
December 15, 1998

Charities Doing Commercial Ventures

Canadian charities' revenue comes from a variety of sources, primarily government grants and donations. A small but increasing amount of revenue comes from activities that are more "commercial" in nature. Commerce pertains to financial transactions between recipients of services (or goods) and the organization. In other words, commercial activities are sales of goods or services for financial exchange. Charitable commercial activities include some kinds of fees for services as well as business ventures that may be related or unrelated to the charitable mission of the organization.

As governments at all levels have increasingly turned their attention to deficit reduction, their grants to the charitable sector have declined. In Canada, government provided approximately 60 percent of the total revenues of registered charities in the mid-1990s. Donations from corporations and individuals amounted to only 11.3 percent (Day and Devlin, 1997). Therefore, a reduction in government contributions to charities has a much greater proportional impact than a reduction of donations.

Charities have several options to address the reduction in their revenue base from reduced government spending. Options include reducing costs (alone or in collaboration with other organizations), changing the service or program mix, rethinking service delivery, and replacing the lost revenue with other sources of revenue through fundraising or commercial activities. Since, as Tim Broadhead, Executive Director of the J. W. McConnell Family Foundation, said, "there is an increasing demand for what charities do, so that the option of cutting back doesn't seem to be a possibility," a major and increasing focus has been on revenue replacement. The revenue replacement option for charities through commercial activities is the focus of this report. (Fundraising, per se, is not addressed in this paper. However, the distinction between fundraising and commercial ventures is blurry at times and there will be some topics addressed in this paper that would also be found in the fund-raising literature. The Canadian Centre for Philanthropy's Survey of Canadian Charities [1995] is a good source of Canadian data on fundraising practices.)

There is a great deal of rhetoric in the media, among funders, and in the charitable sector about commercial activities for charities. It is not clear whether or how this rhetoric will become reality in the changing behaviour patterns of Canadian charities. This report is an introduction to this issue. It is not a comprehensive survey of Canadian practice. The patterns are not clearly

established to date. This research looks at the shifts in both the rhetoric and actions of charities toward undertaking commerce. The study analyses the implications for the organizations, sector and society of these potential shifts of activity.

The overall aim of this research was to stimulate debate and dialogue about charities undertaking commercial ventures. The topic and questions will require much more investigation than this introductory project will cover. If the metaphors, images and analysis in this paper provide a catalyst for reflection and thoughtful action among stake-holders of the sector, we will have succeeded in our endeavour.

The specific objectives of this research were to identify: 1) emergent patterns in the commercial activities of Canadian charities, 2) potential sectoral and societal implications of the emergent patterns, 3) consequences to individual charities of increasing levels of commercial activity, and 4) research questions or issues for further study.

To engage these objectives, the body of this report is divided into six sections. Readers are encouraged to use the following descriptions of these sections to determine those that are most relevant for their purposes.

Section 1 – Introduction and Methods frames this report on charities undertaking commercial ventures. It also describes the exploratory methods used to develop the report. A list of the interviewees who provided us with current information on the Canadian context of these issues is found in Appendix B.

Section 2 – The Forms of Charitable Commercial Enterprise is a short section that covers the "bread and butter" technical and substantive issues from which much of the analysis springs. This section provides a basic description of the kinds of commercial enterprises that charities undertake and some of the legal and tax implications of such concerns as "unrelated business income."

Section 3 – Major Themes from the Research develops several core ideas that emerged as consistent themes from our literature review and interviews. These "universals" range from the philosophical (i.e., the impact of the pervasive corporate rhetoric on the charitable sector) to the more pragmatic (i.e., the role of commercial ventures in the quest for "economic independence" by charities).

Section 4 – Intended and Emergent Outcomes is our primary venue for providing an analysis of the many faceted implications of commercial ventures for charities. While most of these are examined in only a preliminary manner, our intention here is to provide a basic schemata for some of the stake-holders, relationships and settings that are likely to be unintentionally changed following the initiation of a commercial venture of significant scale.

Section 5 – Conclusions and Questions for Further Research develops and outlines some of the directions or trajectories that the research for this report has outlined. The purpose of this section is to specify the major areas that the exploratory map developed in this report clearly shows to be inadequately mapped.

Appendices A, B, C and the Bibliography will be of most use to the researcher and academic. Appendix A provides a briefly annotated list of major research literature areas covered in the development of this report. The bibliography includes the sparse literature directly on the subject of charities undertaking commercial ventures, but includes a much wider and more general literature that covers the most important contexts of this core issue. Appendix C uses institutional theory to explain how commercial ventures can become part of a charity's activities.

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