IN BRIEF June 2010

Challenging Perceptions & Misconceptions of Alberta's Voluntary Sector

CCVO
CALGARY
CHAMBER *of*
VOLUNTARY
ORGANIZATIONS

CCVO Mission

The Calgary Chamber of Voluntary Organizations (CCVO) promotes and strengthens the nonprofit and voluntary sector by developing and sharing resources and knowledge, building connections, leading collaborative work, and giving voice to critical issues affecting the sector.

Overview

Over the past year, we have been struck by the number of comments – from politicians, funders, donors and others – that there are too many nonprofits and charities in Alberta. Although this is not a new issue, we are concerned about the perceptions and, perhaps, misconceptions that contribute to this perspective and the potential implications for voluntary sector organizations.

This is an important issue that deserves a broad and informed discussion within our communities. The purpose of this *In Brief* is to stimulate and help frame that discussion by presenting some facts and raising some questions. It builds on other work, most notably the thoughtful exploration of this subject by the United Way of Calgary in 2005.[1]

What is the Issue?

There seems to be a growing public chorus of comments that there are "too many" charities and nonprofits in Alberta resulting in duplication of service, perceived inefficient operations and excessive demand for donor and other funding support.

The economic turmoil of the past year and the widespread financial constraints experienced by individuals, corporations, foundations, governments and other funding organizations has undoubtedly contributed to this sentiment as everyone struggles to manage with fewer resources. However, these concerns were expressed even in the midst of the economic boom, so what is behind this?

It is important to clarify and understand the concerns, beliefs and perceptions underlying the comments

of "too many organizations" in order to engage in meaningful and constructive dialogue about the issues and potential solutions.

The following questions provide a starting point:

- How many charities and nonprofits are there? Has this number increased?

- Why do new organizations form?

- Is there a growing demand for donor and other funding support? Does the demand for funding exceed the capacity to support the voluntary sector?

- Does the existence of several organizations doing the same (or similar) things reflect a healthy variety in service options or "duplication of services"?

- Would fewer organizations result in increased efficiency and/or lower operating costs?

- Does this concern apply to *all* charities and nonprofits, or is it directed to specific types of organizations or parts of the sector?

- If change is necessary, how do we support it in a way that strengthens the sector?

An exploration of these questions can act as a catalyst for a broader discussion of how the voluntary sector can best meet community goals and needs.

Reality of the Sector

The existence of charitable and nonprofit organizations in Alberta is a reflection of a healthy, vibrant civil society and our freedom to join together in a common cause, whether around a religious belief, a community need, a hobby or recreational interest.

The voluntary sector consists of nonprofits, charities and informal groups ranging from hospitals and universities, to churches, social service agencies, community associations, environmental groups, sports and recreational associations, agricultural associations such as 4-H Clubs, and fundraising organizations like service clubs, foundations and local United Ways.
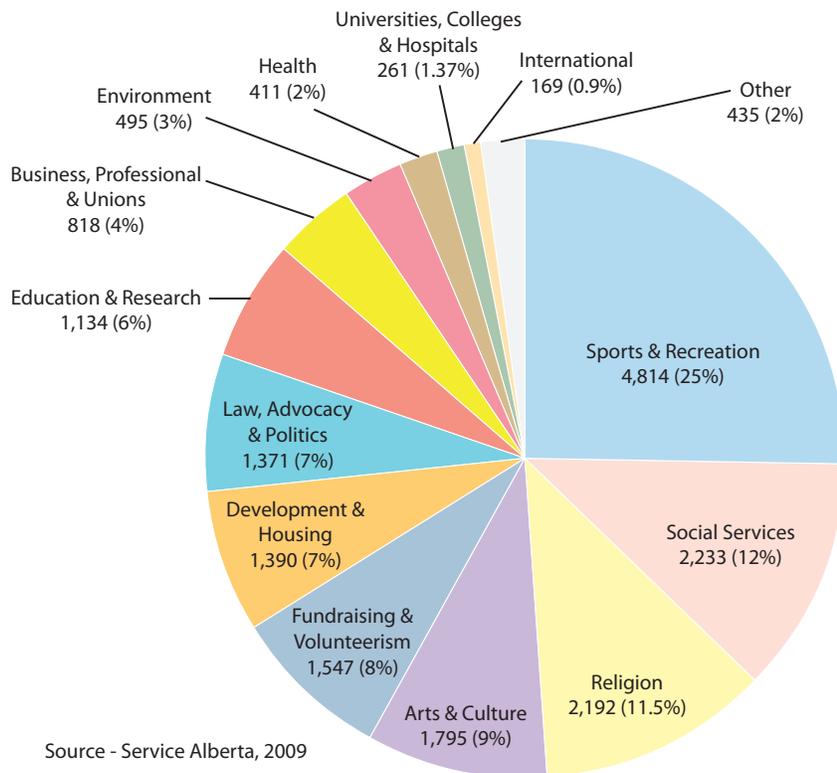
Reliable and comprehensive information about the size and scope of the voluntary sector is still fairly recent. The 2003 National Survey of Nonprofit and Voluntary Organizations (NSNVO) provided the first national picture of nonprofit organizations in Canada. Based on this survey, it was estimated that Alberta had about 19,350 charities and nonprofits; about 610 per 100,000 population, compared to the national average of 508 per hundred thousand. A more recent estimate (January 2009)

compiled by Service Alberta identified 19,071 nonprofits and charities in Alberta.[2] (Neither estimate includes informal groups. As they are not registered anywhere, it is impossible to obtain accurate numbers for this part of the sector.)

While in *total* there are approximately 19,000 organizations, it is important to understand what is included in this number. The following chart provides an overview of the number of organizations operating in the different parts of the sector. Please note, in this report the "voluntary sector" encompasses the entire sector including universities, colleges and hospitals.[3]

Despite concerns about perceived increases in the number of voluntary organizations, the best data available shows the numbers remaining steady since 2003.

Figure 1: What do Voluntary Organizations do?

Universities, Colleges & Hospitals 261 (1.37%)
International 169 (0.9%)
Health 411 (2%)
Other 435 (2%)
Environment 495 (3%)
Business, Professional & Unions 818 (4%)
Education & Research 1,134 (6%)
Law, Advocacy & Politics 1,371 (7%)
Development & Housing 1,390 (7%)
Fundraising & Volunteerism 1,547 (8%)
Arts & Culture 1,795 (9%)
Sports & Recreation 4,814 (25%)
Social Services 2,233 (12%)
Religion 2,192 (11.5%)

Source - Service Alberta, 2009

Why do Nonprofits and Charities Form?

Nonprofits, charities and grassroots groups form for a variety of reasons. Many arise to **meet a perceived need** or opportunity in the community, for example, to address social issues such as homelessness, hunger or care of the elderly; provide recreational activities; build needed community facilities – a ball diamond, museum, theatre or community centre; or to address environmental issues, such as cleaning up a water course. Service clubs, community foundations and United Ways raise funds to support community initiatives.

Organizations also form when individuals come together around **shared interests**, such as ethnic and cultural groups, churches, horticultural societies, choirs and film clubs, or international development. Other organizations, like trade associations or chambers of commerce, provide opportunities for networking and addressing shared concerns.

Some groups are short-lived and informal, addressing a need and then disbanding. Other organizations, such as rural women's institutes and mission societies, were vitally important in their day, but became less prominent with societal changes. Then there are organizations, like the YWCA and the Red Cross, that have a long history of meeting critical needs in the community.

Although the sector adapts to changing community needs constantly, sometimes external factors such as **government policy** drive the changes. For example, in the early 1990s, the Alberta Government sought to reduce the cost of government services by out-sourcing the delivery of social programs through nonprofits and charities.[4] This contributed directly to growth in the number of nonprofits and charities delivering

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community-based services, such as services for children or persons with developmental disabilities.

Funding and regulatory practices may also inadvertently create incentives or disincentives that affect the number of organizations. For example, grant eligibility criteria limiting organizations to one application each year regardless of organizational size can be a disincentive for organizations considering combining their operations into one. Few organizations can afford the loss of revenue for which they have previously been eligible. In other situations, nonprofit organizations may set up a related charity in order to be eligible for certain funding programs. The unintended consequences of such practices may actually increase the number of organizations and create barriers to groups that are seeking to consolidate services.

## Perceptions that Lead to Concerns

Perceptions about funding

The National Survey of Nonprofit and Voluntary Organizations identified the following breakdown of revenue sources for Alberta's voluntary sector[5]:

- 49% earned income (fundraising events, memberships);
- 33% government;
- 10% donations from individuals;
- 4% donations from corporations; and
- 4% other (e.g. in-kind gifts, donations of stocks).

Organizations in Alberta generate the highest level of **earned income** in Canada, making it overall the highest source of revenue for the sector.

**Figure 2: Canada's Nonprofit & Voluntary Organizations
Share of Sector Market & Percentage of Revenues from Government**

Legend: —— Percent of Total Organizations in the Sector   - - - % of Revenue from Government
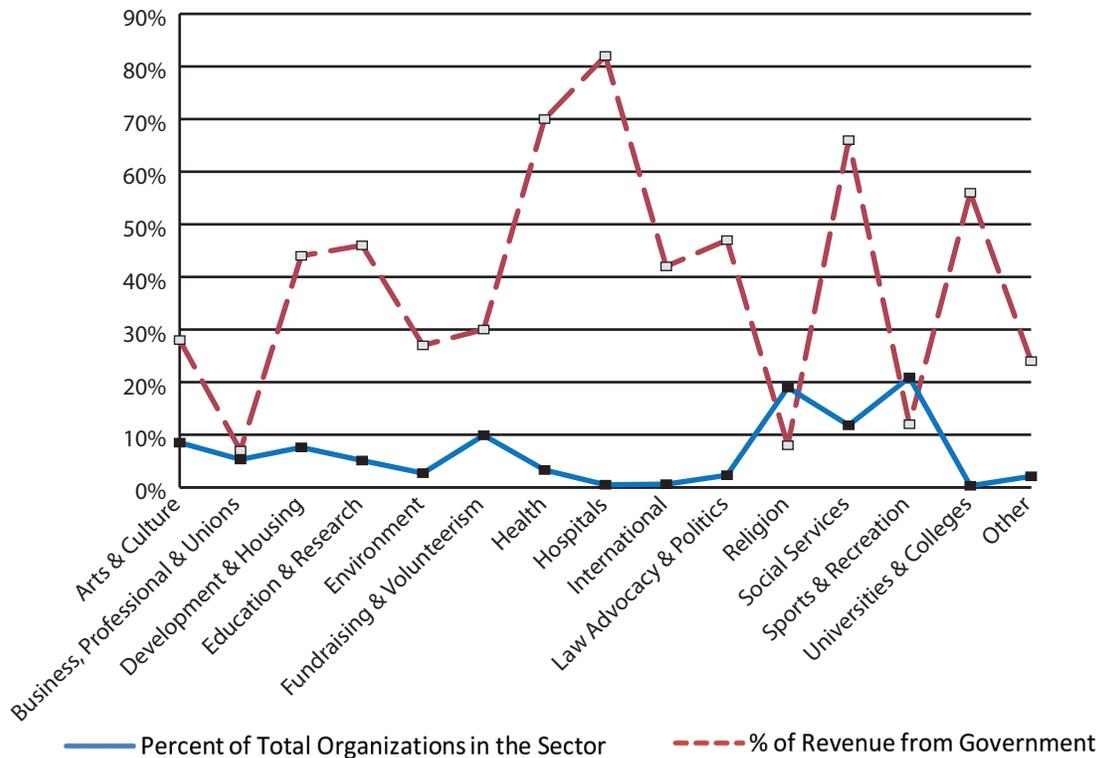
Sources: United Way of Calgary and Area, 2005; Hall et al, 2004.

A few subsectors account for the bulk of **government funding**, particularly hospitals, colleges and universities, while other subsectors and organizations receive very little government support. As shown in Figure 2, the organizations that rely most heavily on government funding are those that are delivering services in *areas of government responsibility*: health, education, and social services.

Charitable fundraising as a way to generate revenue is a perennial topic of debate. Since 85% of Albertans donate to nonprofits and charities, keen public interest in fundraising is not surprising[6]. While such broad participation is encouraging, it should be noted that in terms of overall revenues, only 14% of funding to nonprofits and charities comes from **individual and corporate donors**.[7]

A 2008 survey commissioned by The Muttart Foundation showed almost 70% of Albertans think too many charities are trying to get donations for the same cause[8]. Over the past few decades, several factors have contributed to increased requests to individual and corporate donors.

- The 1990s saw sweeping government cuts, resulting in organizations needing to find alternative sources of support.

- As part of their budget reduction process, governments often transferred the responsibility for delivering certain programs by outsourcing to community organizations.

- The service delivery contracts between government and community organizations (for outsourced programs) often do not cover the full cost of the program, compelling nonprofits and charities to fundraise in order to cover the gap.[9]

- Since hospitals, universities and colleges were given permission to fundraise, they have become significant players, with large budgets and sophisticated marketing techniques.

- Other activities and institutions that previously received greater support from governments, for example primary and secondary schools, are now increasingly involved in fundraising.

- Voluntary sector organizations reflect the broader trends in society; for example an increased number of health-related groups reflects the expectations of the public for specialized information and advocacy.

The result has been an overall increase in fundraising activity, and increased competition for those charities that were already receiving donations as part of their income. The growing number of fundraising activities and requests for donor support has created pressures that affect both donors and the voluntary sector.

Perceptions about the number of voluntary organizations

Recently we've heard increasing comments suggesting there are too many organizations, with a strong sense that there is unnecessary duplication. What is the basis for these perceptions?

When people see organizations that appear to be doing the same thing, they may presume duplication happening. In reality, organizations often serve **different populations** such as:

- A range of sports and recreation leagues for different skill levels;

- Homeless shelters for different populations that would not be appropriate to house together, such as single men and families.

Other organizations employ **different approaches**, including:

- Various theatre groups, from experimental to traditional;

- Diverse youth programs, ranging from structured to alternative, in order to maximize the effectiveness of intervention.

Still, other organizations provide the same programs in **different geographical areas**. For instance:

- Community-based groups and programs enable people to participate in their own neighbourhoods. Churches, Boy Scouts, parenting programs and seniors clubs are a few examples.

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Sometimes multiple organizations provide the same service, and yet they are still not able to meet the demand. In most Alberta communities, for example, there are long waiting lists for women's shelters and addictions services. If there is **high demand**, and organizations are fully occupied meeting that need, clearly duplication is not an issue.

If the demand changes so that a community can no longer sustain an activity, organizations often **restructure or close** of their own accord, as seen recently with the Girl Guides and some traditional service clubs, such as Rotary or Kinsmen clubs.[10] If organizations are not sustainable, it is important to consider how they can be supported in making these types of transitions.

There can be many reasons – ones that are not indicative of unnecessary duplication or redundancy – to have multiple organizations offering similar programs. Several nonprofits delivering similar services does not indicate duplication any more than it does in the private sector or government.

Efficiency and effectiveness

There seems to be a perception that nonprofits and charities are not as effective or efficient as they should be. Both funders and voluntary organizations take the subject of "inefficiencies" seriously and are engaged in ongoing efforts to maximize effectiveness.

Many organizations and funders have taken measures to coordinate services more effectively. Collaboration to achieve common goals adds value through sharing

expertise and resources. There are numerous examples of ongoing **collaboration and innovation** throughout the province, such as: the Calgary Homeless Initiative, Nonprofit Sector Link in Fort McMurray, Upstart (formerly the Calgary Children's Initiative), Alberta Mentoring Partnership, Home Front Calgary[11] and Edmonton's Jerry Forbes Centre for Community Spirit. These ventures, and the ones discussed below, are just a small sample reflecting the richness of these activities in Alberta.

Umbrella organizations and networks are one specific form of collaboration. They improve effectiveness by sharing information and offering training, development, leadership and resources. Just a few Alberta examples include: Volunteer Alberta, Lethbridge Sports Council, Federation of Calgary Communities, Alberta 4-H Council, Literacy Alberta, and the Edmonton Chamber of Voluntary Organizations. Efficiency is optimized when one umbrella organization can make resources available to whole networks of organizations, so that nonprofits and charities can focus on their mandates.

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Collaborative initiatives have been pursued in the voluntary sector for well over a decade. This type of work is quite common, but is often not well-known or well understood by the public or government. The motivation and the models already exist[12]; it is sometimes the funding that is scarce. Some funders, such as United Ways, foundations and FCSS,[13] contribute by supporting collaboration of voluntary sector organizations and by engaging in coordination among funders. If there is truly a desire to support effectiveness and efficiency in the voluntary sector, it is critical that more funders recognize the importance of collaboration and the resources it requires.

Collaborative activities not only contribute to effectiveness and efficiency, they also build the relationships and trust that are necessary for exploring **strategic restructuring.** Strategic restructuring options range from co-location and shared services, to joint ventures and mergers.[14] Initiatives such as Edmonton's Shared Services Initiative[15] or the co-location of Red Deer nonprofits at the CiRS[16] Community Village require contracts or memorandums of understanding. Undertakings like the merger of Big Brothers/Big Sisters and Alberta Mentor Foundation for Youth require changes in corporate structure.

Mergers are often seen as a universal remedy that will simultaneously reduce the number of organizations while creating efficiencies. However, mergers need to be contemplated and pursued very thoughtfully.

Engaging in a merger is a complex and resource-intensive process, involving research, negotiation, decision-making, legal requirements, integration of organizational cultures, agreement on leadership, and transition planning, not to mention dealing with resistance, anxieties and autonomy concerns. Studies have shown that this type of restructuring is successful under very specific conditions.[17] Essential ingredients for success are: time, resources, relationships and trust, expert assistance, dedication, focus, good communication, respect and fairness, complementary missions, and a new shared vision.

Just as there are specific conditions that support success, there are also specific conditions that increase the chance of failure. The likelihood of a successful merger decreases if any of the parties involved are under financial duress. Finally, mergers are not a quick fix. They are typically multi-year processes from pre-negotiation to integration, and if they are entered into without proper consideration for the match, fit, and required support, they run a high risk of failure.

Conclusion

This paper has explored some of the realities and perceptions of Alberta's voluntary sector. We've seen existing research that shows the number of Alberta voluntary organizations has remained stable for at least the past six years. We've looked at a variety of ways that nonprofits and charities collaborate and provide diverse programs and services in communities.

In the spirit of furthering constructive dialogue, we suggest that the following questions are worth discussing:

What do we want to see in our communities?

- What activities – recreational, social, spiritual, cultural, etc. – are important to have in our communities?
- How can activities, programs and services be best provided to the community?
- Who should be responsible for supporting which activities?

How should those activities, programs and services be funded?

- What types of programs and services is the government mandated to support?
- How can government, funders and individuals decide where to put their dollars?
- If funding is spread thinly among all organizations, what risks does that pose?

How many organizations do we need in a healthy community?

- How do we decide if there are too many? Is there an optimum number of voluntary organizations for a community or a province?

- If people feel there are too many, what should go? Soccer clubs? Community associations? Churches? Women's shelters? Boy Scout groups? Senior's centres? Hospitals?
- Is there an optimum size for voluntary organizations? Do several small groups serve the community better than one large organization?
- Is it too easy to set up an incorporated society or a nonprofit corporation?

How do we deal with a changing environment?

- How can we recognize that there are life cycles in organizations and communities, and respond most effectively to them?
- How do we support the development of new groups addressing emerging issues, and allow for the closing of organizations that no longer serve a need in the community?
- If organizations shut down, how do we help communities deal with the closure?

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In a democratic society it is the privilege of all – government, the public, funders, nonprofits, charities, users, patrons, and clients – to engage in robust and deliberate discussions about meeting needs and creating opportunities in our communities. Given the tremendous benefit ordinary citizens create through nonprofits and charities, the challenge is to ensure these resources are structured and supported in a way that is both sustainable and realistic. We hope that this paper helps to stimulate thoughtful and productive reflection and discussion about the best ways to meet the goals and needs of Albertans, and the role of the voluntary sector in supporting Alberta's communities.

CCVO welcomes your feedback. Please email your comments on this paper to admin@calgarycvo.org and put "In Brief Feedback" in the subject line.

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Endnotes

1. United Way of Calgary and Area, 2005.

2. Sometimes sub-sector variations occur due to different systems of classification. The Alberta 2009 totals are based on a thorough review and cross-referencing, reflecting probably the most accurate estimate to date.

3. Sometimes analysis of the sector is based on the removal of universities, colleges and hospitals (called the "core sector").

4. United Way of Calgary and Area, 2005.

5. Roach, 2006.

6. Hall et al., 2009.

7. Roach, 2006.

8. Ipsos Reid Public Affairs, 2008.

9. Eakin, et al., 2006.

10. Globe & Mail, April 5, 2010; USA Today, November 15, 2007.

11. Coordinated community response to domestic violence based on ongoing collaboration & partnerships between the police, courts, and community agencies.

12. See Ferronato & Perryman, 2003.

13. Family & Community Support Services.

14. La Piana Consulting, 2009.

15. Partnership between United Way of Edmonton, Edmonton Chamber of Voluntary Organizations, The Muttart Foundation, and Edmonton Community Foundation, regarding human resources, finance, and volunteer mentoring.

16. Community information Referral Society.

17. See Butzen, 2008; Ferronato & Gavin, 2003; Forbes Fund, 2003; Kohm & La Piana, 2003; La Piana & Harrington, 2008; La Piana, 1998; Arsenault, 1998.