# Building Stronger Communities: Businesses and Voluntary Sector Organizations Working Together

A Review

**January 2003**

Imagine
A New Spirit of Community

Canadian Centre for Philanthropy ™
*Le Centre canadien de philanthropie* MC

# Building Stronger Communities: Businesses and Voluntary Sector Organizations Working Together

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# Executive Summary

The traditional roles assigned to the public, private and voluntary sectors are being altered and the boundaries between them blurred. Canadians are expecting the voluntary sector to do more and corporations to play a role in building communities. Developing a new framework for partnership between the private and voluntary sector is critical for improving corporate citizenship. However, there is a lack of either a conceptual or a regulatory framework in which to situate these private and voluntary sector partnerships.

With support from the Community Partnerships Branch of Canadian Heritage, the Imagine program of the Canadian Centre for Philanthropy, along with the Public Policy Forum and the Conference Board of Canada, is undertaking a multi-year project. The aim of this project is to use research and stakeholder consultations to inform policy recommendations aimed at building a common ground and an enabling environment for private and voluntary sector partnerships.

This report provides an overview of the relationship between the private and voluntary sectors. The first part of this overview begins with an examination of how this relationship has evolved historically. It is apparent that social expectations of corporate and voluntary organization behaviour are changing. For example, it is no longer enough for corporations to simply donate money to charitable causes, corporations are now expected to invest in the communities in which they operate. The relationship between private and voluntary sector organizations has become less detached and more engaging.

Looking at transfers between the sectors helps to provide an overview of the relationship. While cash contributions appear to be the mainstay of corporate community investment, anecdotal evidence suggests that some types of transfers (e.g. employer support for volunteering) are becoming increasingly important. Partnerships between private and voluntary sector organizations are now a common vehicle for corporate giving. Finding the right fit and having clear expectations are broad conditions for successful partnerships. Case-study research reinforces the importance of these conditions based on partnership experiences.

The second part of the report examines important considerations for the relationship between the sectors. There is a clear need for better information and analysis in the study of corporate contributions to the voluntary sector. It is apparent that an agreed upon toolkit of measurements is needed along with standards for reporting. A look at the current policy environment indicates that there are many options available for government to help "build an enabling environment".

Policy options range from providing leadership and awareness to using policy and fiscal instruments. For example, the current definition of a charitable gift excludes many of the non-monetary ways in which businesses contribute to the voluntary sector. Partnerships represent a hybrid of charitable donations and corporate sponsorships. With corporations

seeking more recognition for their contributions, the existing regulations may represent an impediment.

Experiences in other countries reveal some of the methods governments can use to help promote private and voluntary sector partnerships. For example, the British government showed leadership by creating a minister responsible for corporate social responsibility. In Australia, awareness was increased with the Prime Minister's Community Business Partnership. Governments can also use fiscal and regulatory policy instruments. For example, France passed a law that requires all publicly listed companies to report on their social and environmental impact.

The report concludes by summarizing important issues to help frame subsequent discussions with key informants from both sectors. Issues can be divided into two broad themes:

<u>Building a Framework for Meaningful Dialogue and Engagement:</u>

- Governments can promote corporate citizenship through leadership, recognition and awards. They can also fund and play an active role in the development of multi-stakeholder initiatives.
- Businesses and voluntary sector organizations can expand communication and dialogue through initiatives to collect and share experiences, case studies and models of innovative partnerships.
- Businesses and voluntary sector organizations can work to promote trust in their activities by adhering to and promoting voluntary codes of conduct.
- Businesses and voluntary sector organizations can improve understanding of their respective roles in community building by reporting on their community impacts.

<u>Building an Enabling Environment:</u>

- Governments can create regulatory and fiscal frameworks to enhance corporate giving to voluntary sector organizations, for example, by providing incentives and clarifying tax rules and definitions.
- Businesses and voluntary sector organizations can work together, and with intermediaries to develop toolkits as well as outcome measurement and reporting guidelines to improve reporting and information flow about their activities and impact on society.
- Businesses and voluntary sector organizations can work with government to explore tri-sector partnerships that address current needs and reality.

Based on this literature review and environmental scan it is apparent that more in-depth research is needed. Discussions with representatives from the private and voluntary sectors in Canada will help provide a deeper understanding of key issues and of steps necessary for building a more enabling environment. Key informant interviews and case studies, followed by consultations, are planned for the next phase in this research.

# Introduction

The voluntary sector plays an important role in Canada and, along with the private and public sectors, is a vital pillar of Canadian society. However, the historical roles assigned to the sectors are proving ineffective in addressing many of today's challenges. The traditional roles of the sectors are being altered and the boundaries between them blurred. As government reduced services during the 1990s, Canadians expected the voluntary sector to do more. In response, the voluntary sector and the federal government entered into a process designed to examine how they were working together and to identify the conditions essential to supporting their evolving relationship.[1]

Expectations for business are also changing. Canadians now expect corporations to be leaders in building communities and to become partners in a revised social contract. Clearly, a similar examination of the relationship between the private and voluntary sectors is required to identify opportunities. The Imagine program of the Canadian Centre for Philanthropy has been working to address these issues. '*More than Charity: Building a New Framework for Canadian Private / Voluntary Sector Relations'* prepared by Imagine in 2001 set out the issues. In follow-up, Imagine launched the Private Voluntary Sector Forum as a platform to discuss these issues. The development of a new framework for partnership is now viewed as critical for promoting corporate citizenship.

As part of the Forum, Imagine along with the Public Policy Forum (PPF) and the Conference Board of Canada approached the Community Partnerships Branch of Canadian Heritage for support. The support was sought to enable more in-depth research, the sharing of information, and consultations with each sector. With Imagine taking the lead, a project was funded to "Create an Enabling Environment for Private / Voluntary Relationships and Partnerships to Build Community Capacity".

The objective of this multi-year project is to use research and stakeholder consultations to inform policy recommendations. These recommendations will be aimed at creating a more enabling environment for partnerships between the private and voluntary sectors. The first phase of the project consists of primary and secondary research describing the relationship between the sectors.

This review of private and voluntary sector relationships provides an overview of the issues. After this introduction, the report is divided into two main parts. The first part of the report investigates how the relationship between the private and voluntary sectors has evolved historically. In order to understand the current state of the relationship, it is important to identify the historical factors affecting each sector. Following this, an

[1] Further to the "Working Together" initiative (Canada, 1999), the Voluntary Sector Initiative was launched in 2000. An equal number of voluntary sector members and Government of Canada officials developed an accord outlining the values, principles, and commitments to action for the government and the voluntary sector. A framework agreement, announced in December of 2001, was a first step in the continuing process to strengthen the relationship.

overview of the current transfers between the sectors is provided before moving on to a specific discussion regarding ‘partnerships’. Contemporary private and voluntary partnerships are described in terms of the conditions necessary for success and the lessons learned from experience.

The second part of the report examines important considerations for collaboration between the sectors, beginning with a discussion of emerging trends. Considerations of measurement and reporting then lead directly to examining the existing public policy environment. Next a selective international comparison is used to illustrate experiences in other countries. The report concludes by summarizing important issues to help frame subsequent discussions with key informants from both sectors.

## Methods and Definitions

This environmental scan of private and voluntary relations was undertaken using various information and data sources including books, articles, websites and databases. Some of the material reviewed, notably government and association reports, was collected by Imagine as part of an ongoing effort to monitor corporate contributions and citizenship. Other material was gathered specifically for this report. With a voluminous amount of material ranging from corporate social responsibility (CSR) to the business activities of charities, this report should be considered indicative rather than exhaustive.

Part of the challenge with this type of research is the lack of agreement on the definition of the commonly used terms. A report investigating the relationship between the private and voluntary sectors through a corporate philanthropy and citizenship lens must be clear on three terms in particular: The voluntary sector, corporate philanthropy versus commercial sponsorships, and the notion of partnerships.

It was suggested that the voluntary sector plays an important role in Canadian society. However, there is no common definition for what the voluntary sector includes. A large group of organizations in Canada are variously described as nonprofit or voluntary or third sector. These organizations have tended to be defined residually as they share a common space between the state and the market.[2] The state is comprised of government organizations while the market consists of commercial or for-profit entities.

Most people have an intuitive sense of what is meant by the nonprofit or voluntary sector. Voluntary sector organizations include, for example, hospitals, self-help groups, local sports clubs, international relief agencies, food banks, places of worship and arts & cultural organizations. In theory, such organizations share five key features:

1. They are organized or institutionalized to some extent;
2. They are private or institutionally separate from government;
3. They do not distribute profits among members;

[2] This discussion is based on Hall and Banting’s (2000) examination of the International Classification of Nonprofit Organizations (Salamon, Anheiner, & Associates, 1998). Others refer to these non-market and non-government entities as civil society organizations.

4. They are self-governing; and
5. They are voluntary or include a significant amount of voluntary participation

In practice however, how can these organizations be identified? For the purposes of this report, the voluntary sector comprises all organizations that meet the Canada Customs and Revenue Agency's (CCRA, formerly Revenue Canada) specifications for nonprofit status. The CCRA defines a nonprofit organization as a club, society, or association that is organized and operated solely for social welfare, civic improvement, pleasure or recreation, or any other purpose except for profit.

Some of these organizations may be registered as charities and others as nonprofit organizations. It is estimated that the Canadian voluntary sector is comprised of approximately 180,000 organizations of which close to 80,000 have registered charity status with CCRA. To achieve this status, an organization must be established and operated for charitable purposes.[3] It must also devote its resources to charitable activities, provide a tangible benefit to the public or a significant section of it, be domiciled in Canada and refrain from distributing income to members.

What about the 100,000 organizations that are not registered charities? Imagine distinguishes between nonprofit organizations based on a public benefit test. An organization must provide a tangible benefit to the public and cannot be restricted to a group that shares private connections. This excludes, for example, condominium corporations and business associations. Despite these technical differences, the report uses these terms - voluntary, charitable and nonprofit - interchangeably. Those with an interest in this topic must be prepared to tolerate some ambiguity in the boundaries used.

Second, corporate giving is changing and, during the last decade, the lines between corporate philanthropy and commercial activities such as cause-related marketing and sponsorship have blurred. Traditionally, corporations were involved in communities through hands-off charitable donations with no requirements except for the donations to serve the recipient's charitable cause. Donating was often a benevolent act aimed at enhancing image by being a good corporate citizen. In comparison, commercial sponsorships are considered activities designed to raise corporate or brand profile and consumer awareness with the aim of increasing sales.[4]

In an emerging model however, private and voluntary sector initiatives are moving beyond sponsorships or philanthropy. The term 'corporate giving' refers to corporate philanthropy <u>and</u> to cause-related marketing, nonprofit sponsorship, volunteer-time

[3] "Charitable purpose" includes the relief of poverty, the advancement of education, the advancement of religion and certain other purposes that benefit the community such as health.

[4] The term "sponsorship" is used to describe a purchased service from a voluntary sector organization. It is a business transaction between two parties with a clear set of deliverables and expectations on both sides of the arrangements. Sponsorships undertaken with charities, for example, do not meet the definition of a charitable donation in the *Income Tax Act*.

contributions, research dollars and in-kind transfers as well as the use of corporate equipment and facilities. We need to consider all types of transfers from companies to nonprofit organizations to truly understand the relationship between the sectors. The term corporate philanthropy is used to describe transactions that require no *quid pro quo* as in a corporate gift to a charity.

Hybrids in the form of partnerships have become more prevalent. It appears however, that the academic literature initially approached the matter indirectly. Much of the academic research focused on company marketing initiatives with a social dimension (e.g. cause-related marketing) and on the application of commercial marketing techniques to the social sector (e.g. social marketing).[5] Many observers began reporting on the characteristics and benefits of these new partnerships.[6]

Third, what exactly is meant by the term partnership? Although people have an intuitive understanding of the notion, we tend to use the word without much thought. A partnership is an agreement, entered into by choice, to do something together that will benefit those involved. Common elements of partnerships include shared authority, joint investments of resources, mutual benefits, and shared risk, responsibility and accountability. Let us consider four models of partnership in increasing order of commitment: consultative or advisory, contributory, operational, and collaborative.[7]

The pastUnited Way / Health Partners program is an example of a contributory partnership whereas today's private and voluntary sector partnerships are more operational and collaborative, often involving shared resources, risks and decision-making. In the business literature, some refer to partnerships involving at least one nonprofit partner and including at least one non-economic objective focused on improving social welfare as "social alliances". Others refer to this emerging form of corporate community involvement as "corporate social initiatives".[8]

There are no "text book" partnerships; each one is different and has its own characteristics, functions, jurisdictions and parameters. Partnerships are not neat and tidy. They can be categorized along any number of dimensions such as time (short versus long term), structure (separate versus integrated) and intended audience (target versus broad). The right kind of partnership very much depends on the objectives of the partners and the 'fit' between them.

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[5] Drumwright, Cunningham, and Berger (2000) suggest there was much less emphasis given to collaborative efforts between companies and nonprofit organizations with the notable exception of Andreasen (1996).

[6] See for example Alperson (1995), Jamieson (1996) and Picard (1997). Indeed, Imagine produced a manual in 1996 to guide practitioners entitled *Creating Effective Partnerships with Business: A Guide for Charities and Nonprofits in Canada*.

[7] Adapted from Frank and Smith (2000).

[8] See for example Drumwright, Cunningham and Berger (2000), and Hess, Rogovsky and Dunfee (2002).

# Private and Voluntary Sector Relations

## An Evolving Relationship

Historically, there has been a changing emphasis of the role of the state in shaping economic and social development. The relationship between the business and voluntary sectors has evolved in response to changing values, perspectives and needs in society. Initially, Christian business leaders and successful capitalists played an important role in corporate philanthropy. From the post-Second World War period into the 1960s, corporate philanthropy tended to be *ad hoc*, reactive and, for the most part, anonymous.[9]

During the 1970s many corporations started to develop and articulate policies on contributions and community promotions. This has affected the traditional linkages between corporations and communities.[10] The 1990s marked the start of a new and significant era in corporate philanthropy as contributions shifted from a CEO-directed, demand-driven, philanthropic cash model to a more focused contributions program; a corporation-directed, proactive strategy of investing cash, goods and services in the community.

Since it is more difficult to justify charitable donations in a publicly traded company, corporations began talking about investing rather than donating and expressed a desire for a greater involvement in causes chosen as strategic. A 'new paradigm' of corporate giving, often referred to as strategic philanthropy, recognised multiple forms of giving by companies as vehicles for attaining both business goals and social goals. The transition to a more strategic philanthropy by corporations is well documented.[11]

Corporate philanthropy has become strategic, proactive and visible as companies moved to align their contributions with other corporate strategies. This suggests that marketing and public relations considerations have superseded altruism, and they in turn, are being replaced by longer term strategic partnering. Academic studies of corporate philanthropy have failed to analytically distinguish between 'looking good' and 'being good'. Without wading into this larger debate, there were obviously a number of drivers behind this shift in corporate philanthropic direction.

[9] For example, a study by the *Economist* in 1957 found that out of a sample of 381 British firms, only 12 actually had definite policy guidelines for their charitable donations (Marinetto, 1999).

[10] Hurd & Manson (1998) refer to the "philanthropic mismatch" caused by the decline of many larger corporations with strong traditions of local giving in older industrial areas during the 1980s.

[11] See for example, Smith's (1994) "The new corporate philanthropy", Burlingame and Young's (1996) "Corporate Philanthropy at the Crossroads", Himmelstein's (1997) "Looking Good and Doing Good", and Marx's (1999) "Corporate philanthropy: What is the strategy?"

There is an increasing awareness of corporate responsibility (e.g. environment) as businesses react to higher levels of social expectations and stakeholder advocacy. In addition, there is a growing undercurrent of cynicism and disillusionment with institutions in general and corporations in particular. Finally, there are some very practical considerations. For example, many corporations are becoming more strategic in response to the volume of charitable requests received.[12] This response coincides with the growth of social marketing and higher CSR expectations with corporate reputation now defined in large measure by CSR related aspects.

Some observers note that an increase in corporate merger activity can affect the supply of corporate giving. Often, contributions for the new company fail to equal the sum of its former parts. In the European context however, others have noted that the high levels of take-over and merger activity resulted in larger businesses with more resources to donate to charity. Regardless of why corporate philanthropy has evolved in this manner, corporations today are more strategic in their giving.

As corporations were becoming more strategic, voluntary organizations were becoming more proactive. For example, many observers would agree that charitable business activities appear to be on the rise. This rising level of business activity is indicative of the changing needs of voluntary sector organizations. Three factors or drivers are often cited as being responsible for these changing needs: a decline in the traditional sources of funding, an increased demand for services provided, and more competition among organizations for donations

As governments reduced spending to balance budgets during the 1990s, public financing of voluntary organizations shifted from regular and open-ended core funding to more project-based and shorter-term grants. As a result, there was a need for voluntary organizations to diversify their revenue sources. Although corporate contributions have never been a significant element in the revenue base of the voluntary sector as a whole, they have been important to some types of organizations.[13]

Moreover, the public clearly expects corporations to contribute more to the voluntary sector. In a recent survey, many Canadians (59%) thought that charities have too little money to do their work and, of those who thought so, 63% said businesses should give more.[14] As governments downsized during the 1990s, there was a corresponding increase for the services provided by many voluntary organizations. The same survey found that 90% of respondents agreed that charities are becoming increasingly important to Canadians. Faced with these expectations, the voluntary sector had to diversify its revenue base and, many sought to “find a corporate partner”.

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[12] For example, some corporate community investment programs routinely field 4,000 donation requests from charities each year (McClintock, 2002).

[13] For further reading, see Hall and Banting (2000) and Orsini (2000).

[14] Also, 47% of respondents thought governments should give more, 40% individuals and 38% said that charities should be earning more income (Hall, Greenberg & McKeown, 2000).

Finally, more demand for corporate giving has also resulted from a growth in the number of voluntary organizations. By 2000, there were approximately 80,000 organizations with charitable status registered with the CCRA; an increase of almost 20,000 over a decade. With an increasing number of charitable organizations competing for fewer government dollars, rivalry and competition has emerged in the voluntary sector. One can also point to a growing consensus in society that all types of organizations should be operating more like businesses.

With more emphasis on commercialization came a growing expectation for all institutional actors - government, corporate and nonprofit - to be more accountable and responsible. Indeed, The Conference Board of Canada feels that CSR has emerged as the leading, contemporary business issue. However, the common desire to see businesses get actively involved in the betterment of society is only one element of CSR. It has been suggested that corporations have to fulfill four main responsibilities: economic, legal, ethical and philanthropic.[15]

The relationship between the private and voluntary sectors has itself evolved through a series of discernible stages. Traditional corporate philanthropy can be described as "detached", cheque-cutting with no expectations on the part of the funder.. The relationship became increasingly "transactional" as corporations began to develop giving policies and strategies. A third stage can be described as "reciprocal": Voluntary organizations became more reliant on corporate contributions in order to fulfil their mandate while, at the same time, businesses found voluntary organizations as useful conduits to connect with communities and respond to stakeholder expectations.

The current ideal relationship between the sectors is one in which their respective interests are "aligned". Corporate contributions to the voluntary sector are increasingly subsumed under the corporate citizenship banner. There are now a large number of membership-based business organizations with a focus on developing corporate social responsibility and citizenship by helping companies develop, manage, evaluate and realize value from their activities.[16] It is within this larger context that collaborative efforts with voluntary organizations and community partnerships have become a hallmark of a new philanthropic paradigm.

## The Current Relationship

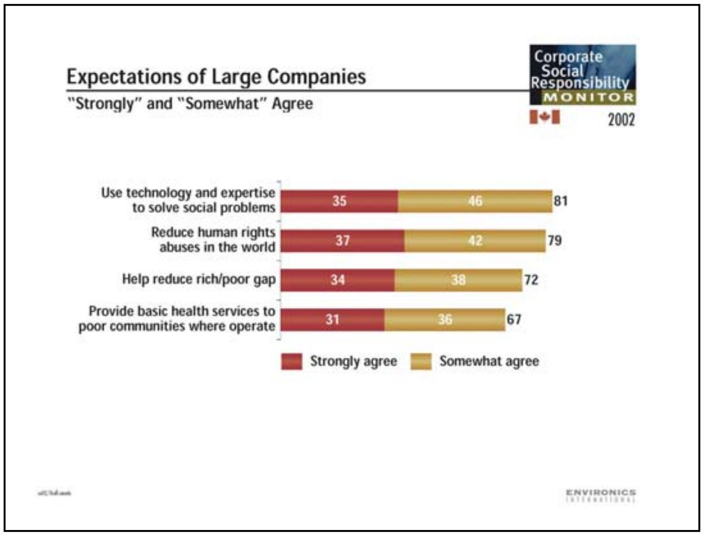
From our review of the relationship, we see that the roles and expectations of businesses in community building have changed. Canadians today have some of the highest expectations in the world for companies to go beyond their traditional economic role and help improve community. Indeed, over two-thirds of Canadians want corporations to

[15] See Carrol (1998).

[16] In Canada, such organizations include, for example, The Conference Board of Canada's CCBC, Imagine's Caring Company program and the Social Investment Organization.

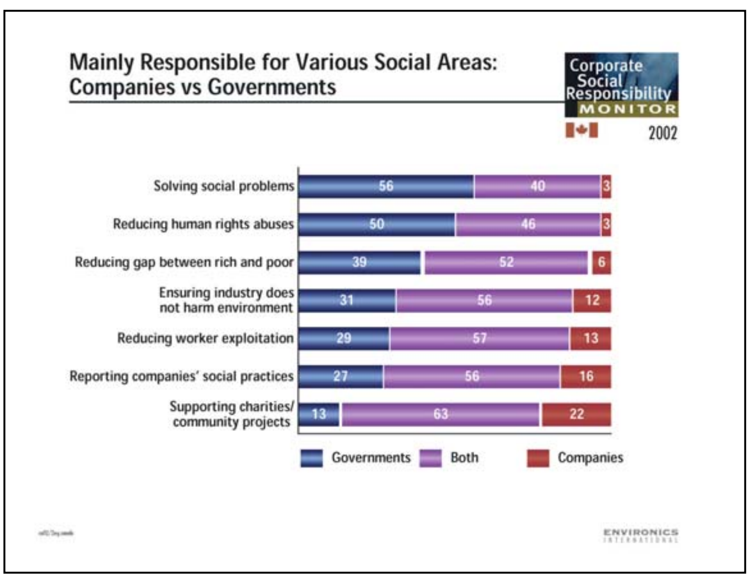
help provide health services to communities in which they operate and four of every five agree that large companies should use technology and expertise to solve social problems.

Figure 1. Expectations of Large Companies




At the top of the list is 85% of Canadians agreeing that companies, either alone or with governments, provide support to charities and community projects. While some businesses have been more involved in communities than others, for the most part the traditional relationship has been detached with businesses simply providing money to charities. As noted above, corporate giving has changed from purely philanthropic to more strategic and a review of current transfers between the sectors reveals the ways in which companies are now engaging communities through voluntary organizations.

Figure 2: Mainly Responsible for Various Social Areas: Companies vs. Government



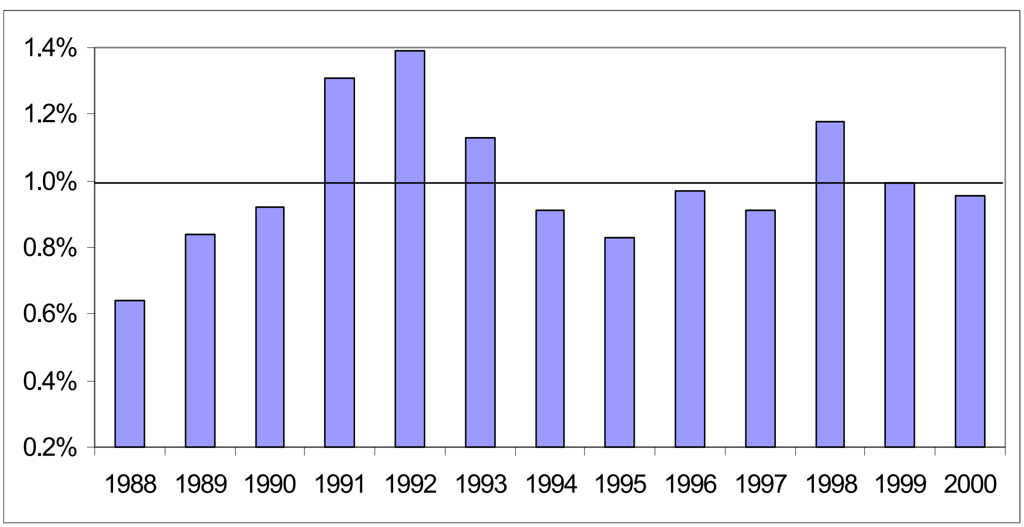
Although Canadians continue to value and trust voluntary sector organizations, they also express a need for more information about their activities. To focus on charities for a moment, current public attitudes suggest that more information must be provided and communicated to all Canadians and to donors in particular.[17] At present, there is a real undercurrent of concern about the use of donations and, for example, many Canadians feel that too much money donated to charities is going to operating expenses. There is a growing expectation that voluntary organizations should become more accountable. Clearly, the current climate of higher public expectations affords an opportunity to demonstrate how private and voluntary sector partnerships can be forged to build and improve communities.

**Transfers Between the Sectors**

**Charitable donations**

The most tangible form of corporate giving continues to be charitable donations. The Canadian Centre for Philanthropy launched Imagine with "A New Spirit of Giving" campaign in1988. At the time, it appeared that corporate donations were in decline. Imagine's Caring Company program set a target for businesses to donate 1% of average pre-tax profits to charitable organizations. In the period from 1980 to 1987, total corporate charitable donations in Canada averaged 0.65% of pre-tax corporate profits. Since 1988, although the percentage has fluctuated with the business cycle, the average is very close to the 1% target.[18]

**Figure 3:** Corporate Donations as a Percentage of Corporate Pre-Tax Profits




[17] According to a recent public opinion poll (McKechnie & McKeown, 2000), most Canadians feel that charities should provide more information about their programs and services (65%), how they use donations (75%), their fundraising costs (76%) and the impact of their work (75%).

[18] For example, in the early 1990s, the ratio increased as corporate profits declined during the recession and donations remained more or less at their pre-recession levels.

*Sources:* Canada Customs & Revenue Agency (Allowed Charitable Donations by Corporations (all except exempt) CORPAC/CORTAX) and Statistics Canada (Canadian Corporate Profits before Tax)

Today, the 1% benchmark is widely accepted within corporate Canada and Imagine is recognized internationally as a leader in corporate philanthropy (see *Measuring and Reporting*). The target has been instrumental in increasing awareness and acceptance of a national benchmark for corporate philanthropy. Although more than 25% of the Globe & Mail's top 1,000 companies are Imagine Caring Companies, only about 5% of Canadian companies report charitable donations to CCRA. This seemingly low level of giving does not necessarily mean that companies don't give but rather may reflect unreliable data and reporting requirements.

According to *Michael Jantzi Research Associates*, of 247 companies on the TSX Composite Index in 2001, just under 10% met the 1% target of charitable donations to pre-tax corporate profits.[19] And from *EthicScan* research, 80 companies out of 494 (16%) reported the amount donated to charity as an averageof 1.36% pre-tax profit. In addition, research conducted by the Canadian Centre for Philanthropy in 1993 found that charities reported receiving almost double what the companies reported giving. [20] It should also be noted, however, that the Imagine commitment is based on a three year rolling average and annual data may fail to account for the business cycle.

Nevertheless, there is a feeling that the 1% benchmark may no longer reflect the extent of corporate giving to the voluntary sector. A poignant question arising from the first Private Voluntary Sector Forum in June of 2001 is whether charitable donations should continue to be the leading indicator of corporate contributions. Before moving forward, there must be agreement on appropriate outcome measures and reporting requirements. At this point, there has been insufficient attention to this matter since companies are often unable to track, value and report the dollar amounts of in-kind transfers to voluntary organizations.

## Other contributions

To understand the relationship between the sectors, we need to consider all types of transfers from companies to voluntary organizations. In addition to simply writing cheques, businesses are contributing to voluntary causes and organizations through: in-kind donations of product; loaning of equipment, technology and/or employees; providing facilities; advertising in voluntary sector publications; and leadership and

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[19] In comparison, approximately 15% of the companies listed on the Janzi Social Index (JSI) met the 1% Imagine target. Michael Jantzi Research Associates maintains the Corporate Social Indicators Database (CSID) which is updated annually with a "Social & Environmental Practices Questionnaire". The CSID is used to construct the JSI of which the ratio of total donations (cash + in-kind) to pre-tax corporate profits is a community component.

[20] Sharpe (1994).

professional advice. Research has suggested that the magnitude of these newer forms of contributions may exceed that of straight charitable gifts by a factor of two or three.[21]

There needs to be agreement on what should be considered a corporate contribution in the context of private and voluntary relations. A review of key definitions related to corporate community investment and involvement has taken place as part of this project. Imagine has used these to look at what qualifies within the 1% guidelines. To describe the types of transfers occurring, we will first examine these definitions and then review Imagine's 2001 New Spirit of Community Partnership Award winners to illustrate.

To begin, Imagine corporate contributions are divided into two broad categories. The first, or category one, consists of those contributions that qualify as an Imagine commitment and meet the CCRA definition of a receipted gift for income tax purposes. Again, the most common and tangible contribution is when a company donates money to a registered charity. This type of financial donation is voluntary and made without expectation of return. The donor is not allowed to receive any benefits excepting one of a nominal value.[22]

Two other types of gifts or donations made by companies are treated in the same manner. First, a 'matching gift' is one made by the company conditional upon an employee having made a donation to the same organization. The second type is a 'volunteer grant', made by the company conditional upon an employee having voluntarily donated their personal services to the same organization. The final type of CCRA-eligible contribution is a 'gift-in-kind' transfer of property other than cash (e.g. products, equipment, shares or land) to a charitable organization. These contributions exclude services such as employee volunteer time or skills and their valuation must be the current fair market value.

The second Imagine category represents contributions – volunteering, sponsorships and community economic development - that do not meet the CCRA definition of a charitable gift. Employee volunteering is restricted to volunteer activity during working hours that was organized or arranged by the employee. Corporate volunteering is the same except it is organized or arranged by the company. Both types exclude personal volunteering (volunteering outside of working hours) and community services where employees work in a community-based capacity as a condition of employment.

Imagine distinguishes between two types of sponsorships for purposes of the 1% commitment. The first is a community sponsorship, typically a transaction between a sponsor and a nonprofit or community based organization. This type of sponsorship tends to be long-term and places a higher priority on community benefit. In comparison, the

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[21] In the U.K., it was reported that the ratio of total contributions to charitable donations ranges, on average, from 2:1 to 3:1 and even higher is some cases (Casson, 1995). In Canada, the National Survey of Voluntary Organizations (NSVO) is slated to collect information from voluntary organizations including the types, sources and amounts of revenues received from the private sector and from business activities.

[22] Interpreted by CCRA as fair market value not exceeding $50 or 10% of the amount of the gift.

benefits of a commercial sponsorship are primarily short-term and aimed at the interest of the sponsor; the community benefit is often incidental. The second type of sponsorship is often referred to as community economic development (CED). If the purpose of the project is primarily to benefit the community, then the activity can be measured as part of the 1%.

A quick review of the five Imagine Community Partnership Award winners from 2001 illustrates the types of contributions which are taking place:

- *CIBC* teamed up with *Big Brothers Big Sisters of Canada* and *YMCA Canada* to create the Youthvision Scholarship Program. Thirty scholarships are awarded annually to help children who otherwise could not afford university education. Each award includes tuition for up to four years of post-secondary education and summer internships with the YMCA.

- *Bell Canada* partnered with *Ordinateurs pour les Écoles du Québec* (OPEQ) of Montreal to provide 65,000 slightly used computers to Quebec schools. The computers were donated by business and government after their original users upgraded. In conjunction with this contribution, adults and teens who have dropped out of school are trained in the skills needed to refurbish and service computers and to enter the workforce.

- *Clarica* along with the *Regional Municipality of Kitchener-Waterloo* created Clarica Community Resource Centre and provided 10 refurbished houses for use as headquarters for local charities. Clarica's adjacent 3,000 head-office employees represent a large and willing pool of volunteers to help the group of their choice.

- A partnership of *Enbridge Corp.* and the *Aspen Family and Community Network Society* has set up Families in Transition to help homeless families in Calgary to find shelter and support. Aspen helps find accommodations through the Calgary Housing Corp. with Enbridge staffers teaching skills such as financial and household management.

- *Fairmont Hotels & Resorts* with the *Canadian Women's Foundation* is helping to provide basics to women who flee abusive and violent situations through Adopt-A-Shelter. About 70 Fairmont and Delta properties provide 75 shelters with their used furnishings. Staff from each hotel is encouraged to volunteer at their chosen shelter.

Based on these 2001 Imagine Community Partnership Award winners, it is apparent that companies are becoming more fully engaged with voluntary organizations and causes. First, these partnerships typically involved a combination or bundle of transfers such as money, product or equipment and people. Second, in three of the award winning partnerships, employee volunteering was a critical component. It is being suggested that the workplace is becoming an important point of entry for volunteers; whereas historically, volunteers used to emerge primarily from religious institutions and service clubs.

**Employee volunteering and employer support**

Corporate volunteer programs that encourage and enable employees to volunteer in their communities are becoming a more common feature of the corporate landscape.[23] Some programs offer employees time off work to volunteer and others allow employees access to company facilities and equipment for their volunteer activity. Regardless of the specific design, these programs are beneficial to companies, employees and the community. Again, with some exceptions, there tends to be a lack of systematic information regarding these programs.

The National Survey of Giving, Volunteering and Participating (NSGVP) found that approximately 27% (over 6.5 million) Canadians volunteered during 2000.[24] While this represented a declining proportion of Canadians compared with 1997, the survey found that employer support for employee volunteers was growing. In 2000, approximately 67% of volunteers were employed and almost one half (47%) reported receiving some type of support from their employer for their volunteering. The most common type of support reported by volunteers was the approved use of their employer's facilities and equipment (27%).

More than one in four (26%) employed volunteers reported receiving approval from their employer to take time off to spend volunteering. An increasing number of employed volunteers in 2000 reported receiving approval from employers to modify their work hours in order to take part in volunteer activities (25%, up from 22% in 1997.) There were also more volunteers who reported receiving recognition or a letter of thanks from their employer in 2000 (22% compared with 14% in 1997).[25]

Employer support for volunteering varies by labour force characteristics and also by industry and occupation.[26] For example, over one half (52%) of volunteers employed full-time reported receiving employer support compared to just 43% of part-time employees. Finally, those who reported receiving employer support for their activities contributed

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[23] Fifty-eight percent of the 248 companies surveyed in 2000 by the Points of Light Foundation in the United States had formal volunteer programs and over half (52%) incorporated a commitment to community service in their mission statement (Pancer, Baetz & Rog, 2002).

[24] The NSGVP asked 14,724 Canadians aged 15 and older about their giving and volunteering over the one year period from October 1, 1999 to September 30, 2000 (Hall, McKeown & Roberts, 2001).

[25] About 7% of employed volunteers said they received some other formal support from their employer. The most frequent responses were some type of financial (volunteer grant) or in-kind donation of prizes, t-shirts, gift certificates; luncheons, sponsorships and discounts.

[26] Among industries, employer support ranged from a low of 41% for employees in retail trade to 52% for those in finance, insurance and real estate. Occupation ranged from a low of 39% for those employed in resource-related occupations to a high of 59% for those in management.

more hours on average than did those who reported no support (151 hours versus 130 hours).

The improvement in employee morale from volunteering is well documented.[27] The NSGVP records some of these benefits to employers. For example, most volunteers reported gaining interpersonal (79%) and communication (68%) skills as well increased knowledge (63%). Moreover, 37% of employed volunteers reported that they obtained skills from their volunteering activities that they can apply directly to their job. Because of growing interest in employee volunteering and employer support, an expanded set of questions is being considered for 2003.[28]

**Private Voluntary Sector Partnerships**

As no single sector (corporate, voluntary or government) can be expected to solve all of our social problems, there is a need to innovate, to take the best from each sector and form alliances or partnerships. Partnerships or social alliances between corporations and voluntary organizations are now a common vehicle for corporate giving. And both sectors agree that a new model of collaboration is needed to help build strong communities. However, there is a lack of either a conceptual or a regulatory framework – political, legal or otherwise – in which to situate these private and voluntary sector partnerships. A partnership model falls along a continuum somewhere between traditional corporate philanthropy and commercial sponsorships:

*Corporate Philanthropy* ⟷ *Partnership* ⟷ *Commercial Sponsorship*

What are the characteristics of these private voluntary partnerships? Again, it is not a simple matter to report since they are both individually unique and have become more complex. A decade ago they focussed on charitable donations or commercial sponsorships (Table 1). Today, a partnership often has some characteristics of each or both. For example, donations used to come primarily from an executive committee in response to requests while sponsorships belonged to marketing or public relations. Today, many companies have established separate community investment programs that solicit input from other parts of the company.[29]

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[27] See for example Halley (1999); Parker (1999), Pancer, Baetz and Rog (2002); Picard (1997) and Tuffrey (1998).

[28] The 2003 Canada Survey of Giving, Volunteering and Participating (CSGVP) is testing questions on whether the employer encourages volunteering for a particular organization and if volunteering is matched with dollars from the employer.

[29] The Bank of Nova Scotia, for example, requires that all requests for $5,000 or more be directed to Public and Corporate Affairs at head office (Bank of Nova Scotia, 2002). Also, a large number

**Table 1:** Characteristics of Corporate Donations versus Sponsorships

| | **Charitable Donation** | **Commercial Sponsorship** |
|---|---|---|
| **Department** | Donations budget controlled by CEO or executive committee | Marketing, advertising or communications activity |
| **Publicity** | Somewhat anonymous | Visible by design |
| **Accounting** | Up to 75% of net income | Full business expense |
| **Resources** | Financial | Financial and in-kind transfers of human and capital resources |
| **Objectives** | Altruistic, enhance image | Raise profile and consumer awareness to increase sales |
| **Expectations** | Gratitude and accountability for charitable dollars | Advertising, some employee and customer involvement |
| **Recipients** | Organization-related (education, health, and human services) | Cause-related events and teams (arts, culture and recreation) |

*Adapted from Barker (1997)*

As these partnerships have become a more important part of private and voluntary sector relations, it is insightful to take a more focused look at conditions for success and lessons learned from experience.

**Partnerships in Theory: Conditions for Success**

What is a successful partnership? It depends on how 'success' is defined and longevity is one obvious indicator.[30] Partnerships can vary from a short-term, single-event to the creation of new organizational structures. Shorter-term partnerships are more event and program focussed while longer-term partnerships are more campaign focussed and require dedicated staff and new organizational structures.

The success of a partnership will ultimately depend on the degree to which the partners have achieved their objectives. Thus, each partner must expand its own set of performance criteria to encompass measures that matter to the other partner. Successful partnerships demand considerable learning on the part of both partners and are often initiated and championed by individuals in each organization. It appears essential to diffuse the stewardship and have people from both partners actively engaged in the partnership.

As mentioned previously, there are no "text book" partnerships since each one is different and has its own characteristics, functions, jurisdictions and parameters. As such, we

of corporations are setting up Private Foundations for the purposes of directing corporate giving at arm's length.

[30] Much of this discussion of successful conditions for partnerships is based on case-study research (Drumwright et. al., 2000; Phillips & Graham, 2000; Imagine, 1996; Parker, 1999).

cannot describe, *a priori,* the type of partnership that is best for an organization. What we can describe are certain prerequisites or conditions for successful partnerships. Most reports, manuals and best-practice reviews mention the importance of two broad conditions: Fit and expectations. Both of these conditions require diligence by each partner in terms of research.

We begin with the matter of fit since the first rule of partnerships is to find the right partner. It is essential to get off on the right foot by choosing an appropriate partner, as collaboration is not an event but a process; building trust takes time and depends on personal communications and relationships. Fit involves several dimensions - geographic, sectoral, temporal, market. For example, a beer company may not be a good fit with an arts organization such as a symphony. Other dimensions of fit include timing or seasonality as well as mission fit.[31]

The structural characteristics of the organizations and partnership are also important: hierarchical versus flatter organizations and broad consumer versus target market audiences. The partnership itself will have structural characteristics. For example, do the partners want to engage with a brand or at the company level and is the donation fixed or variable. Again, we can see the partnership taking on elements of charitable donations or of cause-related marketing and perhaps something in between.

Even with a good fit, it becomes essential for both partners to have reasonable expectations. Gaps in perception or misconceptions can occur early in the partnership and stem from lack of understanding of the other partner. John Cleghorn, former CEO of the Royal Bank, explains that most companies are looking for partners who want more than just a cheque. Many charities still tend to view business as simply a source of dollars for lost government funding. Likewise, corporations should not view partnerships with the voluntary sector as potential ‘quick fixes’ to enhance image.

Each partner must be aware of what the other partner is expecting to gain from the experience. Companies must recognize that voluntary organizations want to further their cause without compromising themselves in anyway.[32] Voluntary organizations must understand that companies want recognition from the partnership.[33] For example, some community investment programs are designed to attract, motivate and retain staff.

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[31] For example, the Children’s Aid Foundation declined a World Wrestling Federation offer of sponsorship because of the violent nature of the sport (McClintock, 2002).

[32] The Boys and Girls Club of Canada (BGCC) for example requires that partnerships must increase awareness, raise funds and support a genuine service or program. At the same time, the BGCC has four non-negotiable limitations: no door-to-door canvassing, no product endorsements, no contingency payments, and no product purchase requirements

[33] Leadership examples of best-practice are recognized through partnership awards in several countries: Imagine’s Caring Company New Spirit of Community Partnerships awards in Canada; the Business in the Community (BITC) Awards for Excellence in Corporate Investment in the U.K.; and the Council on Foundation’s Masterworks Award in the U.S.

Finally, the voluntary sector must accept that the company is hoping to raise its profile or that of a particular brand in order to increase sales and consolidate or expand markets.

**Partnerships in Practice: Lessons Learned**

Many problems common to partnerships stem from an inappropriate fit between the partners and a lack of understanding of each partners expectations. There is now a large amount of case-study research documenting the problems encountered by partnerships.[34] *Misconceptions* arise from both partners, who have unreasonable expectations and simplistic understandings of the other's values, philosophy, constraints, resources, expectations and objectives. For example, many businesses consistently underestimate the time and effort required in launching a partnership.

The *Misallocation of costs and benefits* stem from the perception that company partners make unreasonable demands without giving priority to the partnership. Companies want recognition and often perceive the benefits of the alliance as too low. They often undervalue the voluntary organization's contribution since they do not know how to value it. *Misuses of powe*r stem from asymmetrical partnerships in which the stronger partner typically assumes its timelines, structures and processes should take precedence. For example, exclusivity clauses often prevent the voluntary organization from working even remotely with a competitor.

Without a good fit, *Mismatches* can arise ranging from the structure to the culture. There are also numerous examples of mismatches stemming from different decision-making styles and different constituencies. For example, some companies are more hierarchical and have faster, more authoritarian approaches to decision making while voluntary organizations tend to have slower, more consensual approaches. *Misfortunes of time* include a failure to plan an exit strategy and problems resulting from a turnover of key people. This can often become a recipe for problems with the partnership.

Finally, two regulatory issues appear to represent potential obstacles to successful partnerships. First, the matter of business activities of charities can become an irritant to businesses. The second is the issue of advocacy, something charities tend to consider part of their mission but that businesses wish to avoid. These matters will be further examined under *The Public Policy Environment*.

[34] Based on 69 interviews of people involved in 11 social alliances, Drumwright, Cunningham and Berger (2000) identify a series of predictable problems that represent obstacles to successful partnerships. This discussion of problems also benefited from case-study research undertaken by Phillips and Graham (2000) and Parker (1999).

# Considerations for Private and Voluntary Sector Relationships

## Emerging Trends

The primary responsibility of business continues to be economic performance while operating within the law. However, other perceived responsibilities of business have changed over the decades. No longer is it sufficient for businesses to be philanthropic and give to good causes. Businesses are now expected to focus on their overall impact on society and to be good corporate citizens. It is within this larger context that corporate philanthropy in general, and private and voluntary sector partnerships in particular, must be situated.

Although cash donations remain the most tangible corporate contribution, many in the voluntary sector view private sector partnerships as solution-driven, pragmatic and focussed on end results. Certainly, there is no more “free” money and business wants clearly defined benefits, value and return on their investment. However, voluntary organizations have to be wary of the need to maintain their integrity; the most pressing issue perhaps being the matter of advocacy. Research indicates there is also some truth to the perception that smaller charities will not benefit from this new strategic philanthropy.[35]

Companies are now viewing partnerships as opportunities to develop ideas and demonstrate business technologies, to find and serve new markets and to solve long-standing social and business problems. Business is starting to use their people, their expertise, their surplus supplies, their premises and equipment, and their cash to help build better communities. For example, Canadian corporations are quietly increasing their support for community work performed by employees.

Private Sector employees that volunteer gain invaluable experience and leadership skills. In this case, businesses can recognize that contributing through partnerships is good for communities and good for business. It is one of the best ways of attracting new employees and it also has a motivational impact that no amount of money spent on facilitators for team-building sessions could ever achieve.

The current public expectations regarding businesses should be viewed as an opportunity. A recent survey of key informants in Canada representing voluntary and private sector organizations, as well as research and government agencies, has a warning for businesses. If the private sector does not participate more actively in developing a new framework for

[35] Marx (1997).

partnership with voluntary organizations, it risks being relegated to a minor role in how communities evolve.[36]

The growth in business connecting with communities through voluntary organizations is part of a larger social trend. With bigger cities containing newer residents and with higher levels of mobility and busier schedules, people are changing the ways they belong to communities. Traditionally, communities were defined geographically and people connected through local religious and service organizations. Today, some people are defining community not geographically but through their workplace. [37]

Finally, there has been a discernible shift in corporate giving over the last decade from funding significant building and equipment needs to investing in human capital and community building. This shift often involves partnerships with voluntary organizations to enable businesses to better connect with communities. As a result, Canadian companies continue to revisit and reposition their giving and contributions policies. Even skeptics must now admit that partnerships represent more than a passing fad. Yet despite these changes, there continues to be a wide gulf between the rhetoric and reality of corporate philanthropy in terms of voluntary sector financing.[38]

## Measuring and Reporting

The issue of measuring and reporting corporate giving and voluntary sector performance represents a specific need to quantify the inputs and outcomes of commercial transactions. It is also related to the larger concern for the responsibility and accountability of institutions—private, public and voluntary. For corporations, there is a growing need for better information and analysis on all aspects of social responsibility from governance and environment to human resource practices and corporate community investment. Furthermore, methods and measures are needed to show corporations how community investments assist competitive strategies.

Businesses are looking for benchmarks against which to compare their various aspects of corporate responsibility. In terms of community building, Imagine has been working to set voluntary standards for corporate giving. Voluntary sector organizations are also pushing the agenda for increased corporate disclosure for other areas of corporate responsibility (e.g. The Council of Churches, Amnesty International). Very few companies in Canada actually report on their community investment activities. According to research by EthicScan, fewer than one in five (17%) of responding companies issued a report on community giving.

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[36] Embuldeniya (2001)

[37] The 2000 NSGVP found that more than one in every five Canadians is a member of a work-related organization, the most common way people participate in their society (Hall et. al., 2001).

[38] Phillips (1995).

Between private and voluntary sector organizations, measurement and evaluation can assess the effectiveness of partnerships in meeting both corporate strategic goals and voluntary sector objectives. There are two key issues that emerge regarding measuring and reporting. The first is what should be measured and reported, and the second is how to do it. Clearly, an agreed upon toolkit of measurements is needed along with standards for reporting. One must also determine ways these measures can assess the success of partnerships in meeting the objectives of each partner.

We begin with the four dimensions of corporate responsibility: economic, legal, ethical and philanthropic. Notwithstanding recent concerns regarding corporate governance, there is a clear set of financial measures developed to indicate the economic performance of a company. This is largely a matter of the accounting profession and agreed upon principles and reporting standards. Companies must also operate within society's codified behavioural standards by fulfilling legal responsibilities; a matter for a legal profession.

The third and fourth of dimensions of corporate responsibilities however, do not have a well developed set of measures and standards. Ethical responsibility is going beyond the law to determine what is socially accepted and expected. These responsibilities will vary across political cultures with different social norms and expectations. Finally, the 1% target established by Imagine was one of the first and only attempts to provide a normative benchmark to measure the philanthropic performance of corporations.

With increasing expectation that corporations should be more socially responsible, a proliferation of reporting approaches and guidelines to help companies manage stakeholder expectations has emerged. Many companies are no longer asking "why" they should be good citizens but "how" they should go about it. Imagine along with The Conference Board of Canada has developed a Corporate Responsibility Assessment Tool to help companies manage measurement and reporting.

Most attempts to assess CSR performance take the form of composite indices that go beyond economic performance measures to consider the impacts of the corporation on stakeholders. The two leading agencies for measuring CSR in Canada are *Ethicscan* and *Michael Jantzi Research Associates*. In the case of the former, 'community responsibilities' is one of ten CSR categories used to monitor companies.[39]Likewise, *Michael Jantzi Research Associates* uses the 1% Imagine target to measure the 'community' indicator in its Corporate Social Indicators Database (CSID).

There is also discussion on the matter of in-kind donations of goods or services and how valuation can artificially inflate levels of corporate giving. Indeed, the matter of what and how to measure remains open for discussion. For example, an effort has been made recently to measure and value the contribution of volunteering. Research was conducted

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[39] It has two broad components: charitable giving which includes the value of donations, contribution policy, and charitable activities and, community engagement, which measures how companies dialogue with community stakeholders and manage their effects locally (Pellizzari, 2000).

to identify the ways in which corporate volunteering benefits employers, employees, and the community and on assessing the value of volunteer activity.[40]

Much of 'business and society' literature has focussed on linking the financial performance of corporations with some aspect of their social responsibility.[41] The Council on Foundations in the U.S. has constructed an index to assess how stakeholders view a company's giving. It found that stakeholders with a higher opinion of a company's philanthropy tend to behave in ways that improve the company's success. Employees stay with the company longer, customers continue to purchase from the company and community leaders have a positive view of the company.

Research on corporate philanthropy and corporate performance tends to be anecdotal, based on selective case-studies or surveys. It also appears that the research to date reinforces the need to determine what and how to measure. Researchers must agree on a standard measure of corporate social performance and obtain reliable and valid sources of data. Furthermore, there are no systematic measures on which to base reporting standards, particularly for assessing the outcome of partnerships or social alliances.

What about the reporting and accountability of the voluntary sector partner? At present, there are few metrics available to determine how corporate partnerships benefit voluntary sector organizations. It appears that many voluntary organizations are struggling with the issue of developing appropriate outcome measurements for their organizations and programs (see *Reporting and Accountability*). While Canadians have a high level of trust in charities, they also want more information about the operations of charities. Indeed, most Canadians feel charities should be providing more information about their programs and services, how they use donations, their fundraising costs and the impact of their work on Canadians.[42]

To address this public expectation, the Canadian Centre for Philanthropy initiated the Voluntary Sector Evaluation Research Project (VSERP).[43] VSERP is a three-year initiative to improve the capacity of voluntary organizations to evaluate their work and communicate their effectiveness to their funders, stakeholders and the public. The project has been developed to respond to the need that many voluntary organizations have to demonstrate the effectiveness of their work, both as a means for improving their programs and services and as a response to the demands of funders and the public. Voluntary organizations with registered charity status have to submit an annual report to

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[40] See for example Pancer, Baetz, and Evenlina (2002), and Goulbourne and Embuldeniya (2002).

[41] See for example Griffin and Mahon (1997, 1999); Lewin and Sabater (1996) and Roman and Hayibor (1999).

[42] McKechnie and McKeown (2001).

[43] For more information see www.vserp.ca.

the CCRA. As with corporate income tax filing, this reporting is based strictly on requirements of the Income Tax Act.

## The Public Policy Environment

What can government do to encourage and support private and voluntary responsibility in general and partnerships between the private and voluntary sector in particular?

At a general level, government can play a role in setting standards for measuring and reporting, implementing fiscal incentives and supporting capacity building. At this point, Canada's efforts have been described as fragmented and lagging behind other countries in terms of the broader CSR agenda. Provincially, the landscape varies and only in Quebec has a concerted effort been made to identify the role government can play in its dealings with the private sector regarding CSR. Many Canadians feel that governments should regulate companies to be more socially responsible.[44] Aside from the 1999 Financial Services Act, there is no other requirement for Canadian companies to publicly report their level of community support.

How can the current federal regulatory environment be changed to enable or encourage private and voluntary sector partnerships? Again, governments can use a range of policies in which to promote partnerships including fiscal, education, communication and information sharing. A key role for government in this regard is as leader and facilitator in communicating the benefits of partnerships and helping to establish standards for measuring and reporting. This research effort upon which this report is based, exemplifies how government can contribute to building a dialogue for deeper discussion about the relationship between private and voluntary sectors.

There are suggestions that government could help develop an accord similar to the Voluntary Sector Initiative (VSI), but for the private sector and voluntary sector. As part of the federal government's VSI, an examination of the federal regulatory environment for the voluntary sector is taking place.[45]A similar accord is necessary to help identify how governments can create the conditions necessary for successful partnerships.

A key function of government in any society is to exercise fiscal and regulatory authority: it controls policy levers. How can these policy levers be used to help create an enabling environment to support private and voluntary sector partnerships? There appear to be three key areas requiring some policy attention: donor recognition, sponsorships, reporting and accountability.

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[44] Environics. 2002. Corporate Social Responsibility Monitor

[45] The Joint Regulatory Table, an advisory body created by the VSI, released its interim report, "Improving the Regulatory Environment for the Charitable Sector" which examines how registered charities are regulated federally and looks at options for change.

**Recognition**

The current definition and interpretation by CCRA of a charitable gift excludes many of the non-monetary ways in which businesses contribute. It may also preclude the recognition that corporate donors seek .The *Income Tax Act* recognizes charitable gifts as a transfer of resources for which no benefit can accrue to a donor beyond a "nominal value". Partnerships however, are by their very nature designed to be mutually beneficial.

Many charities want to offer corporate donors increased recognition over and above the current CCRA guidelines while being able to offer a charitable tax receipt. According to CCRA, if a donor receives benefits in excess of the current guidelines, a charitable tax receipt cannot be issued. A business must now treat these costs as a business expense against earned income rather than as a charitable tax deduction on pre-tax profits. Furthermore businesses may be able to effectively lower their taxable income by claiming 100% of the associated costs as a business expense.

Traditionally, corporate philanthropic support has been measured as a percentage of pre-tax profits based on the charitable tax deductions by corporations through their annual income tax files. Imagine uses the CCRA definition of a charitable donation to track philanthropic support. However, it is not possible to determine the full extent of corporate contributions to the voluntary sector since business expenditures for all other contributions are not captured as a separate line item on corporate tax returns.

Without sufficient data, it is not possible to determine if companies are increasing their community support through sponsorships or if they are shifting their community support dollars to sponsorship activities from more traditional forms of giving. A question for further discussion is whether the legal definition of corporate charitable donations should be modified to allow donors to set some conditions and receive recognition for their contributions.

**Sponsorships**

Today the line between charitable donations and corporate sponsorships has blurred. There is no consensus on what should be considered a receipted charitable donation versus the definition of a sponsorship initiative. Further, there are many fundraising techniques – auctions, golf tournaments, lotteries – used by the voluntary sector which add to the uncertainty. Sponsorships represent an unregulated activity without any voluntary guidelines or standards.

The perceived shift from philanthropic corporate donations to sponsorship initiatives may have created an accompanying shift in corporate dollars going from core support to project or program funding with which the company can be associated (sponsorship). Many of the sponsorship issues mimic the discussion of partnerships. For example, they can range from very simple projects such as sponsoring a newsletter to complex, high profile, multi-year fundraising events.

Successful sponsorships, like partnerships, require a good fit between organizations. Both parties need to have similar expectations and undertake the proper steps, legal and otherwise, to ensure that they do not put their reputation at risk. A question for further discussion is whether there should be sponsorship guidelines for voluntary sector organizations.

**Reporting and Accountability**

There is an increasing demand for information related to the role of business in the community. At the same time, there are increasing demands on charities to monitor, report on and ensure accountability to donors.

As noted, aside from the sector specific Financial Services Act, there is no other requirement for business to report community contributions. Charities report their annual finances to CCRA in the form of the T3010 but this does not provide an overview of corporate giving since contributions are reported under a variety of ‘private contributions’ line items. Often, there is no breakdown between types of transfers (i.e. charitable donations versus. sponsorships). To truly understand the transfers taking place between the sectors, there is a need for improved reporting on both sides. It appears that governments can play a role in making sure this happens by setting standards or by promoting and encouraging voluntary reporting and accountability.

Partnerships tend to shift some of the responsibility for measuring results to the recipient. As a result, voluntary organizations working more collaboratively with the private sector,are expected to demonstrate and enhance accountability for their operations and activities. Private sector partners are looking for accounting and measurement to indicate how their investments have made a difference. Similarly, individual donors are expecting charities to report on program assessments and outcomes and to improve how they communicate about the use of donations. [46]

Clearly, improving information and data flow in both directions is an essential and urgent prerequisite for promoting partnerships. A question for further discussion is whether businesses should seek additional assurances from voluntary sector organizations. For example, charities could be required to have adopted the Canadian Centre for Philanthropy’s Ethical Fundraising and Financial Accountability Code. A related question for further discussion is whether a central clearinghouse should be developed to provide more information about voluntary sector organizations.

**Other Policy Concerns**

Two potential regulatory irritants are the matters of advocacy and the business activities of charities. Many voluntary organizations want to avoid product endorsement, many businesses want to avoid advocacy. This is an issue in which consultations can help determine the extent of agreement between the sectors. It is also important to consider

[46] For a discussion of accountability, see Alperson (1996), McKeown and McKechnie (2000) and Phillips and Gramham (2000).

that a clear majority of Canadians feel that charities should be allowed to speak out on social and environmental issues for instance.[47]

In terms of the business activities of charities, the crux of the issue is the distinction between related and unrelated businesses.[48] In a recent public opinion poll of Canadians' attitudes toward charities, almost 90% of respondents said that running a business is a good way for charities to raise money they are not able to get through donations or grants.[49] In the U.K., the matter of charities conducting businesses has been resolved by categorizing the business activity into either a related trade, not subject to business tax, or an unrelated trade, subject to business tax. Evidently, there are lessons to be learned from the policy experiences of other countries.

## An International Comparison

It is clear that the responsibilities of private and voluntary sectors have changed from being philanthropic, to focusing on the overall impact of business in society and the relationship between the sectors. Internationally, there continues to be growing momentum for corporate involvement in community development through partnerships with voluntary sector organizations and governments. And corporate philanthropy and community investment are becoming increasingly subsumed under a CSR or Corporate Citizenship banner.

This selective international review considers CSR and, where possible, will focus more specifically on the role of business in the community and partnerships between the private and voluntary sectors. A recent report on government support for CSR found that Canada's efforts are fragmented and lagging behind other countries in terms of having a strategic focus or demonstrated commitment to CSR.[50] What are other countries doing to encourage CSR and corporate community investments? Before delving into specific comparisons it is important to consider the issue of political culture.

The different 'cultures of giving' (in terms of corporate philanthropy) between the U.S. and some European countries have been described as individualistic versus collective. American political culture emphasizes the importance of the individual in society with a focus on the notion of self-reliance. This focus remains, notwithstanding recent trends in

[47] Eighty-eight percent of those surveyed in a recent poll agreed that charities should speak out on social issues such as the environment, poverty and health care (Hall, Greenberg & McKeown, 2000).

[48] An issues paper has been made available for the VSI consultations on improving the regulatory environment (Canada Customs and Revenue Agency, 2002).

[49] And the majority of respondents (70%) feel that charities should be able to engage in any type of business activity as long as the proceeds go to support their charitable programs and services (Hall, Greenberg & McKeown, 2000).

[50] Canadian Business for Social Responsibility (2001).

the decline of American community involvement.[51] In comparison, a more collective view of society characterizes many European countries. The 'culture of giving' leads us to an important consideration for many international studies comparing CSR or corporate philanthropy.

Do citizens in certain jurisdictions have different expectations of private sector actors? A recent study investigated how consumers in three countries – France, Germany and the U.S. – evaluated corporate responsibilities.[52] American consumers allocated more importance to economic responsibilities compared to French and German consumers who rated economic responsibilities as the least important. Philanthropic responsibilities were assigned significantly less importance in the U.S. than in the two European countries.

A related issue is whether the private sector perceives differences, and targets giving accordingly. One study compared corporate giving in France, Germany and the U.K. to determine if businesses applied commercial principles to their philanthropic activities.[53] It concluded that European businesses, not unlike their North American counterparts, are taking an increasingly strategic orientation to their donations.

It has been estimated that corporate donations account for about 40% of all private charitable donations (i.e. excluding state support) in France, 22% in the U.K. and 16% in Germany.[54] In comparison, corporate donations account for only about 10% of private charitable donations in Canada (i.e. excluding government contributions and other sources of revenue such as business activities).[55]

Estimating corporate contributions to voluntary organizations across countries returns us to the consideration of measuring and reporting. If there is a need to standardize measures and reporting requirements of corporate giving in Canada, the challenge is amplified internationally by a large number of political jurisdictions. For example, European countries apply widely differing definitions of what constitutes a charity although the European Commission is attempting to harmonise this definition.

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[51] See Putnam (2000).

[52] Maignan (2001).

[53] Bennett (1998) used a questionnaire survey of corporate donors in France, Germany and the U.K. to ascertain the extents to which businesses applied commercial principles to their philanthropic activities

[54] Salamon, Anheier and Sokolowski (1996)

[55] Imagine estimates business contributes only around 1% of total charitable revenue in Canada The remaining sources are government (60%), individual donations (9%) and other revenues (30%). The 2003 National Survey of Voluntary Organizations will provide a much needed update to data collected from various sources, including the Canadian Centre for Philanthropy's seminal study "A Portrait of Canada's Charities (Sharpe's 1994).

Nevertheless, acknowledging limitations of comparable data, they may be indicative of differences regarding the role of the private, public and voluntary sectors in society. It was estimated that in France, Germany and the U.K., about 40% of citizens give to charity each year.[56] The NSGVP estimated 78% of Canadians made a financial donation to a charitable or nonprofit organization and about 70% of American households made a contribution to a charitable organization in 1998.[57] A higher proportion of American donations is given to religious organizations and a higher proportion of Canadian donations is given to health and social service organizations

It seems Canada has characteristics of both American and European political cultures. Canada is influenced by events and trends in the US as our economies become increasingly integrated. At the same time however, a recent public opinion poll found that 80% of Canadians want CSR standards established and believe companies should be required to publish the initiatives they are taking to meet those standards [58](the challenge of course is defining those standards) Canadians may be closer to Europeans in terms of corporate expectations. .

**The United States**

The CSR agenda and the role of public policy appears to be less developed in the US than elsewhere even though US consumers have some of the highest expectations in terms of CSR[59]. Companies provide 5.3% of charitable income in the US. According to recent figures, corporate donations as a percent of pre-tax profits are similar to Canada at 1%. In-kind donations make up almost one third of the $3.9 billion in donations reported by the top 200 companies .[60]

Philanthropy is said to be the major definer of US corporate citizenship. In a country with 1.5 million voluntary organizations and a low level of government involvement in social services, there is a long-standing tradition of corporate giving. According to Boston College's Center for Corporate Citizenship, American corporations have often found themselves providing services and support to employees, families and communities, a role more appropriately reserved for government in other parts of the world.

Corporate relationships with the voluntary sector are growing with an increasing trend to tie community investments to business objectives. Community partnerships grew out of cause-related marketing and sponsorship arrangements. These emerged where business

[56] Anheir et. al. (1996)

[57] Hall, McKeown and Roberts (2001) and McKeown (2000).

[58] Canadian Democracy and Corporate Accountability Commission as reported by (Ketchum, 2002).

[59] Environics. 2002.

[60] Aaronson & Reeves (2002).

and non-profits, often with government, work together to address long-term issues. As in Canada, improved collaboration will require a better understanding and a redefinition of the relationship and strategies of the corporate and voluntary sectors.

Most American initiatives aimed at raising the level and quality of strategic corporate giving tend to be non-governmental. American organizations such as Business for Social Responsibility and the Centre for Corporate Citizenship at Boston College are working domestically and internationally to advance issues related to the role of business in the community. The Aspen Institute's nonprofit strategy group has a specific focus on partnerships and convened a special meeting in June of 2002, to discuss business-nonprofit partnerships.[61]

Currently, a legislative ceiling is placed on corporate giving in the US limiting donations at 10% of taxable income. Recent proposals looked at increasing the annual limit on charitable deductions taken by corporations from 10% to 15% of a company's taxable income. Further, the proposals would exempt corporations from liability associated with in kind gifts and allow all businesses (not just certain sectors) to receive an enhanced deduction for food donations. These proposals, backed by the President, aimed to help faith-based groups and encourage charitable giving.

Compared to other countries, the American government has not encouraged CSR and private voluntary partnerships to the same extent. However this may be beginning to change. The Corporate Code of Conduct Act notes that US companies operating abroad should "...encourage good corporate citizenship and make a positive contribution to the communities" in which they operate. Domestically, corporate scandals have increased awareness of corporate responsibility. There is now increasing support for possible legislation promoting openness and accountability as part of a corporate disclosure requirement.

## Australia

It is estimated that the total value of Australia's philanthropic sector is $5.4 billion per year and contributions from the corporate sector equals $2 billion (both corporate philanthropy and corporate sponsorship). While some observers feel that Australia remains behind European countries in recognizing and adopting CSR, corporate interest in social responsibility seems to be growing. It also appears that many Australian nonprofit organizations are being 'cautious' about forming relationships with business that go beyond cash.

The Australian government however, is playing a leadership role in promoting corporate community involvement and partnerships between businesses and voluntary sector

[61] Other initiatives are being undertaken by organizations including CorCom, which creates links between businesses and charities, The Conference Board, the Council on Foundations, the Committee to Encourage Corporate Philanthropy and the Independent Sector.

organizations. The Prime Minister's Round Table in 1996 stimulated interest in and awareness of businesses role in the community. The Prime Minister's Community Business Partnership was convened in 1999 and has been a key driver to encourage partnerships between the corporate and voluntary sectors. This initiative involves holding awards, funding research, promoting capacity building events and providing information on tax laws and 'how to guides' for successful partnerships.[62] In addition there have been minor attempts to link government tenders to community development work.

**The United Kingdom**

In the UK, companies can choose to donate as much of their profit to charities as they wish. Some estimates have corporations accounting for over 20% of all private donations and almost 5% of total charitable revenue [63] However, as companies are the only current source of information, there is a feeling that corporate giving has historically been under-reported in the UK. To encourage more widespread reporting and to get a better understanding of the overall impact of business on society, several voluntary initiatives have been established including, for example, the London Benchmarking Group. More recently, Business in the Community's Corporate Impact Reporting Portal was established.[64]

Compared to other European countries, British businesses have "more well developed attitudes to charitable donations"; almost 40% of businesses have a formal charity policy[65]. Despite these initiatives, there is case being made for reviewing the British Companies Act and the law on Corporate Community Investment (CCI). In particular, there is a need for fuller public disclosure so as to allow shareholders and other interested groups the opportunity to assess the impact and effectiveness of CCI more thoroughly.[66] Various groups continue working to improve partnerships between businesses and the voluntary sector both in the UK and internationally[67].

The British government has promoted CSR in general, and partnerships in particular, by providing leadership and by working with business and community organizations to

[62] See www.partnership.zip.com.au

[63] Hill (1999) and Hamil (1999).

[64] Visitors to www.corporate-impact.org can view a company's performance in five reporting areas: marketplace, environment, workplace, community and human rights. Under 'community', corporate giving as a percentage of pre-tax profit for each of the companies is listed.

[65] See www.grant-thornton.co.uk

[66] Hamil (1999)

[67] Business in the Community; The International Business Leaders Forum, The Corporate Citizenship Company, Business Community Connections, the Centre for Tomorrow's Company; and CCInet.

develop multi-stakeholder initiatives. For example, leadership was demonstrated clearly by the creation of a Minister responsible for CSR. Housed within the Department for Trade and Industry, the Minister heads an Interdepartmental Working Group (IWG) with a mandate to make the business case for CSR and to coordinate government activity around this matter..[68]

The U.K. has also moved forward using policy levers. For example, the Community Investment Tax Credit was introduced to encourage new private investment for the economic regeneration of disadvantaged communities. Investors realize a return not through a conventional dividend, but through a credit on their tax liability. British pension funds are now required to report on the social, environmental as well as profit performance of their investments. This has resulted in more companies reporting such information since it is required by the pension funds that often represent large shareholders.

The UK government has also taken an active role in building partnerships. Often referred to as multi-stakeholder initiatives, the British Department for International Development (DfiD) played a part in establishing the Ethical Trading Initiative (ETI). [69]ETI is a joint effort of voluntary sector organizations, business and government to promote CSR through the supply chain.

**France**

Estimates published by the Fondation de France shows that just 4% of French companies give to charities and that corporate giving amounts to just under 1% of pre-tax profits on average. A recent survey notes that companies in France, compared with other European countries, are the least likely to have a formal policy on charitable giving (7%).

This year, France passed a law that requires all publicly listed companies to report on their social and environmental impact. These New Economic Regulations (nouvelles régulations économiques, or NRE) have been noted as "one of the most important breakthroughs in sustainability reporting to date, in Europe or elsewhere". While focusing predominantly on financial issues, they legislate disclosure of social and environmental impacts as well. However, the legislation has been criticized for being unclear on the definitions, on the perimeter of consolidation, and on the way indicators should be measured.

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[68] A website was established - www.societyandbusiness.gov.uk - to act as a clearinghouse of information on the role of business in society

[69] www.eti.org.uk

**Europe**

On the regulatory side, of particular interest is the European Union's Green Paper on CSR released in 2001. The European Parliament recommended that CSR reporting be made mandatory in Europe but this was not adopted by the Commission in July 2002. Other European initiatives worth noting are the European Foundation Centre, Corporate Citizenship Europe and CSR Europe. CSR Europe grew out of the European Business Network for Social Cohesion that was founded as a result of the European Declaration of Businesses against Social Cohesion approved by a group of European business leaders in 1995.

It is interesting to note the role which government has played in encouraging CSR and community partnerships in Denmark. CSR has been defined in Denmark as "a framework to address a company's role in relation to general social problems, primarily focusing on employment as an important and integral part of life for the majority of the population". The Danish government appears to be playing a strong role in encouraging CSR and partnerships between business and community organizations. With Danish government funding, The Copenhagen Centre was created to look at cross-sectoral collaboration to build social partnerhips. It focuses on local partnerships in Europe and resources for cross-sector dialogue and organizational change.

In addition, the Ministry of Social Affairs created 'The Social Index' to provide a standard rating to measure how a company meets social responsibilities. To encourage partnerships, through 'The Company Pond Initiative', government seed funding is provided to business to start up CSR related projects. Voluntary initiatives include the Demark Centre for Corporate Citizenship (CCC) which "focuses on new partnerships between business and society, corporate citizenship, social capital, social networks and institutional policy in modern society".

**Global**

There appears to be an increasing global awareness of CSR and the role of collaborative partnerships. In addition to country-specific initiatives, multi-lateral and international agencies are supporting partnerships across sectors. For example, with support from the World Bank, the Business Partnerships for Development Group was established to study, support and promote strategic examples of all three sectors working together for community development. Other international initiatives have been undertaken to encourage leadership from business around CSR and CCI. [70]

[70] For example, the Prince of Wales International Business Leaders Forum was established in 1990 to 'promote socially responsible business practices that help to achieve social, economic and environmentally sustainable development. Other initiatives include the United Nation's Global

Typical of these multilateral initiatives for measuring and reporting on CSR, particularly sustainability is the GRI (Global Reporting Initiative).[71] Conceived in 1997 by the Coalition for Environmentally Responsible Economies and the United Nations Environment Program, GRI's mission is to "develop and disseminate globally applicable sustainability reporting guidelines for voluntary use by organizations reporting on the economic, environmental and social dimensions of their activities, products and services". GRI is directed by a steering committee, comprised of leaders from several countries (e.g. U.K., India, U.S., Japan, and Sweden) with participating stakeholders range from corporations, NGOs, universities and other groups from across the world.

The GRI recognizes the practical considerations and limitations of collecting and communicating information across diverse reporting organizations. And different countries will have different strategies for creating and encouraging an enabling environment based on their own unique social, political and economic characteristics. While strategies will differ, experiences from other countries illustrate a variety of options government can take to promote CSR and to create a more enabling environment for private and voluntary partnerships.

Leadership and Capacity Building:

- Promote CSR and encourage partnerships through leadership and through government recognition and awards (International examples include the UK's appointment of a minister for CSR and the Australian Prime Ministers Partnership Initiative) .

- Fund and play an active role in the development of multi-stakeholder initiatives (International examples include the Danish government's funding of the Copenhagen Centre to look at cross-sectoral collaboration to build social partnerhips and 'Company Pond Initiative' along with the British Ethical Trading Initiative).

Regulatory and fiscal frameworks

- Create regulatory and fiscal frameworks to encourage CSR and partnerships between businesses and voluntary sector organizations (International examples include the UK intergovernmental working group to encourage CSR through market forces, their Community Investment Tax Credit, and Pension Law Reform).

- Clarify tax rules and definitions on corporate contributions (International examples include Australia's partnership initiative and the US government backed proposal to exempt corporations from liability associated with in kind gifts and allow all

Compact, the World Business Council on Sustainable Development, the World Economic Forum and, CIVICUS: World Alliance on Civil Society.

[71] www.globalreporting.org,

businesses (not just certain sectors) to receive an enhanced deduction for food donations).

- Require reporting to gain an accurate understanding of the impact of business on society (International examples include the proposed revision to the UK Companies Act to require more disclosure of companies community investment activites and French law on disclosure of social and environmental impacts of public companies).

<u>Set or promote standards for measuring and reporting</u>

- Set standards for CSR to help companies measure how they meet social responsibilities (International examples include the Danish governments Social Index; France passed a law that requires all publicly listed companies to report on their social and environmental impact).

# Conclusion

The purpose of this report is to provide an overview of important issues with regards to relationships between private and voluntary sector organizations. In the first part of the report, the relationship between the private and voluntary sectors was examined. It is evident from an historical review that traditional roles are changing. In very general terms, the relationship has evolved from ‘detached’ to ‘transactional’ and ‘reciprocal’, and finally to one in which interests are ‘aligned’. Increasingly, corporate philanthropy is being subsumed under the larger banner of CSR or corporate citizenship.

Partnerships between private and voluntary sector organizations are now a common vehicle for corporate giving. The fit between partners and reasonable expectations for the partnership were identified as the two key conditions for success. A review of case-study research indicated a number of lessons learned based on partnership experiences. However, there is no framework or structure in which to situate this type of collaboration; and with an evolving partnership model of corporate giving, the types of contributions are changing. Although it appears that non-monetary support is increasing, there is a lack of systematic information and reporting standards.

The lack of information was examined more fully in the second part of the review: considerations for the relationship between the sectors. There is a clear need for better information and analysis in the study of corporate contributions to the voluntary sector; an agreed upon toolkit of measurements is needed along with standards for reporting for the private and voluntary sectors. In order to “Build an Enabling Environment” for partnerships, reporting guidelines and laws have to be revisited. For example, the current definition of a charitable gift in Canada excludes many of the non-monetary ways in which businesses contribute to the voluntary sector.

An international comparison revealed some ways in which governments can help promote partnerships. For example, the British government showed leadership by creating a minister responsible for CSR. In Australia, awareness was increased with the Prime Minister’s Community Business Partnership initiative which involves holding awards, funding research, promoting capacity building events and providing information on tax laws. Governments can also use fiscal and regulatory policy instruments and incentives. For example, France passed a law that requires all publicly listed companies to report on their social and environmental impact.

Based on this review of the state of the relationship, the policy environment and experiences of other countries, the collaborative efforts of private and voluntary organizations can be supported in two basic ways. These correspond to the two key themes that emerged from the June, 2001 Private Voluntary Sector Forum:

1. *Building a framework for meaningful dialogue and engagement*.

    - Governments can promote corporate citizenship through leadership, recognition and awards. They can also fund and play an active role in the development of multi-stakeholder initiatives and tri-sector partnerships

    - Private, public and voluntary sector organizations can expand communication and dialogue through initiatives to collect and share experiences, case studies and models of innovative partnerships.

    - Businesses and voluntary sector organizations can work to promote trust in their activities by adhering to and promoting voluntary codes of conduct.

    - Businesses and voluntary sector organizations can improve understanding on their respective roles in community building by improving reporting on their impacts on communities.

2. *Building an Enabling Environment*.

    - Governments can create regulatory and fiscal frameworks to enhance corporate giving to voluntary sector organizations, for example, by clarifying tax rules and definitions. Governments can also help to set standards for private and voluntary sectors by requiring reporting of the impact of business on society.

    - Businesses and voluntary sector organizations can work together and with intermediaries to develop toolkits as well as outcome measurement and reporting guidelines to improve reporting and information flow about their activities

    - Businesses and voluntary sector organizations can work with government to ensure that guidelines and laws reflect the current needs and reality, their roles in society and how the sectors can collaborate to create social cohesion and capital.

What has become apparent during this review of private and voluntary sector relations is the need to consult with representatives from both sectors about these various issues. Consultations with both sectors are planned for a subsequent phase of this research and this review will serve as an agenda for the discussions.

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