

## Why Competition is Unhealthy for Charitable Sector

I caught this news headline from the United Kingdom, "Falling incomes put the squeeze on charities". We live in a global economy and generally are not immune to economic forces that affect other countries, just sometimes it takes a bit longer to get to us. It was interesting to read that seven in ten people gave money to charity in 2012, but a third of Britons give less now than they used to. The continued pressure on household finances and falling real incomes is taking their toll on household finances (sound familiar?). Around 70% of those who have not donated said that they simply could not afford to do so.

Dan Pallotta has become well known for his Ted Talk video based on an article that was published in the Wall Street Journal titled, "Why Can't We Sell Charity Like We Sell Perfume?" He makes a compelling point when he asks, what if we let philanthropies operate like businesses?" He contends that donors should let them pay for talent, advertise aggressively to build market share or even build a stock market for charity. Because then maybe then capitalism could finally save the world. Pallotta endorses paying the passionate people who feed the hungry, cloth the naked and take care of the widows and orphans but does not extend the same reasoning to pay middle organizations like the United Way. The causes we love and our ability to change the world is powerful. Our social problems are huge yet our existing thinking is keeping the passionate people small.

Do we have too many charities in Canada? According to Imagine Canada, there are approximately 161,000 registered charities and incorporated non-profit organizations in Canada with more than 2 million people being employed in the sector. Every year thousands apply for charitable status but at the same time, thousands lose their status by either ceasing to operate, by failing to file their annual returns or by having their charitable status revoked by Revenue Canada.

Why do so many registered charities, set up with the best of intentions, request to have their status revoked, or fail to meet their obligations? Did they not have the capacity to operate effectively? Did they fail to anticipate the competition for donations and volunteers? Were they duplicating programs and services that already exist? Or should they even have applied in the first place? Some would argue that it is too easy to register as a charity and too many have done so for selfish or egotistical reasons.

Many do not think adequately about what they are trying to achieve and whether setting up a new independent charity is the best way to achieve that goal. A new organization starts when one person becomes so passionate and motivated to make change but cannot find the framework within an existing organization to develop this passion and decides to start their own. Unfortunately many smaller charities do not have the resources to be effective. They cannot raise the funds to carry on the activities they wanted to do. Although, the paradigm exists that some of the small charities may be more efficient in the delivery of the services or goods as they are driven but what matters most, the heart. Many charities often give up in frustration not realizing that running a small charity can be a lot more complicated than running a small business.

The world we live in is complicated. People are confused and confusion breeds apathy. Having a lot of charities means duplication of services, governance structures, volunteer requirements and charities are increasingly being forced to deal with that complexity. It is not just about handing out cans of food although check out how many competing organizations do hand out food. To be effective charities need resources, capital, structure, governance, volunteers, donors, and employees.

With the plethora of charities that exist, many are dealing with the same issues and it begs the question, is competition in the charitable sector effective. Can competition be in fact unhealthy for the future of the charitable sector? Having intense competition leads to more funds being spent on marketing to differentiate yourself from the other charities. More and more effort gets spent justifying that you are doing a fantastic job rather than actually doing a fantastic job.

We have incredible overlap in the charitable sector. Does anyone know the difference between the Community

Foundation and the United Way? This creates confusion and distrust amongst donors especially when they end up giving to a different charity than the one they thought they were giving to. Is it necessary to have a few hundred different cancer charities?

Does anyone ever ask the question “do we have too many Tim Horton's?” In general the more the better, as business drives our economy. Perhaps instead of a couple thousand Anglican parishes issuing receipts it would be better to have one Anglican Church issuing receipts. Some critics would say that would result in a concentration of power and less transparency about operations and the cost of running one large national organization will be greater.

I would love to see more charities driven exclusively by purpose, passion and pride. An economy characterised by not-for-profit organisations might serve us better than those led by shareholders.

The public's real confusion is not knowing what to do about all the competing marketing appeals from charities - not the charities themselves. Every day, people run the gauntlet of fundraisers in local streets, open piles of charity letters and respond to TV, telephone and online appeals. As charities get more skilled in presenting cases and outcomes in compelling ways, the public is finding it increasingly difficult to choose between and being worried about their own finances are hardening their hearts to suffering or need.

We should be leading the way in collective and collaborative approaches to fundraising, respecting the dangers, opportunities and strengths of donors and clustering and collaborate around common causes. It's not charities that urgently need to be rationalised, but charity marketing.

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