

> trends [4]

The definitive [4] times per year source of philanthropic trends analysis in Canada



Long before the large individual and family gifts that now dominate so much of Canada's giving culture became commonplace, corporations were taking the lead to support some of our country's most important and significant projects. Without that partnership, many of our health care, cultural and educational institutions would not be in the positions they are today. And for that tremendous support, our sector owes the corporate community a strong debt of gratitude.

In order to better understand the current reality of corporate Canada and to assist in developing an appreciation of what both corporations and charities are facing, this edition of *Philanthropic Trends Quarterly* explores corporate giving.

With input from representatives of corporate Canada as well as a selection of our Trends

Advisory Board members, we review what the sector is currently facing. Our investigation revealed details of the present situation facing corporations, uncovered how charities are responding and also disclosed how both sides are utilizing creativity to find ways to maximize support for important charitable work in Canada.

We also sat down with Jan Belanger, Assistant Vice-President, Community Affairs for Great West Life, London Life and Canada Life as well as a member of our Philanthropic Trends Advisory Board for an in-depth interview. In our conversation, we asked Jan to provide her thoughts on the situation facing corporate philanthropists in the current economy as well as her advice to charities as they approach corporations over the next few months. Visit www.kciphilanthropy.com/trends for the full interview.

Finally, we take a long term view of the direction in which corporate philanthropy and sponsorship is headed by discussing emerging trends such as cause marketing and the facilitation of collaborations within the charitable sector.

As always, we hope you find the information helpful and informative. Happy reading and have a wonderful summer!

Marnie Spears
President and CEO



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KETCHUM CANADA INC.



Corporate Giving: Past, Present & Future

The magnitude of Canadian corporate support is undeniable.

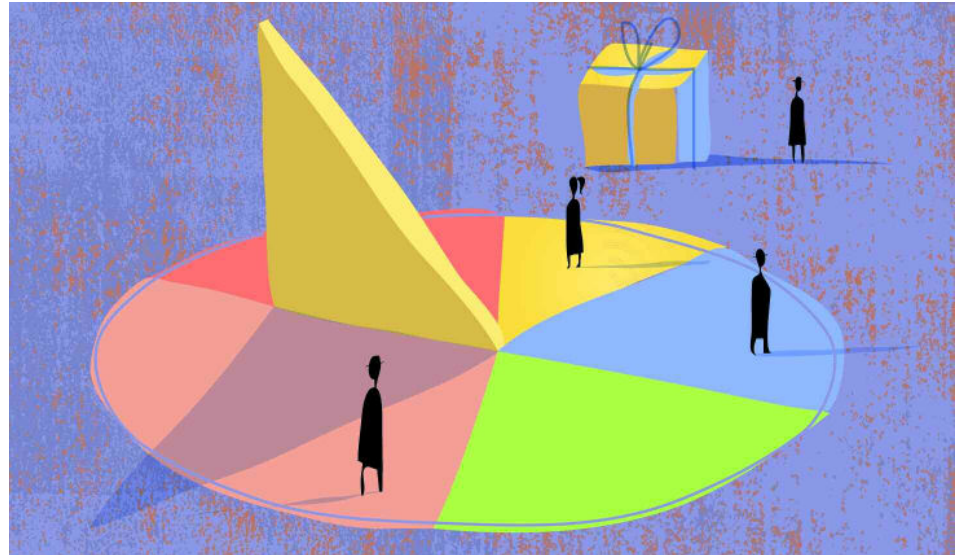
Based on Statistics Canada data, the total value of gifts made by corporations in Canada between 1988 and 2000 was over \$8.5 billion. In addition, KCI has tracked all major gifts (defined as gifts greater than \$500,000) made by corporations since 2003, which totals more than \$1.1 billion. By combining the two figures, we can estimate that corporations have contributed more than \$10 billion to the charitable sector over the past 20 years.

The following table and chart provide more detail on these figures. The table containing data from 1988-2000 demonstrates that even in difficult economic times like the mid 1990's, Canada's corporations continued to step up to the plate. In addition, the chart on major giving (defined in this case as gifts in excess of \$500,000) illustrates that the number of major gifts from the corporate community is also growing.

Although these numbers are impressive and provide an illustration of the tremendous support that corporations have shown to Canadian charities, the current preoccupation of most in the sector is the immediate reality of the economic situation and the impact that it will have on corporate giving. KCI's investigation has revealed both good and not-so-good news as well as some examples of innovation and creative solutions.

Tough Time for Corporate Donors

Not surprisingly, our research and interviews revealed that the economic downturn has



impacted the ability of corporations to support the not-for-profit sector and these challenges are expected to continue throughout 2009.

A new report from the Conference Board of Canada, which is expected for release this summer, reveals that issues related to the economic downturn are a significant concern among corporate giving officers. The report entitled *The 2009 Corporate Philanthropy Agenda: How the Economic Downturn is Affecting Corporate Giving* is based on a February 2009 survey of 158 companies. The survey revealed that limits to budgetary resources (56% of respondents) and the current economic downturn in general (50% of respondents) will

have an impact on their grantmaking abilities. When asked what they anticipated would be their biggest challenge in 2009, respondents most frequently indicated an increase in grant requests coupled with a decline in financial resources.

Based on our interviews, one area that seems most heavily hit is event sponsorship, which is of special concern to arts and culture organizations as well as the health care sector. Our interviews revealed that there appears to be a smaller appetite for sponsorship support than has been enjoyed in previous years. During these times, corporations feel a heightened sense of responsibility to both their employees and shareholders.

STATISTICS ON CORPORATE GIVING IN CANADA FROM 1988 - 2008

Year	Corporate Pre-tax Profits	Corporate Charitable Donations*	Donations as a percent of Corporate Pre-tax Profits*
1988	\$64.89 billion	\$414.20 million	0.64%
1989	\$59.66 billion	\$502.93 million	0.84%
1990	\$44.94 billion	\$412.99 million	0.92%
1991	\$32.92 billion	\$431.37 million	1.31%
1992	\$32.65 billion	\$453.98 million	1.39%
1993	\$41.10 billion	\$464.74 million	1.13%
1994	\$65.46 billion	\$597.72 million	0.91%
1995	\$76.27 billion	\$629.87 million	0.83%
1996	\$80.34 billion	\$775.98 million	0.97%
1997	\$87.93 billion	\$800.88 million	0.91%
1998	\$86.13 billion	\$1,135.90 million	1.33%
1999	\$108.75 billion	\$1,135.90 million	1.04%
2000	\$129.82 billion	\$1,337.60 million	1.03%

* All figures have been adjusted for inflation. Source: Statistics Canada: Canadian Corporate Profits Before Tax and Canada Customs & Revenue Agency: Allowed Charitable Donations by Corporations (all except exempt) CORPAC/CORTAX



Based on data collected by KCI's Research Department



According to a community investment professional based in Calgary, sponsorships are being thoughtfully assessed, particularly through the lens of how they will be perceived by employees, shareholders and the community in general.

Charities are responding to the changing landscape of sponsorships in a number of ways, including retooling their special event programs. Toronto General & Western Foundation has chosen to continue with their events, even if they are on a smaller scale and raise fewer funds. "We want to maintain our presence in the community and these events are one way for us to do that," says Tennyson Hanson, President & CEO, Toronto General & Western Foundation. "So we are going ahead with most of our events, but may change their formats as well as our revenue expectations depending on the situation." Anticipating that there will probably be less revenue the Foundation is developing a third party event strategy as a means to meet revenue goals.

Other charities are responding by providing better benefits to sponsors, recognizing donors at the level of their previous gifts regardless of their gift this year, as well as entering into longer term sponsorship arrangements with organizations that will last 3-5 years.

Although corporate donations appear to be faring slightly better, there has been impact in this area as well. Many charities are noting delays in pledge payments, requests for longer pledge periods as well as outright cancellation in some instances. As a result, it is important to approach corporations with an understanding that there may be a longer time horizon in terms of decision

making and payment. The most significant challenge appears to be in securing new gifts. For example, some corporations are finding that the multi-year pledges they have made to capital campaigns are affecting their ability to make significant new gifts, as in some cases, these pledge commitments are consuming two-thirds or more of current year budgets. Vicki Reid, team head, Community Affairs at EnCana, confirms these

“...the corporate community is still very engaged and showing no intention of walking away from Canada’s charitable sector.”

budgetary challenges. "We are still very committed to our Community Investment program and our community partners, but are being cautious about entering into multi-year pledges that will eat up our future budgets."

But the Commitment Remains

At the same time, however, the corporate community is still very engaged and showing no intention of walking away from Canada's charitable sector.

Our interviews revealed a definite intention on the part of Corporate Canada to "stay the course" as much as possible. For instance, many corporations are choosing to keep their philanthropic budgets flat or only slightly lower for 2009 rather than dramatically slashing budgets in response to the current economic challenges. In addition, corporations are generally looking to maintain the

status quo with respect to their philanthropic priorities and policies for decision making.

The experience of a number of charities confirms that commitment as they report an ongoing willingness on the part of corporations to meet and discuss previous gifts as well as future support. "We have had good success in securing meetings with corporate prospects to discuss our current projects and priorities," says Ted Garrard, Vice-President (External) University of Western Ontario and incoming CEO, Sick Kids Foundation. "Although the timing may not be right for an immediate gift, we are still finding an interest in talking about what they could do and are being provided with a sense of when to come back." Garrard also sees this time as a perfect opportunity for charities to undertake cultivation and alignment work with current and prospective corporate partners.

Guy Mallabone, Vice President, External Relations at SAIT (Southern Alberta Institute of Technology), further advocates that, while being respectful of the current economic situation, it is important for charities to not only meet with corporations but to continue to make asks. And he has found a willingness to entertain those asks. "Making an ask does not necessarily mean that you will get a gift at this point in time," states Mallabone. "But I believe it is a worthwhile endeavour to get your value proposition on the table in order to be on the radar screen and in the queue for when things turn around."

Mallabone cautions that because of the budgetary constraints of most corporate giving programs, charities should expect more questions. Scott Mullin, TD Bank's Vice President of Government and Community Relations confirms that because

What's Next?

Although a significant factor already, the alignment with corporate goals and objectives will become even more prevalent and important in guiding the investment decisions of corporations. The desire to see how a project fits and can help advance not only the philanthropic interests of a corporation but also its business interests and brand will be key to decision-making. In addition, accountability back to the corporation demonstrating the impact of the gift will become even more critical, a comment we heard repeatedly during our interviews with corporations.

Charitable organizations are already looking at ways to partner with corporations beyond simply soliciting donations and sponsorships. For instance, many universities and colleges already consider the larger picture when strategizing relationships with their corporate partners and include all parts of the university and its units in a cohesive

strategy. This approach not only strengthens the relationship by creating various points of contact, this integrated strategy is the epitome of donor-centredness. As a result, this type of relationship may well become the norm for corporations in dealing with their charitable partners.

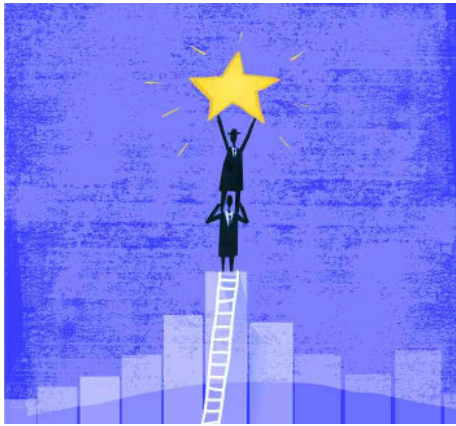
Collaboration between not-for-profits is becoming more commonplace and is a trend that is expected to continue. Corporations, particularly those with large and sophisticated community investment departments, often have a knowledge of the charitable work occurring in particular sectors and also possess the know-how to bring different groups together. "More and more, we are looking to work with organizations to address complex issues, such as literacy, poverty, and mental health, to name a few," says Jan Belanger, Assistant Vice-President of Community Affairs, for Great-West Life, London Life

and Canada Life. "That means we are seeking opportunities to help optimize the power of people, organizations and collective resources by facilitating partnerships, rather than funding projects in isolation." She notes that in her organization, she and her team are particularly sensitive to funding solutions where new approaches and knowledge will be shared and adapted beyond the organizations involved, thereby enabling greater impact.

Cause marketing is another area of growing interest for many corporations, particularly for those that are consumer based. Already prevalent in the United States, this practice is becoming more common in Canada. For more information on cause marketing and its expected role in the Canadian philanthropic marketplace, visit www.kcphilanthropy.com/trends



of budget challenges as well as the sheer volume of asks currently being put forward, many corporations are being more rigorous in their review of proposals. "The questions we are now asking are not dissimilar to what we used to ask," he says. "But now we are expecting more robust answers." Specifically he says, corporations are looking for charities to provide information on the value proposition for investment, the definition of project success and tangible metrics on how they will measure impact.



Relationships are Key

It also appears that the adage that fundraising success is primarily about relationships holds true. "I believe that the strength of existing relationships will be a key to holding organizations in good stead," says Ron Dumouchelle, President and CEO of VGH & UBC Hospital Foundation. "As a result, we are making stewardship a key focus of our activities in an effort to further strengthen the relationships we share with our current friends and partners."

The experience of United Way Toronto as it commences its 2009 corporate campaign substantiates the value of relationships. "Although we have just begun having conversations with our corporate supporters, we have heard a strong commitment that they will do what they can to support us at a level as close to previous years as possible," says Susan McIsaac, United Way's Chief Development Officer.

KCI's corporate interviews corroborated this sentiment. Although corporations will certainly be looking to fund new programs and initiatives, interviewees indicated that they felt a strong responsibility to the organizations with which

Tips for Corporate Approaches During Tough Times

Granted this is a challenging time for corporate fundraising in Canada, but there are still opportunities that can be realized by following some best practices. We asked interviewees from both charities and corporations to share their best advice for approaching corporations during times like these. Here is a summary of their responses.

1. Align with business strategy. As already mentioned, demonstrable alignment to business goals and objectives is a key part of the decision making process for corporate philanthropic investments and is one that is growing in importance. As a result, be sure that all projects put forward align with the corporation's brand and marketing and also make certain to demonstrate that fit in your proposals.

2. Align with philanthropic strategy. Although corporations are often looking to fund projects that align with their business interests, they have philanthropic objectives as well. Take the time to understand what projects they are currently supporting and look for ways to enhance and build on those investments. Charitable organizations have a tendency to look at recent gifts made by corporate entities and if there are contributions to organizations with similar mandates, they don't bother to submit a proposal. A better strategy is to understand their philanthropic goals and look for ways that your organization can enhance their current investments.

3. Define success and demonstrate outcomes. We heard loud and clear from both corporations and leading charities that defining project success and demonstrating the ability to measure that success are crucial when approaching corporate donors. As a result, it is critical to determine

what success will look like for every project that is submitted for consideration and also to be able to illustrate the metrics that will be used to measure the impact of their investment.

4. Solidify relationships. Steward, steward, steward. In these tough times, we heard from both corporations and charities alike that their current relationships would be of primary importance. From the point of view of charitable organizations, they are looking to retain their existing donors, while corporations are conscious of taking care of the organizations that currently rely on them for support. As a result, charities should be investing a great deal of time and energy in keeping corporate partners informed about the impact of past investments as well as about current projects.

5. Continue to ask. While being mindful of their current situation, keep making asks of corporate prospects. At best, the response will be positive and at worst, you can begin a conversation and put yourself in the queue for when the economy improves.

6. Refresh your case. Now is the time to review and refresh the case for support that you take to corporate prospects. It should be looked at through the lens of impact, success, alignment with corporate strategy and measurable outcomes.

7. Don't forget the basics. The principles that hold true about corporate philanthropy during good economic times are still valid in this economy and should not be forgotten. Fundraising is about relationships, so be sure to utilize the right people in your network and work hard to create interest in what you have to offer.

they already had relationships and which consequently have a strong dependence on them for support. As a result, charitable organizations that have taken the time to build and cement relationships with corporate partners may find the upcoming months somewhat less challenging.

On a final note, some excellent advice from Dean Brinton, President & CEO, The Rooms in Newfoundland to remind us of the philosophy that should guide our behaviours in both good times and bad. "We can't forget that we are dealing with high-minded individuals who have a strong

desire to help," he says. "As always, the first step is to get them excited about making a difference." Regardless of the economic situation, this principle always applies.

> Next issue:

- Our next issue will focus on cost per dollar raised.
- Watch for it in September 2009!

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