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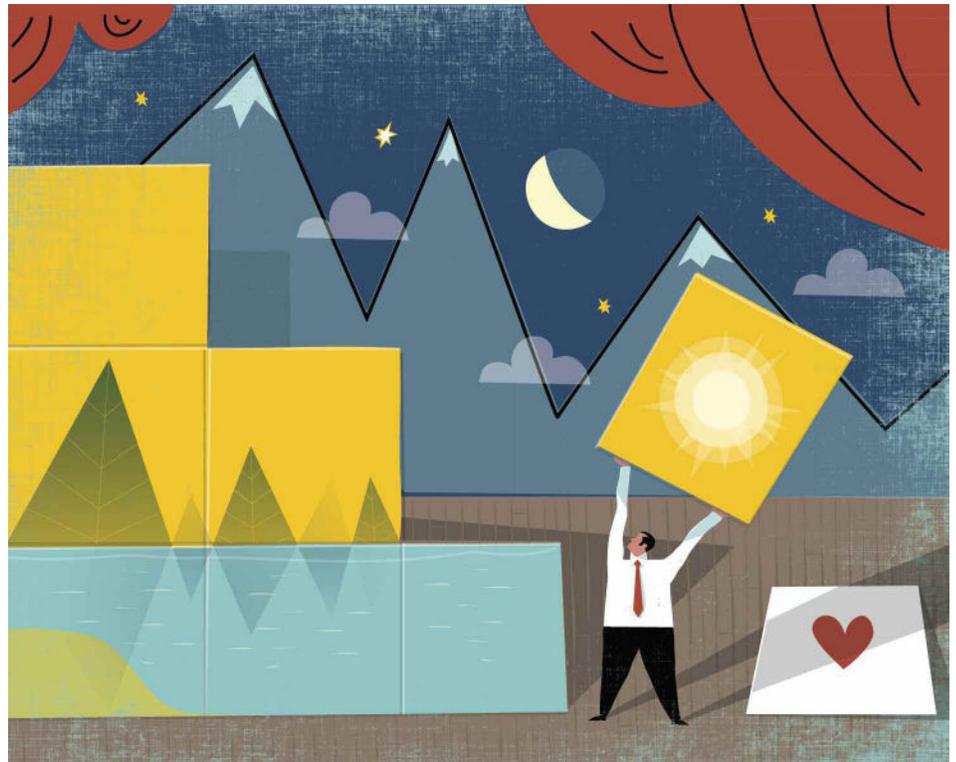
The Change & Adaptation Issue

At the beginning of every calendar year, I speak to leaders in the fundraising profession and charitable sector to hear their thoughts about the year ahead. We talk about what trends and practices they are keeping an eye on as well as what concerns or issues are “keeping them up at night”.

As you can imagine, these conversations yield a richness of thought and insight that help to inform our thinking here at KCI. And this year was no different. What *was* different was that almost without exception one overarching preoccupation emerged from virtually every conversation - the struggle to grow fundraising revenues.

Whether working in a large charity or small, growing fundraising revenue was highlighted as becoming increasingly difficult. And, as you will see in this edition, while Canadians continue to give, there are some undeniably sobering trends in both giving to and engagement with the charitable sector. Most notable is that all evidence is pointing to fewer donors and fewer volunteers. While regrettably not new, the latest data are telling us that it is more stark and real today than I think ever.

This decline is coincident with some profound changes and disruptions in the sector. Just as we are rethinking the rules and norms in so many parts of our lives, Canadians are rethinking their relationship with the charitable sector. I believe that some are critical, some are questioning and some are just confused. Regardless, there is a large scale enquiry going on in



Canadian society about the role of charities and how best to interact with them from the perspective of both giving and volunteering.

This evolution in thinking may require a proactive, wholesale examination of the paradigms that govern how the sector currently operates. At both the sector and organization levels, this is a time when everything needs to be on the table – what you are “in business” to do, how you are set up to do it, who are your partners in making it happen. I believe that if sector and organizational leaders don’t have these discussions and make sound, and in some cases, tough decisions about the future, the rapidly evolving philanthropic marketplace in Canada today will make decisions for them.

Fundamentally, I believe we are at an inflection point for the sector in Canada – a moment in time after which, depending on what we do as professionals, and collectively as a sector, there will be a significant change, either positive or negative. The way forward for the sector is neither clear nor simple. But with strong and courageous leadership and a lot of thoughtful conversation, I believe the sector can emerge stronger and more vibrant than ever.

Marnie Spears
President and CEO

KCI >>>

FORWARD THINKING



We live in a rapidly changing world.

Thanks in part to advances in technology as well as significant changes in demographics, so many of the rules and norms of yesterday just don't seem to apply anymore.

Think of Netflix and how it has changed our relationship to television and how we consume entertainment. Or how Uber is changing the way we are getting around and turning the taxi industry on its head as it does it. Or the way Airbnb has become a big player in travel accommodation and the impact that it is having on the hotel industry.

A similar transformation is happening in the charitable sector.

"We are living in a time that I would describe as a period of profound disruption. In many parts of our lives, attitudes

and behaviours are changing and as a result, so too are long held rules and definitions," says James Stauch, Director, Institute for Community Prosperity at Mount Royal University. "And this period of change and disruption applies to the charitable sector as well. Canadians are thinking differently about charities and their interactions with them. And I believe that this evolution in thinking is going to require a change in strategy in the sector."

Examples of the evolution Stauch refers to are abundant. Whether it's the growing interest in "giving direct" through crowdfunding, or donors establishing their own "terms and conditions" for giving by creating family foundations and donor advised funds, the charitable sector is living in a period of significant transformation where old rules are being challenged and new ones are being written.

These changing and evolving attitudes and definitions are also occurring in the midst of a backdrop of decline in participation in the sector, both from the point of view of giving as well as volunteering. While Canadians are a giving people by nature and certainly continue to exhibit a spirit of generosity, a look at giving and volunteering rates points to two overarching themes – there is a struggle to grow revenues and fewer Canadians are giving and volunteering.

As outlined in Figure 1 (page 3), traditional charities have struggled to grow over the past few years, realizing only 3% growth in fundraising revenues between 2009 and 2013. And Figure 2 shows that total tax receipted giving of \$8.6 billion in 2013 is now just matching pre-recessionary levels.

Even more sobering is that participation rates, in terms of both giving and volun-

teering, are also on the decline. The percentage of tax filers who claim charitable receipts has been steadily dropping (Figure 3, on page 4), from around 30% in the early 1990s to a low of 21.9% in 2013. And while tax receipted giving is only one indicator of giving in Canada, the data from the Canadian Survey of Giving, Volunteering and Participating (a survey that includes Canadians 15 year and older and defines giving in all its means) shows that the declared donor rate declined from 84% in 2010 to 82% in 2013. While only a 2% drop, once popula-

“The charitable sector is living in a period of significant transformation where old rules are being challenged and new ones are being written.”

tion increases over the period are factored in (982,000 Canadians aged 15 years and over), the total number of donors “lost” is almost 500,000.

Evolving definitions...

Bruce MacDonald, President and CEO of Imagine Canada, doesn't believe that Canadian society is any less committed to the charitable sector, but rather that the definition of what that means and how it manifests is changing. “As we think of society going forward and Canadians ‘doing good’, I believe we are living through a period of fundamental change,” says MacDonald. “Involvement with charity has always been defined as volunteering and giving, but I think that

Struggle for growth...

Data pulled from the T3010 filings for the past several years paint a relatively sombre picture for the majority of the charitable sector when it comes to fundraising revenues.



While public foundations (including community foundations and some hospital foundations) experienced growth of 40% between 2010 and 2013 and private foundations grew by a relatively healthy 14%, fundraising revenues of traditional charitable organizations inched upward by only 3% over that same period. And so, the message from this chart is clear - core charities are struggling to grow.



In addition, total tax receipted giving by Canadians at \$8.6 billion in 2013 is now just matching pre-recessionary levels, six years later. Since 2008, tax receipted giving has seen years of both growth and decline, certainly not exhibiting the kind of slow and steady growth that was experienced in the two decades previous from the early 1990s to the mid-2000s.



Figure 1: Source T3010 filings. Gifts from other charities not included.

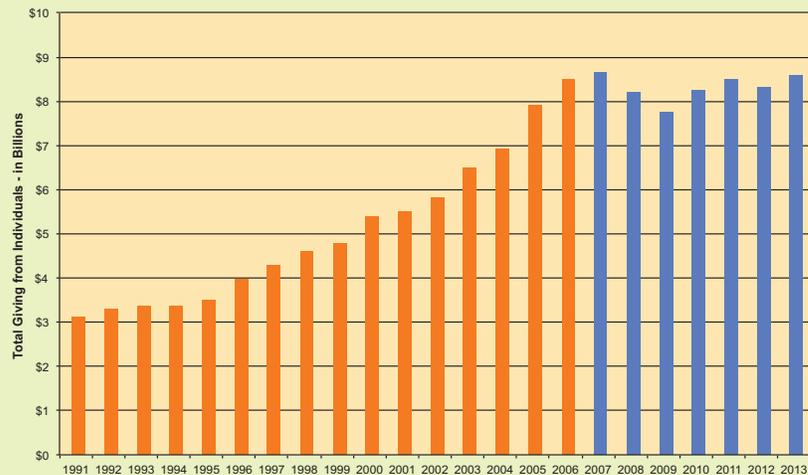


Figure 2: Source Canada Revenue Agency

we in the sector are going to have to broaden that definition. While this way of thinking continues to resonate with certain segments of the population, most notably older generations, I believe that what it means to be involved in charity is unfolding differently for young people as well as for many in the boomer cohort.”

“Society’s appreciation, trust and understanding of the historically dominant structures of the charitable sector seems to be diminishing.”

There are myriad examples of the changes that MacDonald refers to. Lines and definitions about what is charity are starting to blur with the emergence of hybrid models that have a mix of business and charitable benefit.

In the charitable sector, the social enterprise model that combines charitable purpose with for-profit business is becoming more and more common. In the private sector, many corporations are integrating “giving back” right into their business models. One example among

many is Tom’s Shoes that donates a pair of shoes to someone in need for each pair sold. And cause marketing, where consumers support a cause or charity when they make a purchase, has also long been a popular hybrid model.

Finally, there’s crowdfunding, a platform that sees people making gifts to initiatives that may or may not fall into the traditional definition of “charity”. But when contributing to an individual or family through a crowd funding project, that “act of giving” feels the same as giv-

ing to a charity in the mind of the “donor”. So this is yet another example of the blurring of lines and definitions.

“Society’s appreciation, trust and understanding of the historically dominant structures of the charitable sector seems to be diminishing,” says MacDonald. “So I believe that we are going to have to adapt and respond in order to meet Canadians where they are, something that will require thinking of different ways for them to connect with their communities.”

Barbara Grantham, President and CEO of the VGH and UBC Hospital Foundation also doesn’t agree that society is becoming less philanthropic and believes that changing attitudes and expectations are at the crux of the need to adapt. “In Vancouver, many of the leading philanthropic families have begun passing the torch to the next generation. In addition,

...and fewer donors and volunteers

For the past several decades, there has been an overall trend of “fewer donors giving more” when it comes to the traditional method of giving to charity – tax receipted giving.

In the early 1990s, about 30% of tax filers reported charitable tax receipts with average giving of about \$600. Since then, the percentage has declined steadily, dropping to 21.9% in 2013 with the average donation growing to more than \$1,500.

In addition, data from the Canadian Survey of Giving, Volunteering and Participating (CSGVP), which takes a wider look at giving by Canadians (survey includes Canadians 15 year and older and defines giving in all its means, not just tax receipted giving) indicate that the declared donor rate declined

from 84% in 2010 to 82% in 2013. While only a drop of 2%, when population increases over the period are factored in, (982,000 Canadians aged 15 years and over), the total number of donors “lost” is almost 500,000.

The data becomes ever more troubling when voluntarism is considered. The volunteer rate declined from 47% to 44% between 2010 and 2013, which means that the sector has “lost” just over 1 million volunteers.

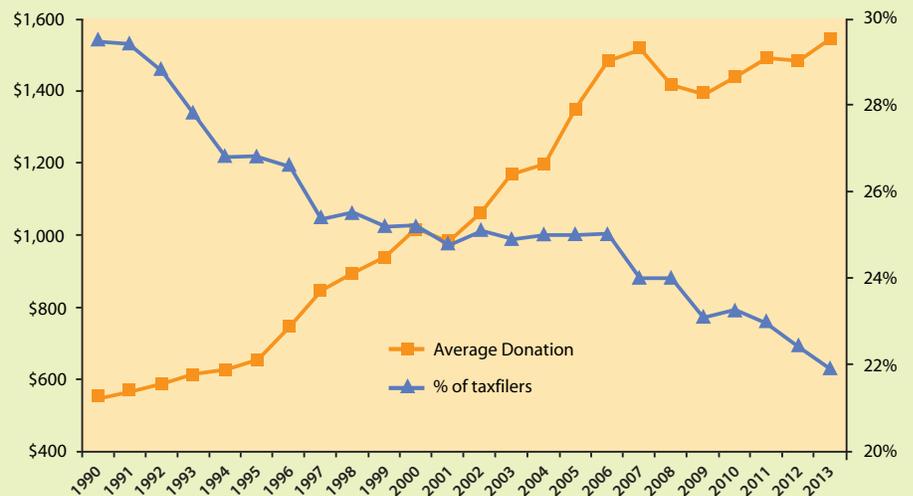


Figure 3: Source Canada Revenue Agency

there is new wealth settling in Vancouver. This brings new cultural norms and beliefs that we need to learn and understand” says Grantham. “These donors are coming into philanthropy with a newer conversation around impact and engagement, and with a highly engaged sense of philanthropy that is more like a social venture. Most organizations, regardless of size, are to some degree facing these trends. All of us are thinking through what these changes are going to look like and mean for our organizations and the causes we represent.”

Further adding to the need to adapt is the desire for greater control and involvement when making a gift, something that Penny Blackwood, Executive Director



of Alumni Affairs and Development at Memorial University in Newfoundland and Labrador is encountering more and more often. “We are seeing that donors want to be more in control of their giving than we ever have before,” says Blackwood. “Many of our graduates from the 70’s and 80’s have a strong entrepreneurial mindset. When they graduated, they weren’t getting jobs, so they created their own opportunities. Having always been in control of their situations, now that they are getting to the age of giving back, they also want to be in control of their giving.”

...mean new rules of engagement...

This desire for control is manifesting not only at the major and transformational

The “new” Canadian donor

The changing tide in terms of attitudes and behaviours is transforming how people want to engage with charities, resulting in a “new donor” profile. While not universal as some donors, particularly older Canadians, continue to look for a traditional relationship with the charities they support, the rules of engagement for the “new” Canadian donor can be summarized in the following five “wants”:

1. Something to believe in - These donors are looking to be inspired. They want to be involved in causes and issues, not just particular organizations. And as a result, they want to understand how your work fits into a bigger picture. The traditional model sees charities asking for money to support their particular needs and priorities, whereas the new model is one where charities create opportunities for donors to believe in something and advance an agenda of mutual importance.

2. Direct connection to impact – There has always been a desire to understand

the impact of giving, but for these donors, it’s about making that impact as tangible as possible. The desire to get closer to those who have been directly impacted by their gift is demonstrated by the success of a number of recent crowdfunding initiatives. The Child Sponsorship programs of several international development organizations as well as the KIVA loan model are excellent examples of methods to provide the kind of direct connection these donors are looking for.

3. Something to belong to – These donors want to have a sense of community and feel connected to others who are involved with the organization. That connection can be as simple as being able to link to the charity website on their own social media profiles, or it could be as deep and profound as playing the role of volunteer or ambassador for the cause. Regardless, these donors desire some degree of defining connection with the group of peers who share their interest in and passion for the

organization and perhaps more importantly, its cause.

4. To decide for myself – Choice is not thought of as a privilege for these donors, but almost as a fundamental right. Rooted in an ability to choose that is now a reality in most other parts of their lives, these donors reject the limitations of being told what to do. They are looking for the freedom and fluidity of choice, wanting to have a say in what they support and how they go about making that support a reality.

5. Others to know – These donors value social currency and validation. As a result, they want to be able to share their involvement with their personal and professional networks. The traditional model sees the charity providing recognition through annual reports and donor walls. But, these donors want more than that and are looking for ways to share their involvement themselves.

gift level, but at all giving levels and, as a result, is having a profound impact on the work of fundraisers. Traditional philanthropy, which is characterized by giving without reward or recognition and often stimulated by a sense of duty or obligation is being challenged. Rather, we are now in an era where the “self” is at the centre.

“Organizations must put mandate reflection and relevancy squarely at the front and centre of their strategic conversations.”

Whether it be the growing number of private and family foundations and donor advised funds being created or posting videos as part of the ALS Ice Bucket Challenge, it is becoming increasingly evident that giving as a means of personal expression is an important trend across all gift levels.

For years, we have heard that donors want more engagement with the charities they support. Traditionally, this desire has been thought of through the lens of volunteer roles tied to organizational

mission. While critical for these types of engagement opportunities to be available, many donors are now defining engagement through the giving lens, looking to create experiences with their giving that go beyond simply “writing a cheque”. While not new (think of the participatory events like the Shoppers Drug Mart Weekend to End Women’s Cancer or The Becel Ride for Heart), it is becoming increasingly popular. And, what *is* new is the desire to share the story of their giving with others. Probably best exemplified by the ALS Ice Bucket Challenge,

many donors are looking to “make public” their giving by communicating it with their personal and professional networks.

One organization that has adapted well to this trend is charity:water. From shaving their head, to throwing a party, to teaching yoga (just some of the examples from their marketing campaign to encourage participation), the organization has developed a program where donors can create their own fundraising initiative to raise money for the charity. Within reason, anything goes and the donor gets to decide. Not to leave anyone out, donors are also given the option to simply write a cheque. As a result, charity:water has created space and programming that enables donors to give in a way that make sense for them.

We are also increasingly in an era of DIY (Do-It-Yourself) philanthropy. Enabled by

Parachute merger critical success factors

As an example of an organization that resulted from a successful merger, we asked Louise Logan, President and CEO of Parachute what she felt were the factors that were critical to their success. She identified the following.

Create the platform for change

- Clearly focus on what is best for the cause; set aside personal agendas (*focus on what matters*)
- Spend time to develop and document the case for change (*why are we doing this*)
- Establish clear goals and a guiding vision that all parties publicly embrace (*what are we trying to accomplish*)

Make change happen

- Move quickly from concept to imple-

mentation (*maintain momentum*)

- Obtain funding for the pre and post-merger process (*secure necessary resources*)
- Establish a steering committee with senior leadership (Board) representation from each of the merging organizations (*lead from the top*)
- Engage external, objective, professional advice to facilitate dialogue and the merger process (*get professional help*)
- Proactively engage key influencers, funders and stakeholders, and communicate progress and results (*generate broad-based buy-in/ownership for change*)
- Be transparent and open with staff, engage them in the process to the

extent possible (*proactively manage the internal change process*)

- Pay attention to selecting the right leader and governance model (*leadership and governance matter, a lot*)

Look to the future

- Don’t focus solely on the merger process, look ahead and plan for post-merger (*look to the future, the merger is just a vehicle for achieving your goals*)
- Establish the new brand identity and set the new organization culture as soon as possible (*move quickly to the future state*)
- Engage sponsors and donors in the new organization at the first opportunity (make them want to support and be ambassadors for the new vision)

a variety of new mechanisms like crowdfunding that have democratized the definition of charity, no longer is it a “top down” model where charities decide what is needed and then ask donors for support. Crowdfunding enables anyone to decide what “need” requires funding and gives them the means to take that need out “to market” themselves. As a result, individuals don’t need charities in the way they used to in order to “do good”, now having the ability to do a lot without them, which could be a real game changer for the sector.

...and evolution in paradigms

Another trend that can’t be ignored is the desire for more collaboration among charities. Donors have been telling us for years that they are frustrated with the multitude of similar causes seeking the same money and now, we have statistical corroboration from a variety of sources that this is in fact true.

The 2013 Muttart Foundation Talking About Charities survey reports consistent messaging over the past 14 years. The results of the survey, which is conducted every three years, show that since 2000 upwards of 70% of respondents agree or strongly agree that “too many charities are trying to get donations for the same cause”. And an AFP commissioned Ipsos Reid study in 2013 reported that 75% strongly agree or agree that “charities that address similar issues should work together and share plans and resources.”

So what do Canadian donors want? In short, more collaboration. And the response will require significant innovation, both within our current paradigms as well as the creation of new ones.

Jan Belanger, Vice President, Community Relations for Great-West Life, London Life and Canada Life, sees progressive organi-



“So what do Canadian donors want? In short, more collaboration. And the response will require significant innovation, both within our current paradigms as well as the creation of new ones.”

zations undertaking courageous examinations of what they exist to do and whether they are optimally set up to do it within their current structure and paradigm.

“These organizations are putting relevance front and centre in their strategic conversations. This means stepping back and taking a more critical look at their

purpose and the fundamentals of how they are set up and operate. They’re poking holes and pushing back on assumptions about their mission, who they are, and how they work. Perhaps most importantly, I’m seeing a greater focus on understanding who else is addressing their issue, and not just from the perspective of competing for the same funding. In what ways is an organization unique in its offering? To move their issue forward, is there a need for greater alignment, and sharing of knowledge, expertise, and resources? These hard questions are leading to authentic collaboration, or even the amalgamation of some charities.”

Belanger recognizes these are tough conversations that demand fresh thinking on the part of both voluntary and institutional leaders. And if there is such a thing as “institutional ego,” it must be consciously sublimated for the greater good.

"It takes courage to challenge past successes and institutional history, and put everything on the table to see if an organization is doing as well as it could be. And, if not, to ask 'why not?' These conversations are invaluable; without them, I worry some organizations may be self-directing their demise. Through sincere objectivity and working to take on change with commitment, today's sector leaders are beginning to emerge."

One organization that undertook such a courageous leap is Parachute. Formed in 2012, Parachute is a national, charitable organization that unites the former organizations of Safe Communities Canada, Safe Kids Canada, SMARTRISK and Think-First Canada into one strong leader in injury prevention.

"Before merging, all four organizations were small and each focused on a particular niche area of injury prevention. As a result, each was individually finding it a challenge to advance their portion of the injury prevention mission in Canada as well as to grow and sustain a solid base of financial support," says Cathy Séguin, who was the Vice-President of Safe Kids Canada pre-merger and became the inaugural Chair of Parachute. "We therefore realized that we would be far stronger and have more impact as a collective than as four independent organizations."

The amalgamation process began in 2009 when the leaders of the four organizations sat down to explore options to work together more formally, investigating various ways in which an amalgamation might be structured. Ultimately, a new organization with the new brand Parachute was created that combined the expertise and experience of all four legacy organizations and was designed to achieve greater impact in awareness, advocacy and action in the cause of injury prevention.



Louise Logan, President and CEO of Parachute, feels that the merger has unequivocally had the kind of impact that was intended, particularly as it relates to advancing the issue of injury prevention in Canada. "We have grown in size and have increased our ability to have impact on the issue. Bringing together the four organizations has enabled us to bring attention to the cause of injury prevention in a way we never would have been able to as individual entities. Because we are now a larger organization, we have been able to attract new people to the organization, grow our corporate donor base and are now beginning to focus on growing individual fundraising. The organization, and more importantly our ability to advance the issue of injury prevention in Canada, is in a much more solid place now thanks to the merger."

While merging several organizations is one model of collaboration, the RESOLVE Campaign in Calgary is another. Involving nine Partner agencies, RESOLVE is a collaborative fundraising campaign that is seeking to raise \$120 million to build affordable and supported rental housing for 3,000 vulnerable and homeless Calgarians.

The RESOLVE Campaign arose out of the Government of Alberta's Plan to End Homelessness. As part of funding this initiative, from 2008 to 2011 the Government of Alberta issued a call for proposal to offer affordable housing grants. But the agencies needed to fund the remaining amount of a purchase or construction in order to access the grants.

Three visionary agencies came together to consider how they could raise the philanthropic dollars to create debt-free properties that could sustain affordable rents. They realized that working together with other homeless-serving agencies was the best way and invited all those that received grants to join.

"In thinking about all these different agencies going out to the community to raise money, it was acknowledged that donors may be frustrated by receiving multiple asks from different organizations who are raising money for very similar projects," says RESOLVE Executive Director, Sheryl Barlage. "There was also an acknowledgement that a unified campaign could create greater awareness of the need for affordable housing and greater profile for the agencies. Also considered, the collaboration could attract a higher level of community leaders and influencers for its Cabinet to champion the Campaign."

Ultimately, nine agencies signed on to RESOLVE. And Barlage reports that the

response from the community has been excellent. “We have not once been turned away at the door during our approaches to donors. And while we are still in the quiet phase, we are experiencing success – we have raised enough money to provide 1,102 vulnerable Calgarians with a place to call home, towards our goal of 3,000.”

Collective action

Bruce MacDonald believes that in these changing times, organizations must grow their capacity to anticipate change and adapt to it before the case for change becomes desperately obvious.

“Charities need to be spending some time over the next while thinking about these issues,” says MacDonald. “I think that in general, charity leaders are so busy keeping the doors open from a fiscal perspective that they often find themselves in a mode of responding to change instead of getting out in front of it. We need to develop a capacity to respond to changes in society, finding the balance between maintaining an internal focus on running good, tight organizations while paying attention to what is happening externally. If leaders aren’t paying attention to the seismic shifts in the environment, they will find themselves playing catch up. And when that happens, it becomes really tough to regain momentum.”

“We need to move our own thinking, as well as the thinking of those outside the sector, from the realm of “good people doing good work” to one that sees us as being part of the economic engine of this country.”

MacDonald also believes that successfully adapting to changing attitudes and behaviours means charities need to have the freedom to experiment and innovate. And the environment in which charities operate must be open and hospitable to doing that.

“We can’t have it both ways,” he says. “We can’t expect charities to be able to adapt and experiment while having the rules of the game inhibit and restrict innovation. As a result, we need to ensure that our regulatory and policy environment is conducive and that societal attitudes are open and understanding. It is time for us to take our rightful place alongside other segments of the economy. We need to move our own thinking, as well as the thinking of those outside the sector, from the realm of “good people doing good work” to one that sees us as being part of the economic engine of this country.”

This is something that he believes will require collective action on the part of the whole sector. “If, as a sector, we are going to convince lawmakers that changes are needed and help shape society’s attitudes and opinions about the sector, we are going to need to do that together.”

In addition to a sector-wide conversation about the future, it is also a time for organizational introspection. It is a time at the board table and among senior leadership for thoughtful contemplation of what (if any) this “disruption” and challenge to traditional philanthropy means for you. It is a time to think about who you could/should be collaborating with to advance your mission. It is a time to do a careful assessment of current revenue generation programs and build three to five year fundraising and volunteer engagement plans. And finally, it is a time to grow and build champions for your organization who can help advance your vision and mission.

These changing times mean that business in the charitable sector is tough, competitive, fluid and uncertain, perhaps like never before. And so, leadership must be willing to confront these facts and have the courage to make decisions about shaping both the future of their own organizations as well as the sector as a whole. >>

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FORWARD THINKING