

Social Gold: Financing Strategies for Non-Profits in a Turbulent World

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Edward Jackson, Carleton University (Edward_jackson@carleton.ca)

I Introduction

Thank you very much for the invitation to join you this evening. And congratulations on the occasion of Community Living Quinte West's 52nd AGM—this is a remarkable achievement. It's a real privilege for me to be with you tonight, at the onset of your second half-century!

Social Gold

In fact, I'd like to talk to you this evening about that second half century: what will the world look like, how will you raise funds for the important work you will do, and who will be your allies in this efforts? The metaphor I want to use tonight is that of gold, whose value, as you may know, has risen to stratospheric levels in recent years.

But I'm talking about *social gold*: that asset or commodity that will rise in value over the next five decades that non-profits can tap into, mobilize and convert into tangible support for their work. Social gold generates real value-added that increases and deepens the impacts of the work of non-profits. And, as societies and economies evolve and change, the non-profit sector must also change—to find new ways of financing its important contribution to the public and civic good.

Social gold comes in many forms: money, time, ideas, technology, policy, and more. Tonight, I will make ten points about social gold. Some of these observations aren't new, and you may be on top of them already. After all, your organization has succeeded over two generations. But I hope some of what I will say will add to your thinking and assist your action.

To be sure, we must deal with the immediate issues in front of us, even if we can see the bigger picture. So, while I'll talk about the big picture, I'll also emphasize the importance of informed and strategic short-term action.

At the same time, we also must continuously prepare for tomorrow. However, too many people put off getting ready for tomorrow till, well, tomorrow. I saw an interesting definition of tomorrow on the internet recently. It said: "Tomorrow—one of the greatest labour-saving devices of today."

OK, now to the ten points!

- 1) ***The Global Economy will Continue to Change:*** Over the next fifty years, the world economy will be dominated by the BRIC group—Brazil, Russia, India and China—as well as other high-growth nations like Indonesia and Korea. Indeed, the World Bank predicts that within fifteen years, 60% of all global growth will be produced by these countries. Further, the next fifteen years are likely to see a new world currency based on a blend of the US dollar, the Euro and the Chinese yuan. In fact, by the end of this year, the BRICs may own a large chunk of the European economy, as they do already of the US economy. These are not emerging powers. They have emerged. They exercise their power every day, on every continent. Moreover, though it is no surprise, China may well overtake the United States as the world’s largest economy during the next decade. And it could overtake the US as the world’s largest military power within a generation, which is about 25 years.
- 2) ***The National Economy Needs More Good Jobs:*** In turn, these global changes will continue to create challenges for western economies, including Canada’s, even though we manage our public finances cautiously. Global forces have caused Ontario and Quebec to lose hundreds of thousands of manufacturing jobs in recent years. Unless we take serious action—and, yes, that means using government tax-funded programs—we won’t have enough good-quality jobs to maintain what has been a privileged quality of life. That quality of life is already under threat in many parts of the country: in the Atlantic region, in the former manufacturing cities of central Canada. While the Chinese and others will continue to press for our resources, we cannot build a sustainable country in any respect—economic, social, environmental—by going back to our historical role as a hewer of wood and drawer of water for the new empires. Instead, we need to push for high-value industries and wages—and more diversified and self-sufficient local economies.

Right now, the distribution of good jobs favours the west and is energy-resource driven. And it favours cities over small towns. Regional inequality must be addressed. We also need to deal with growing *income* inequality. The top 1% of income earners in Canada now account for 14% of all income, a percentage not seen for our elites since the roaring twenties. Plus, the wealthiest 4% of Canadians control two-thirds of all financial wealth in the country. It’s getting pretty clear who has the capacity to make large donations and legacy gifts to charities. At the other end of the spectrum, there is a growing underclass that is de-linked from the economy, and a large pool of low and moderate-income earners in the *precariat*—in part-time or occasional work with no benefits or job security, and only several paycheques away bankruptcy.

- 3) ***Canadian Demography is Also Changing:*** All this must be managed within a complex and dynamic demographic environment. The populations of our cities are very cosmopolitan, but the Canadian model of the co-existence of races, cultures and religion has been premised on the achievability of the middle class dream. Our middle class has been shrinking or stagnant everywhere but Alberta. That’s not good enough. For non-profits, a smaller middle class means that it is tougher to mobilize a lot of small donations and traditional volunteering, while the need for social services in the

population grows. Moreover, our population is aging. This means rising health care costs and challenges to health-care delivery models. It challenges our labour markets to match skills with those jobs that do emerge. And it challenges our non-profit sector to develop new modes of service delivery, volunteer mobilization and, as we'll talk about shortly, fundraising.

None of this is great news, but it is real life, and it is the hand that has been dealt to us as CLQW starts its second half century. The game has changed, and we need to get our heads in the new game. And then we need to convert challenges to opportunities.

Let me pause here to say that there is a lighter side to our economic situation. Some jokes on the recession in the US recently came across my desk. The recession there is so bad, that, as someone said:

- "My neighbor got a pre-declined credit card in the mail;"
- "CEOs are now playing miniature golf;"
- "Exxon-Mobil laid off 25 Congressmen;"
- "McDonald's is selling the quarter ounce;"
- "A picture is now worth only 200 words;" and
- "When Bill and Hillary travel together, they now have to share a room."

II Mining Social Gold in a Turbulent World

So, that's the turbulent world. Now, where's the social gold?

- 4) ***The Social Gold of People: Accompaniment Matters More Than Ever:*** Citizen accompaniment of the disadvantaged in our society on their journey to full citizenship and rights takes a long time and a lot of hard, focused work. As teenagers, my sister, Betty Clost, and I had the privilege of watching, while our mother created a school for mentally handicapped children where none had been before in North Grenville. Then, with others in the community, she accompanied those children through adolescence and into adulthood, continuously developing programs and facilities with and for them and their families as they advanced in their lives. This was a 30-year piece of work by a group of local heroes. You have done this here with your organization, with a coalition of talented, civic-minded citizens.

Who will step forward for the *next thirty years*? How can we identify, nurture, support, train and coach those new leaders and activists? The fairness and efficiency of our society depends on their success. I have the pleasure of teaching in a university. The students I see are culturally diverse, globally aware, hard-working, entrepreneurial, interested in the public good, and want to build a life in a safe, peaceful, clean and fair

world. And they want their institutions to walk their talk. This generation has a very low bullshit threshold.

- 5) ***The Social Gold of Ideas and Technology—Social Innovation Can Make Good Things Happen:*** There may be too much hype about this, but technology applications and systems for social purposes can, in fact, make a real contribution. There are examples everywhere. Film-makers now use social media to attract funds—*crowd-sourcing*, it's called—for specific movie projects. More relevant to your work, a web-based social network known as [Tyze](#), and developed by the Vancouver-based [PLAN Institute for Caring Citizenship](#), provides secure networks for family, friends and caregivers caring for elderly and disabled individuals. Tyze was successfully beta-tested in Vancouver and several cities in northern California. A recently launched program based on the Tyze system is [Connect for Care](#) in British Columbia, a suite of online tools including online personal networks, accessible video chat, mobile collaboration tools, and a secure vault for storing personal and health information.

- 6) ***The Social Gold of Business Solutions—Social Enterprises are More Frequently and Effectively Used by the Non-Profit Sector.*** It is true that these social-purpose businesses are not easy or simple to start and grow, and that the regulatory regime in Canadian jurisdictions offers mostly obstacles. However, there are several pan-Canadian networks on social enterprise, and more known than ever before about how to design and roll them out. Indeed, there is a serious effort in the United States to develop a new legal form, the [benefit, or B, corporation](#), that federal and state regulators will have to treat differently because these entities seek different outcomes. In the United Kingdom, [Community Interest Companies](#) are the new vehicle for social-purpose businesses. CICs have more fiduciary room to pursue a blend of business and charitable purposes, and can raise equity and loan funds as well as receive grants. All this work should be of interest to Community Living Quinte West, which is already engaged in at least one social business. Perhaps you can make it bigger, or start other social enterprises.

- 7) ***The Social Gold of Money—New Forms of Social Finance, or Impact Investing, Are Emerging, Too.*** You may have heard of [Kiva.org](#), a website that matches individual investors (donors or lenders), usually in western countries, with micro-entrepreneurs in Africa, Asia and elsewhere. Small loans are provided through this mechanism to enable the micro-entrepreneurs. When loans are repaid, this revolving capital can be used to finance loans for other borrowers.

In another example that is very pertinent to CLQW, the PLAN Institute several years ago designed and lobbied for a [Registered Disability Savings Plan \(DSP\)](#), a new financial product that is now marketed by the mainstream banks and other financial institutions. The DSP is a tool to enable parents and caregivers to save for children with disabilities, until the child is 59 years of age. At the same time, eligible individuals may receive Canadian disability savings grants and bonds from the federal government. Several provinces, including British Columbia and Ontario, offer complimentary tax treatment.

Other people are working on ways of channeling a small portion of the huge capital pools – pension funds and endowments especially – into new social infrastructure real estate, like facilities for seniors, shelters, hospices and more. The Community Living movement should look into what such “impact investors” seek in terms of both social and financial returns.

Earlier in 2011, a national [Task Force on Social Finance](#), led by former Prime Minister Paul Martin, made a series of recommendations aimed at expanding the types and volume of social finance products across Canada. The [Social Innovation Generation](#) initiative of the [McConnell Foundation](#) was the animator behind the task force.

- 8) ***The Social Gold of the Public Good—Non-profits Must Regroup to Find New Ways of Influencing Public Policy:*** There is an important role for government in facilitating the transition of the non-profit sector into this new environment. But non-profits need new ways of influencing the public-policy process. One impressive model is [Avaaz.org](#), which is an online campaign platform that raises funds for each campaign in real time. In a longer term sense, though, the fact is that openings to receive and take real action on specific social policies are rare and are not synchronized with any program or organizational rhythm. Instead, the nature and frequency of these apertures are determined by political cycles and the political conditions of the day. Non-profit networks must find ways of, in a sense, “banking” their policy solutions and waiting for the moment when there is sufficient political power and interest in adopting and enacting those social policies. Draft laws already drawn up can be tabled, explained and debated as they are introduced into the real parliamentary process. In order to do this, organizations must be able to maintain a long, strategic view of policy advocacy, as well as a commitment to both good corporate memory and smooth, inter-generational leadership transition.
- 9) ***Strategic Evaluation—The Social Gold of Learning and Accountability—Non-Profits Should Take the Initiative on Evaluation Design and Management:*** Much is known now about non-profit evaluation. We know how to design studies that assess progress in both qualitative and quantitative terms, that engage the various stakeholders involved in programs, that measure the value of volunteer time and assess projects during the experimental period as well as in their mature programming phase. But what is rare, and what really needs to happen now, is that non-profits—not their donors or contract clients—take the initiative in defining the purposes and uses of evaluations, and co-design and co-manage the implementation of those evaluations. Non-profits themselves, and their stakeholders, are best-placed to define the measures or indicators of success. Only by taking control of the evaluation process—not by merely reacting to it—can non-profits maximize the benefits of performance assessment.
- 10) ***The Social Gold of Multiple Revenue Streams—Revenue Diversification Is the Strategy That Matters Most:*** Non-profit financial sources must be even more diversified than ever. In addition to the sources we’ve talked about already, other revenue streams include: *government grants and contracts, philanthropic donations from community,*

private and corporate foundations, membership fees, cause-related marketing with major corporations, the “tithing” of local businesses, real property appreciation, and bequests and estate gifts. Non-profits need to build and maintain sufficient expertise to test, over a period of time, how relevant and useful these various elements are to particular organizations and sub-sectors. Managing these diverse types of revenue and their particular reporting requirements is itself a challenge, but the other scenario—a revenue plan this isn’t diversified—is not feasible these days.

III Conclusion

We need to tool up for the new global economy—from the ground up, across all sectors. For its part, the non-profit sector needs to move quickly to find new sources of social gold and to mine and steward them as the future evolves. As much as anything, the imperatives of learning and adaptation will be central to this process. Think. Act. Evaluate. Learn. Improve. Think. Act—this is the cycle that will yield optimum results.

Exploration and production are the two crucial tasks in realizing the benefits of the new social gold. There’s lots to be done. So, let’s tool up, focus, and get to work.

Thank you very much.

Strategies for Revenue Diversification I

<i>Revenue Source</i> MAIN SOURCES	<i>Comments</i>
① Government Grants and Contracts	<ul style="list-style-type: none"> ① Subject to political and policy change, limits on discourse ① Highly bureaucratic, competitive
① Development Agency Grants and Contracts	<ul style="list-style-type: none"> ① Subject to political and policy change ① Highly technocratic, competitive
① Philanthropic Donations	<ul style="list-style-type: none"> ① For small online donations, need social media expertise ① For large number of small donations, must build partnerships, provide information ① For large donations, must build partnerships, (usually) provide recognition (e.g., naming) ① For corporate donations, must accept donor's social / environmental performance ① Endowments are long-term instruments
① Business Income	<ul style="list-style-type: none"> ① Formal and informal business revenue ① Related or non-related business ① Must protect charitable status (in UK, use Community Interest Company; in US, use LC3 legal structure, or B Corporation)
① Membership Fees	<ul style="list-style-type: none"> ① Large membership guarantees independence and scale ① Membership must be serviced ① Governance becomes central

Source: Seydegart and Jackson, 2011

Strategies for Revenue Diversification

<i>Revenue Source</i> MAIN SOURCES	<i>Comments</i>
① Cause-Related Marketing	<ul style="list-style-type: none"> ① Joint sponsorship of activities between non-profits and corporations ① Proceeds are discretionary income ① Must agree to joint branding with corporate partner
① 'Tithing' of Local Business for Social Projects	<ul style="list-style-type: none"> ① Local businesses may choose to contribute via in-kind goods and services and volunteering, rather than via cash contributions
① Real Property Appreciation	<ul style="list-style-type: none"> ① Increased equity permits greater, more flexible borrowing ① Must aggregate sufficient funds to purchase land, buildings, equipment
① Investment Income	<ul style="list-style-type: none"> ① All discretionary income ① Must build and maintain financial surplus to invest in stocks, bonds, T-bills
① Bequests / Estate Gifts	<ul style="list-style-type: none"> ① In developed countries, aging population and tax incentives make this a more popular option, especially (but not only) among high net-worth individuals ① Can also use contributions from estate by executors ① Must steward these gifts with the families
① Impact Investments	<ul style="list-style-type: none"> ① Loans or equity investments which require a financial <i>and</i> social / environmental return from social investors from social investors ① Must negotiate feasible results targets

Source: Seydegart and Jackson, 2011

Online Resources

Alliance Magazine	alliancemagazine.org
Carleton Centre for Community Innovation	carleton.ca/ccci
Chronicle of Philanthropy (US)	philanthropy.com
Community Foundations of Canada	ctc-fcc.ca
Global Impact Investing Network	thegiin.org
International Journal of Non-Profit Law	icnl.org/knowledge/ijnl/
J.W. McConnell Family Foundation	mccconnellfoundation.ca
KIVA	kiva.org
Philanthropic Foundations Canada	pfc.ca
Rockefeller Philanthropy Advisors	rockpa.org
Social Capital Partners	socialcapitalpartners.ca
Social Enterprise Council of Canada	secouncil.ca
Social Innovation Generation	sigeneration.ca
Social Investment Organization	socialinvestment.ca
The Philanthropist	thephilanthropist.ca
WINGS (Worldwide Initiatives for Grantmaker Support)	wingsweb.org