the fast growing commercial sponsorship model can frustrate and create resentment for some charities when commercial positioning seems to overtake social benefit. Too often, neither the corporate philanthropic models or the sponsorship model provide the "win-win" framework for real partnership that is now required.

At the same time, as charities and business adapt to survive and prosper in this new environment, "turf" issues are also emerging at the community level. A small but increasing number of charities are beginning to look at establishing businesses to generate revenue. For example, a major folk festival has established a tent business to rent out its tents in the off season. For small business in particular, this kind of venture can be seen as "unfair" competition, particularly if the charity charges below market rates for its services. On the flip side, business particularly in the health care field, is now moving into "turf" traditionally occupied by the non-profit sector as demonstrated by the growth of private nursing. Appendix C provides further perspective on competition issues between charities and businesses.

2. Corporate Social Responsibility and Public Policy

Public concern around social issues and corporate social responsibility is mounting in Canada. A small but increasingly influential part of the voluntary sector is giving voice to those concerns. These include issues relating to how business operations impact the environment and society and, the role and influence of business on economic and social policy in Canada. Voluntary sector organizations enjoy a strong upper hand in terms of public credibility and sympathy in this context. As we go forward, we can expect the debate concerning these issues to heat up between the voluntary and private sectors, as we have recently seen in the backlash against globalization at the Summit of the America's in Quebec City and, the recently launched Commission on Democracy and Corporate Accountability.

KEY ISSUES

Understanding and Communication

The starting place for any productive working relationship is good understanding and communication. Better communication and information systems are key to developing real understanding and trust between the partners. For charities and businesses there are four key challenges in this regard.

1. Lack of Accurate Information

The first challenge is the lack of reliable information on the contribution of each sector to community building in Canada. Until recently, it simply wasn't very important to know what charities and business were doing in terms of community building in Canada. As mentioned above, governments were the overwhelming force in both shaping and servicing community.

It wasn't until 1993 for example, when the Canadian Centre for Philanthropy issued *A Portrait of Canada's Charities* that we began to get a comprehensive idea of who the charitable sector in Canada is and what its contribution has been. More recently, the *National Survey on Giving, Volunteering and Participating* has begun to track how Canadians support this sector. There is however, still no detailed standardized regularly updated information source on the organization of the charitable sector and its contribution to community building in Canada either at the national or community level.

Turning to business, we find the available data on business' contribution to community is even less satisfactory. The only systematic tracking of business' contribution to community has been through charitable giving, and even this data is very poorly reported. Until recently, most corporate philanthropy programs, with a few notable exceptions, were poorly staffed and under-managed in most companies. Few companies even mentioned their philanthropic programs in their annual reports let alone published their priorities for giving. Until the founding of Imagine in 1988, there were no guidelines or benchmarks for corporate philanthropy. In the last decade, as a result in part of Imagine, Canadian business has increased its reported charitable contributions significantly over the last decade. Revenue Canada's figures show reported charitable contributions by business now approach Imagine's 1% benchmark. During this same period, by comparison, corporate donations in the U.S., as a percentage of pre-tax profit, have declined significantly.

Despite this progress, considerable challenges in reporting remain. While more than 70% of business leaders now say their business is involved in supporting the community, less than 5% of businesses in Canada actually report their charitable donations to Revenue Canada and, there is no legal requirement for them to do so. Canada's reported corporate charitable giving figures therefore give, at best, a trend in giving but certainly not an accurate figure. For example, in the Portrait of Canada's Charities noted above, charitable organizations reported they received \$1billion in

received corporate donations and \$250 million in unreceipted gifts that year. That same year, Revenue Canada data reported corporate charitable donations of \$465 million. So, in other words, in one year alone, business gave close to \$880 million more to the charitable sector than the government officially recorded.

Quite aside from charitable donations, there are many other ways business supports the community. Sponsorships, employee volunteer time, donation of facilities, product, expertise, etc. provide additional and invaluable support to the community and aren't tracked in any form. Once again, there is no reliable data on these activities.

Sponsorships for example, have grown explosively in the last decade. However, there are no formal or voluntary reporting regimes to track this in Canada. To get any sense of Canadian sponsorships we must extrapolate from US data. According to the Canadian-based *Sponsorship Report*, it appears that well over \$500 million a year is now being spent in sponsorships in Canada, with almost half of this going to organized sports.

2. Unrealistic Public Expectations and Misperceptions of Charities

When governments cut support to the community, many Canadians' first impulse is to turn to the not-for-profit and charitable sectors to replace lost services. These expectations are often seriously flawed and vastly overestimate charitable sector capacity. Few Canadians understand the critical role of government funding to the charitable sector and the impact that government cuts have had, not only to government services, but also on its support for charities. At the same time, the public and many businesses significantly overestimate their contribution to the charitable sector.

Compounding these problems is the fact that many donors - both business and government - are increasingly unwilling to fund the "core" operations of charities. Their preference is to focus on special projects and programs. This can leave charities not only desperately strapped for cash, but also unable to meet their core operating expenses. A second and related issue is that some cash starved government departments and agencies are themselves, increasingly approaching business for limited sponsorship support.

In this environment, it is not surprising that survival is the main challenge for many nonprofits and charities today. As a result, many charities find themselves at a disadvantage when trying to negotiate sponsorships and other forms of partnership with business. It also why we are starting to see more charities looking for alternative revenue generation opportunities including the establishment of businesses as noted earlier in this paper.

3. Unrealistic Expectations and Misperceptions of Business

Business is viewed by many as a major driver and "winner" in the move to globalization. It is business that has encouraged government to balance its books, to achieve balanced budgets and, make Canada globally competitive. This in turn has

led to cutbacks in government support for charities and community services. Because business is the sector that is seen to be reaping the benefits of globalization, it is not surprising that Canadians now look to business to take a much more active role in supporting community and society.

The recent Millennium poll by Environics International shows that Canadians now have some of the highest expectations in the world for Canadian businesses to be more socially responsible. Over half of Canadians believe business should do more than simply pay taxes and employ people. Canadians also expect business to demonstrate leadership in setting higher ethical standards and addressing social issues. These expectations go far beyond the traditional framework of corporate philanthropy and pose a major challenge to business in the way it defines and communicates its role in society.

In terms of community support for example, a recent poll by the Canadian Centre for Philanthropy for the Muttart Foundation showed over 64% of Canadians said that business should be giving more to charity. But Canadians want business to give more than just a cheque. They want business to be more visibly and actively involved in supporting community. In addition to charitable donations, Canadians want business to contribute through the support of employee volunteerism, the donation of services, sponsorships and other forms of involvement.

At the same time as public pressure for companies to step forward in support of their communities, corporate managers find themselves under increasing pressure internally, to justify resources donated to the community in terms of the impact on shareholder value.

This combination of external and internal pressures and expectations is transforming the way companies view and manage their community relations and public affairs functions.

Many companies are now starting to move away from the corporate philanthropic "arms length" gift giving to a community investment framework that seeks to provide measurable returns to the company, the charity and the community. They are increasingly seeking partnerships with charities that can give them the potential for meaningful involvement and recognition in the marketplace.

A survey of the Business Council on National Issues' (BCNI) members, suggests that the most important driver of corporate community involvement is now human resource management.

The BCNI's chief executive members said their community programs were important in recruiting and retaining skilled employees, in boosting loyalty and morale and, in improving motivation and productivity. Employee perceptions of needs in their communities were also cited as reasons for shifts in corporate community priorities during the early 1990s. People want to work for companies that reflect and support their values, and, they are asking employers for more opportunities to work in the community. The BCNI survey responses suggest that being seen as the employer of choice is an increasingly important competitive advantage.

4. Lack of Shared Goals and Values

While good information and communication are key to building a strong relationship, it is also important to have shared goals and priorities. Defining this common ground is a key challenge for private and voluntary sector organizations. Charities and business operate with very different sets of organizational values and cultures. The core charitable mission, broadly defined, focuses on achieving a “social benefit”, while business' core mission, broadly defined, is oriented to maximizing “private benefit” and returns to shareholders. Business views society through the lens of “economic opportunity”, charities tend to view society through the lens of “social development”. One tends to focus on narrowly defined short term results, the other tends to focus on broader longer term outcomes. One is focused on innovation and change, and is highly mobile, the other focuses on consistency of service delivery and is often cautious about change. These are of course, simplistic and generalized characterizations, but they speak to the difficulties that charities and business often find when they try find common ground to work together. For more information on issues in communications and understanding between the sectors, see Appendix D.

This lack of real understanding can create suspicion and distrust on both sides. In an interview with Bronwyn Drainie, which explored the communication challenges for charities, a Canadian businessman who sits on many volunteer boards, stated: “We know we've been recruited for one reason only: to raise money. Most of us are content to stick with that role and leave the running of the organization to the professionals. A small minority would like to get more involved. Sometimes this is encouraged by the charity's management, often it's not. We expect charities to run inefficiently and we don't think it's our job to change that.”

For their part, charities often complain business people assume that a “business approach” is the solution to all of a charities' problems. As one foundation director observed, business' attitude can be, “You know, the voluntary sector represents an inefficient, second-rate, bleeding-heart approach to things like home care, whereas we can handle the work professionally, cheaply and efficiently. We can do this better.”

Despite these challenges, an increasing number of charities and businesses are reaching out to one another to build programs built on mutual understanding and shared goals. As Imagine's "Spirit of Community" Partnership Awards demonstrate when the two sectors come together in this way, real trust can be built and extraordinary results achieved. See Appendix E for further perspectives on partnerships and alliances and examples of partnership at work .

Lack of a Robust Framework for Cross-Sectoral Partnership and Accountability

Clear, well understood guidelines for managing the partnership and, ensuring the accountability of both partners, are key to any successful partnerships. Here again, the charitable and business sectors can find themselves at a disadvantage.

Currently, the two primary mechanisms that define the operational working relationship between most charities and business are: corporate philanthropy “giving at distance” and commercial sponsorship.

1. Issues in Corporate Philanthropy

Corporate philanthropy has been the primary mechanism through which many charities have historically defined their working relationship with business. In light of increased expectations for active and visible involvement of business, this mechanism for investing in the community is proving increasingly inadequate for many large firms. As companies move from simply “giving” to taking a more proactive “community investment” approach, they want to be able to more actively manage their investments and measure the results. The current definition of charitable gifts however, does not allow for any explicit form of reciprocity or accountability. As charities, which are eager to secure corporate support, and companies try to work around these limitations, both are increasingly “crossing the line”. This ranges from some charities providing companies with specific recognition opportunities in exchange for gifts, to companies demanding full and complex accounting for their donations.

Members of Imagine's Caring Company program increasingly raise these issues with Imagine and several have withdrawn, saying that the 1% gift guideline as currently defined, is simply too narrow. Others have said that “corporate philanthropy” is obsolete as a motivator for business and that business is already bypassing this framework through sponsorships and other forms of community engagement. Others have suggested that Imagine should keep “corporate philanthropy” as just one element of a more comprehensive set of benchmarks for measuring corporate community investment. In 1998 in response to these concerns, Imagine prepared a draft prototype for an expanded set of measures that was circulated to over 400 senior business voluntary and public sector leaders for comment and feedback (see appendix F). The response however, was inconclusive. Some favoured this direction while other companies expressed concern over having to measure new activity areas. Appendix G contains another model for companies that is currently being used by the London Benchmarking Group for categorizing and monitoring corporate support for the community.

This blurred line around expectations for corporate philanthropic gifts is causing confusion for both sectors. It is also attracting the attention of Revenue Canada which is now auditing corporate philanthropy programs to ensure that gifts are in compliance with Revenue Canada guidelines.

2. Issues in Sponsorship

In the last decade, partly in response to the limitations of philanthropy, companies have been moving increasingly into the sponsorship field and, more recently, cause related marketing. These mechanisms provide companies with a way to manage relations with the charitable sector in a manner that provides clear accountability to their business goals, while also providing a social benefit.

As an “unregulated” industry however, without any voluntary guidelines or standards, sponsorship can be a mixed blessing. For many charities the move to sponsorship can create real challenges, particularly for those without proper legal counsel and other expertise to negotiate “good” sponsorship arrangements. A mid-sized charity phoned Imagine recently asking what a reasonable expectation was for the ratio between money received and value delivered. In this case, the company was proposing to give the charity \$250,000 and then planned on spending \$1,000,000 marketing its relationship with the charity. They wanted to know, “Is this a fair return?” In the absence of any kind of guidelines or comparative data, there are no clear answers to these questions. It is fair to assume however, given the rapid growth of the sponsorship field, that companies are achieving significant results from these kinds of relationships.

Lack of a Framework for Policy Dialogue

As we saw earlier, the public debate on the role of business in society and its influence on public policy are issues of growing concern to Canadians. To date, there has been little in the way of an operational framework to support constructive debate between the private and voluntary sectors. As the debate about globalization and corporate social responsibility heats up, the challenge, going forward, will be to see if it is possible to establish a framework for an informed and accountable interaction and discussion between the two sectors on public policy and CSR issues. Failure to do so could create a growing rift between the sectors, which could have future implications on the working relationship between them.

	Sponsorship	Charitable contribution
Publicity	Highly public	Usually little widespread fanfare
Source	Typically from marketing, advertising, or communications budgets	From charitable donations or philanthropy budgets
Accounting	Written off as a full business expense, like promotional printing expenses or media placement expenses	Writeoff is limited to 75% of net income. This limit was increased from 20% in the late 1990's. As a result, accounting/tax considerations are less likely to influence the way a corporation designates funding of a not-for-profit organization.
Objectives	To sell more products/services; to increase positive awareness in markets and amongst distant stakeholders (customers, potential customers, geographic communality)	To be a good corporate citizen; to enhance the corporate image with closest stakeholders (i.e. employees, shareholders, suppliers)
Partner/recipient	Events; teams; arts or cultural organizations, projects, programs. A cause is sometimes associated with the undertaking.	Larger donations are typically cause-related (education, health, diseases, disasters, environmental), but can also be cultural, artistic, or sports related. At times funding is specifically designated for a project or program; at times it is provided for operating budgets
Where most funding goes	Sport gets the lion's share of sponsorship dollars — likely more than 50%.	Education, social services, and health sector get 75% of charitable donations.

Source: Sponsorship Report, 2001

Lack of Organizational Capacity

A final area that impacts both the private and voluntary sectors equally, is their lack of organizational capacity to manage their new relationships and to meet the expectations Canadians now have for both of them. Currently, many of Imagine's larger companies are now in a "perpetual" state of reorganization as a result of having to meet new expectations for corporate social performance. Many find they simply don't have the internal capacity to create and manage the kind of value added social contribution the public is now looking for. Former "donations" officers are suddenly finding themselves responsible for managing a much more complex set of corporate citizenship issues and, in some cases, are leaving in frustration. Some Imagine Companies receive over 5,000 requests a year for support. One beleaguered officer reported, "We can't print the no cards fast enough." In response to this situation, Imagine, the Conference Board and many private consultants are increasingly being engaged to assist firms in building organizational capacity.

Charities for their part, are often ill equipped to manage relationships with more sophisticated and, in some cases, increasingly demanding business partners. Many charities still tend to view business as simply a source of dollars for lost government cash. Charities are often ill equipped to build or manage partnership relations that could include the leveraging of other corporate resources or, provide the kind of reporting that businesses are increasingly demanding. Capacity building is one of the major themes being addressed by the VSI in their Working Together initiative with the federal government. There may be opportunities that arise from this process that will assist the voluntary sector to build capacity to manage more complex business partnership relations.

Moving Forward

This paper has reviewed a number of issues that will need to be addressed if we are to significantly advance private voluntary sector relations in Canada. The questions below are designed to provoke constructive discussion on specific issues that may need to be addressed in moving ahead.

Understanding and Communication

1. What information resources do we need to enable both private and voluntary sector organizations to better understand each others roles and capacity in terms of community building?
2. What resources are required to create a more realistic public understanding of the role and capacity of the private and voluntary sectors in community building?
3. What sort of mutual goal-setting exercises would help develop better understanding between the sectors and appreciation of each other's unique culture and values?
4. What kind of "enabling" measures could government take to promote more effective private voluntary sector understanding and co-operation?

Cross Sector Partnership and Accountability

Corporate Philanthropy

5. How can companies best achieve the recognition they seek for their support of communities and charitable organizations?
6. What role should corporate "philanthropy" (charitable donations as defined by CCRA) play as an indicator of corporate accountability to community? Should it continue to be the leading benchmark or just be one of many indicators?
7. Should we be trying to change the legal definition of corporate philanthropic gifts to allow donors to set conditions and receive recognition for their contribution or, does this undermine the integrity of the concept of "philanthropy"?
8. Should Imagine's current minimum 1% corporate philanthropic benchmark (which currently only includes gifts qualified under Revenue Canada guidelines) be modified to allow for gifts which don't meet Revenue Canada guidelines (for example, to allow for an agreement on recognition as part of the terms of the gift)?

Sponsorships

9. Should there be guidelines for commercial sponsorships with charities? If so, what principles and guidelines are needed to ensure consistency and fairness in the management of sponsorships to ensure a fair return to both the charity and the business?

Reporting Corporate Community Investments

10. Should reporting be encouraged through voluntary or self-regulatory initiatives such as Imagine? Alternatively, should companies be legally required to report on their community investment requirements (as we are now seeing in the financial service sector)?
11. Should Imagine's definition of community investment be expanded beyond corporate philanthropy to include sponsorships and other direct and indirect forms of corporate support for the community?. A prototype for an expanded set of measures was included in Imagine's White Paper "More than Charity: a New Agenda for Canadian Corporate Citizenship" and is attached to this paper for review (see Appendix F).
12. Should Imagine make it a condition of membership that all companies publish their community investment contributions, criteria, etc. in their annual reports or post these on their web sites?
13. Does there need to be some form of "auditing" for these community investment reports to be credible?

Evaluating Impact

14. How do we come to an agreement on outcome measurement? Are there existing evaluation models that need to be better understood and disseminated? (See Appendix H for an overview of the Voluntary Sector Evaluation Research Project.)

Competition

15. How can issues of competition between business and charities best be addressed?

Voluntary Sector Accountability

16. Should Imagine require its voluntary sector partners to sign a partnership agreement in the same way it asks Caring Companies to pledge to Imagine's standards? If so, what should be included? For example, should Imagine require all of its voluntary sector partners to have signed the Centre for Philanthropy's voluntary "Ethical Fundraising and Financial Accountability Code"? (see Appendix I)

Public Policy and Corporate Social Responsibility

17. What kind of forum do we need for a more comprehensive dialogue on Corporate Social Responsibility Issues? For example, is the

Imagine/Conference Board CSR Benchmarking initiative the right forum for this kind of dialogue?

18. Should these initiatives be discussed between the two sectors or should government also be at the table?

Organizational Capacity

19. What specific resources (e.g. training) will be required to assist the voluntary sector more effectively manage its relations with business?
20. How can the private sector best assist in building the capacity of the Voluntary Sector? Should for example, corporations earmark part of any gift for the core development and management of the charity?
21. What specific resources (e.g. training) are needed to build the private sector's capacity to understand and manage effective partnerships with the voluntary sector?