



The Non-Profit Organization as an Agent of Change

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My thanks to Marnie Spears and to Joanne Villemaire, and my congratulations to KCI for organizing the *Leaders in Philanthropy* initiative. It is an honour to be so recognized and to be able to share my thoughts with you.

What a privilege to be able to speak to you here at the National Gallery of Canada. This magnificent institution is a symbol of Canadian excellence both nationally and internationally. As chair of the Gallery's Foundation, I feel a special kinship to this place and to my colleagues here this morning: Gallery Director, Pierre Théberge and Foundation CEO, Marie Claire Morin. The Foundation is an excellent example of how successfully a non-profit organization can work when it is driven by a clear mission and great passion.

The life blood of the non-profit sector is its voluntary spirit, impressively represented here this morning by so many of you. Because of people like you, the non-profit sector is growing ever-more important in Canada and worldwide.

The numbers speak for themselves. Here in Canada, the sector accounts for 6.8 percent of GDP. Add the work of the volunteers and the number jumps up to a remarkable 8.5 percent! The sector employs 12 percent of Canada's economically active population and 74 percent of all non-profit and voluntary workers are engaged in the delivery of services.

Despite this remarkable performance, the non-profit sector is facing tough challenges and you in this hall know them well. Government support and grants are shrinking in relative terms as the public sector shifts its priority spending increasingly in favour of healthcare and education.

More and more, non-profit organizations are competing for the same dollars. Corporate and private donors are being besieged with requests. Consider the escalating demands in a city like Toronto where a number of major capital projects are underway in the arts sector alone.

Moreover, non-profit organizations are so intent on delivering value for money that they are often neglecting to build the capacity to do the job and are failing to attract capable talent. Gifted volunteers aside, good talent doesn't come cheaply and donors should be the first to understand this imperative.

At the same time as pressure is growing to deliver more and more on the program and service side, non-profit organizations are required to meet an ever-higher standard of compliance. The pressure is coming from boards of directors, donors and regulators. This adds to the challenges that you face.

In this increasingly demanding and competitive environment, small, understaffed organizations are often thought to be at a disadvantage in relation to their better financed cousins. And yet, as a general principle, I am not a believer that bigger is necessarily better. Take my own organization, for example, the *Canadian Council of Chief Executives*. We are told by many observers that the Council has an impressive record of achievement. And yet in its thirty year history, the CCCE staff has never exceeded fourteen people.

Yet another challenge facing the non-profit sector is the belief that it primarily attracts individuals who cannot compete in the for-profit world. How wrong this thinking is! As you here today can testify, the effective non-profit leader is often a master strategist, remarkable consensus builder, and superior communicator combined.

I have outlined some of the challenges facing the non-profit sector. By comparison, I believe that the opportunities are far greater in number. Let's begin with demographics. Over the next 20 years, it is estimated that about a trillion dollars of wealth will pass from older hands to younger ones here in Canada. In the United States, it is expected that baby boomers over the next 30 to 40 years will transfer some 40 trillion dollars to their heirs. Out of this, some 6 trillion in charitable bequests will go to the non-profit sector. This may in fact be an overly conservative estimate. *The Economist*, in a recent publication, estimated that it could be as high as 130 trillion dollars!

As these stunning numbers suggest, in the decades to come, the world will achieve unprecedented levels of prosperity. This massive expansion of wealth has already begun to change the patterns of giving. According to *Forbes* magazine, the world now boasts 691 billionaires; in 1996, the number was 423.

Philanthropy is also becoming, dare I say it, more fashionable. Entertainers and actors are jumping in with both feet. The Bonos, Madonnas, Angelina Jolies and Brad Pitts of the world are adding "star power" to philanthropy. Whatever we may think of this particular manifestation of generosity and commitment, it is drawing high profile attention to the importance of giving.

Genuine "super stars" among philanthropists are Bill and Melinda Gates who have donated a remarkable 31 billion dollars to their foundation mostly to tackle the health problems of the world's poor. So impressed was billionaire, Warren Buffett, with the work of the Gates Foundation that he decided to transfer to it a massive gift of his own wealth underscoring the sound principle that money destined to promote social good should be put into the hands of those who can handle it best.

The example of Gates and Buffett is being embraced by philanthropists across the world and no longer is large scale giving associated only with older men in the developed world. Philanthropy is catching on in China and India and as Asia's massive wealth continues to experience compound growth, we can expect to see more active philanthropy in that part of the world.

In Canada, philanthropy is alive and well. In recent years, the generosity of the Mannix, Munk, Desmarais, Pattison, Lee Chin, Schulich, Sharp, Sobey and Thompson families, to name only a few, demonstrate that the spirit of giving is at work and delivering real results.

Why is this happening in Canada and across the world? In part because of the surge in wealth creation, but, in my view, because there is a new awareness and sense of responsibility that comes with great wealth. Andrew Carnegie once famously said, "The man who dies rich, dies disgraced". I would not say that it is fear of disgrace that is driving today's philanthropy but rather a realization that the creative deployment of wealth can achieve a demonstrable and satisfying public good.

I recognize that as the power and influence of philanthropists grows, some people are concerned that major donors will come to exercise too much control in the societies in which they are active. Also, some foundations have not endeared themselves by mismanaging the funds entrusted to them and by resisting the adoption of effective governance procedures.

Insofar as corporate philanthropy is concerned, it forms a relatively small amount of total giving. Even so, corporate giving is now under much more intense scrutiny than in the past due to tougher rules of accountability.

Whatever may be the concerns surrounding philanthropy, one thing is clear to me. The trend in giving is immensely positive and in the decades to come, the non-profit sector stands to be a major beneficiary.

In the face of this huge opportunity, let me conclude with some words of advice to those of you who are engaged in the non-profit sector. First, ensure that your organizations have a clear vision and compelling mission. *Remember that the most important asset of an effective non-profit organization is the power to inspire.*

Second, ensure that the vision and the mission are realistic, relevant and capable of delivering concrete results. I realize that the achievements of non-profit organizations are sometimes difficult to quantify. But take a crack at it anyway. Your donors will expect it. Your constituents will appreciate it.

Third, assemble the most talented team that you possibly can. Seek out positive, creative, high energy people. But ensure that you have within the mix strong organizational capability. Focus on delivering value for money. And keep your team small, for this will give you the advantage of nimbleness.

Four, be innovative and constantly reinvent yourself and your organization to meet emerging challenges. And be flexible as to the models you choose whether it involves “social entrepreneurship”, or “venture philosophy”, or “triple bottom line”, or an amalgam of “private and public partnerships”. And do not be afraid to take some risks.

Five, remember leverage, leverage, leverage. A donation is a vote of confidence in a mission contemplated or a task done. Leverage enables you to multiply the value and the effect of the resources that have been entrusted to you. But be careful -- do not promise what you cannot deliver.

Six, engage your donors and your constituents. Make them part of the mission. The secret of long-term success in the not-for-profit sector is to win the support and the affection of your “members” day in and day out. In my own organization, the *Canadian Council of Chief Executives*, I have now worked with over 1000 leaders of enterprise. Each year, an individual CEO or leading entrepreneur is invited to renew his or her membership. Busy people will do this only if they believe they are contributing to the organization’s mission and receiving value in return.

Finally, aspire to be the best in your league. Creativity, boldness and hard work will be essential to the task. But so will paying attention to detail, ensuring that great care is taken in the managing of your organization.

Ladies and gentlemen, my last words are to you; to compliment you for all that you are doing in support of our communities and our great country. But our commitment carries with it an urgent responsibility -- to recruit others to the all important non-profit sector, to carry the message of how vital voluntarism is to our governments and to society at large, and to prepare to embrace a world that is being transformed by the growing disposition to utilize wealth for the public good.