

THE J.W. MCCONNELL FAMILY FOUNDATION

Words and Actions:

Creating a new Narrative for the Community Sector

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Tim Brodhead, President & CEO, The J.W. McConnell Family Foundation

We are surrounded by change: sometimes it is so subterranean as to be almost imperceptible, sometimes it is dramatic and disruptive. We embrace it and we resist it. Mostly it seems to be happening *to* us rather than *by* us. Business, government, and the voluntary or community sector struggle to make sense, to adjust, to innovate. Each faces challenges, but I want to focus particularly on what we must do in the community sector if we are to respond creatively and effectively, to be *actors* not victims.

Why is this urgent now? First, because many of the systems we have inherited that address our health care, education, and other needs are not working well. Despite a long stretch of economic growth and prosperity in the period up to 2008, the condition of significant sectors of the Canadian population actually deteriorated. First Nations members, seniors, and people with disabilities experienced some improvement while single mothers, the working poor, immigrants, and social assistance recipients were left further behind. Income inequality is growing. We have created an expensive maintenance system that marginalizes whole categories of people, including those with some physical or intellectual disability, or with limited education, or facing addiction problems, unemployment, etc. By preventing them from keeping or building assets, we enforce dependence as a condition of receiving support; they are *maintained*, but not helped to participate in mainstream Canadian society as contributing citizens, people who have dignity and choices.

It would not be an exaggeration to say that many of our systems are broken: broken systems shuffle problems rather than solve them. People with mental illnesses are taken out of institutions, but then left to fend for themselves on the street or are incarcerated. Immigrants with professional qualifications are encouraged to come to Canada, but then excluded from their professions and end up driving taxis. Schooling continues to operate on the industrial mass-production model and when young people drop out (as high as 30 percent in Quebec), the government responds by running TV spots urging them to stay the course. Broken systems, in short, are rigid, do not build on strengths, and cannot evolve and innovate; they patch, they temporize, they sweep under the carpet.

This state of affairs cannot persist, for the second reason that is forcing change: an epochal shift of economic power as the centre of gravity of the global economy moves from the North Atlantic to Asia. Canada, like other developed economies, has flourished under the old rules of the game. There is no reason why it cannot flourish in the 'new world order' too, but inevitably there will be changes and vastly more competition from the dynamic emergent economies of Asia and, increasingly, Latin America (and in the

not distant future, Africa too). Canada's aging infrastructure, chronically lagging productivity, and reliance on exporting commodities do not equip it well to meet the competition.

Lastly, we can anticipate that in response to high and recurrent deficits, government spending will be curtailed. Much self-congratulation on the healthy state of our banking system has obscured the reality that Canadians have a higher level of public debt (\$1.2 trillion) per capita – \$37,000 for each man, woman and child, according to *The Economist* – than Americans. Revenue constraint will be exacerbated by the effects of an aging population, which results in lower economic growth since it won't be driven by a growing workforce, and a shift in the proportion of economically active to retired people – plus potentially a greater demand for public services. History suggests that the brunt of any cuts will fall heavily on community organizations.

But non profits and community groups are not standing still. Their roles are changing. So is their behavior.

A New Importance for Community Organizations

Present circumstances create a new world of opportunity for the community sector. Its role can no longer be *residual*, compensating for market failure or gaps in government services. Rather, it occupies a central place. That is because it is in the community that energy is tapped, potential released, innovations launched; that is where individuals coalesce as citizens, where they experience the sense of belonging as members of the community, where they express their citizenship through active engagement. However the trend toward individualization can also create isolation and a sense of disempowerment; refusing to engage – refraining from voting or from patronizing a company whose values you dislike – is a passive strategy. It takes organization, whether through formal structures or informal networks, to effect change.

This vision of the sector's role may sound like just noble sentiments, but I would argue that it is a reality. Indeed, we already can see in the UK what acceptance of the indispensable role of the Third Sector (as it is called there) means. In the early 2000s the new Labour government concluded that Britain's problems could not be solved by government alone – nor by business, and certainly not by the community sector, alone. So it set about creating the bases for effective collaboration. New types of cooperation between government and the private sector emerged, such as public-private partnerships, and an infrastructure to strengthen the community sector was put in place. This included access to new sources of revenue, including investment capital, and capacity building and advisory services. By and large, much of this thinking has been retained by the new Conservative government, under the rubric of the Big Society.

This hasn't happened in Canada, except to a limited extent at the provincial level (in Newfoundland and Labrador, New Brunswick, Ontario, and with the Government Non-Profit Initiative or GNPI in B.C.). An important initiative that may be a harbinger is the creation in January 2011 by the B.C. government of an Advisory Council on Social

Entrepreneurship to help communities in that province to tackle their most persistent social challenges. In contrast, the federal government to date seems to regard citizens' organizations only as "special interest" groups, and has so far shown little concern for the vitality of the community sector as a whole.¹

Emerging Forms of Collaboration

We are emerging from a long period of consensus concerning the roles of business, government, and the community sectors in Canadian society: the first, according to this conventional view, generates wealth, the second maintains a level playing field (including some modest redistribution of the wealth) and the last helps vulnerable groups and meets specific, limited needs (including drawing attention to causes and needs that are not yet on the public's radar). For the most part this division of roles has served us well. More recently however, wealth creation has stalled (and in some OECD countries it has fallen dramatically), income inequality is growing (in the US to a level not seen since 1928), and the community sector is being squeezed – not just by growing demands and diminishing resources, but by inattention to Canadians' spirit of civic duty, by professionalization of what used to be freely offered care, and by barriers to volunteering (such as security and liability fears and union concerns over the loss of paid jobs).

Roles are becoming more fluid. Governments are urged to "run like a business," as are community organizations. More far-sighted business leaders are advocating that companies go beyond a corporate social responsibility (CSR) or even "triple bottom line" approach to seize the opportunities created by the need for social and environmental changes, in other words to craft business models that create *social* value for stakeholders.² Many community organizations are seeking more flexible revenue models, but are hampered by outmoded rules and restrictions.

Faced by this blurring of boundaries, citizens are no longer sure what to expect. The "public" is fragmented. The private sector in its search for efficiencies has created a DIY market. "Consumers" now perform their own banking, booking, and travel services on-line; in our demand for individualized services we are becoming what some observers have termed "pro-sumers," co-creators of the customized products and services we want.³ New communication technologies tailor information to particular audiences and niche target advertising. Relationship-management is becoming increasingly key to business strategy.

¹ The announcement in January 2011 by Prime Minister Harper of a volunteer awards program to recognize outstanding community builders may indicate a shift of attitude. <http://www.pm.gc.ca/eng/media.asp?id=3874>

² Michael Porter and Mark Kramer, *The Big Idea: Creating Shared Value* in Harvard Business Review, January – February 2011, <http://hbr.org/2011/01/the-big-idea-creating-shared-value/ar/1>

³ See *Print me a Stradivarius: How a new manufacturing technology will change the world*, The Economist, February 10, 2011, <http://www.economist.com/node/18114327>

However government by and large continues to provide standardized services through silo-ed mandates, “working vertically in a horizontal world,” as it has been described. While governments in Europe, Australia and elsewhere experiment with new ways of working, “steering rather than rowing,” Canada – with some exceptions at provincial and municipal levels as noted above – lags. In Denmark, three government departments collaborated to create the MindLab as a place to prototype how public services can be improved, from the point of view of their users, the citizens. In Australia and some European countries, public policy is being co-created, officials not merely consulting but *engaging* knowledgeable groups to improve the quality of decisions by ensuring that the views of stakeholders are fully taken into account, and enacting “Open Government” as an operating principle. Slowly this form of involving users is beginning to enter into service delivery. Tele-medicine, for example, is a growing field, and diabetes patients and others are learning to self-monitor, thereby saving trips to clinics and reducing costs. For this to take root requires that *co-producing* policies and programs be viewed by governments not as a tactic or concession or way to cut costs, but as the optimal way now to meet citizens’ expectations in a democratic society.

Not-for-profit agencies have been affected by this too. Appreciative, asset-based approaches remind service-providers that they are dealing with people, not simply clients. Maintaining good health and upgrading education and skills is the responsibility of individuals, not just institutions and professionals. Faced with growing needs, many organizations are recognizing the value of peer support and strong networks, relying on existing capabilities within families and communities rather than developing their own programmatic responses.

Collaboration is not easy. Organizations in the community or voluntary sector work in a competitive funding environment. The fact that raising revenues is not tied directly to performance and results places a premium on charismatic leadership and public relations or media skills, which can heighten rivalries and complicate cooperation. Funders compound this when they urge collaboration but don’t cover the increased costs it requires, or when they structure their grants and contributions in ways that undermine it. The increasing popularity of contests and competitions are an example, where no allowance is made for the costs of preparing submissions, or open bidding processes where the only criterion is cost, with no provision for other factors like existing relationships, level of trust, etc. Compare this with the ‘open competition’ approach where applicants post their proposals and are encouraged to borrow from and build upon each other’s ideas.

We need to put the citizen, the problem or the cause at the centre, rather than the institution, the mandate, or the jurisdiction. This focuses attention on what matters, not on who should be doing what. The nation-wide program to reduce poverty called Vibrant Communities⁴ has had success precisely because it is designed to enlist local businesses, municipal and provincial departments, social service agencies *and people living in poverty* to develop a common strategy. Similarly the recently-signed Boreal Forest Initiative can work only because all the stakeholders – private industry, local

⁴ See <http://vibrantcommunities.ca/>

communities (including First Nations) and environmental organizations – are working together on a win-win strategy that recognizes all their needs.

A further development of this is the “Living Lab” concept which originated in Europe and now may be found in Africa, Asia, and Latin America (and now in Quebec). These engage end-users in open innovative processes: citizens, businesses, and public authorities combine to create new technologies, products, and services while simultaneously evaluating their social and economic implications. This form of empowerment speeds up research and development, supports SMEs, and creates an innovation ecology.⁵

True collaboration requires that all parties are able to make their distinctive contribution, as well as derive benefit. To do this, the community sector needs its shackles loosened.

Change the Rules

The community sector in Canada is big, the second largest in the world on a per capita basis, but it underperforms. It is stifled by an outmoded and restrictive definition of “charity,” and an inappropriate and unhelpful assignment of responsibility for monitoring it to the Canada Revenue Agency, whose primary responsibility is tax collection. Our definition of “charity” remains that established by the Statute of Elizabeth in 1604, while other jurisdictions like Australia and the U.K. have moved on. But charities in Canada are also hobbled by a bean-counting interpretation of accountability, and disincentives to risk-taking or experimenting with new ideas. In November 2009, the C.D. Howe Institute released a study by Adam Aptowitzer⁶ that pointed out the conflict in having the body responsible for protecting the tax base regulate tax-exempt entities. The study recommended the establishment of a federated Charities Council to help the provinces fulfill their mandate regarding charities.

We need to release the sector’s creative and entrepreneurial spirit. One way is to end our binary distinction between *for-profit* and *charitable*. The single largest (and fastest growing) source of revenue for organizations in the community sector is self-generated income, from service fees, memberships, and in some cases product sales (this accounts for from 40-50 percent of total revenue). Yet charities in Canada are constrained by rules from further developing their entrepreneurialism, and they are prohibited from carrying out activities which might even inadvertently produce a “profit,” even where the goal is not private benefit but funding the charity’s mission.

The purpose of such a limitation is to prevent unfair competition between taxable businesses and untaxed charities. A more effective response would be to have a “destination test,” to ask if the surplus is intended for private benefit for owners or shareholders, or to achieve a public good, to support the mission of the charity (after all,

⁵ See http://ec.europa.eu/information_society/activities/livinglabs/index_en.htm

⁶ Adam Aptowitzer, *Bringing the Provinces back In: Creating a Federated Canadian Charities Council*, C.D. Howe Institute, 2009, http://www.cdhowe.org/pdf/commentary_300.pdf

businesses get tax relief if they donate a portion of their profits for a charitable purpose)?

Create New Tools

Looking ahead, it is clear that the traditional ways of funding community organizations – government grants and contributions, and individual, corporate or foundation donations – will not suffice to meet the challenges we face. Governments are again in deficit-cutting mode, and in Canada private donations cannot grow enough to compensate for public funding cuts. As Sir Ronald Cohen, the “father” of social finance in the U.K., was recently quoted in *The Telegraph*: “I think societies everywhere will soon come to the conclusion that an important part of the capitalist system is having a powerful social sector to address social issues, because government doesn’t have the resources.”

In the UK, a new corporate entity has been created called a Community Interest Company, or CIC, and its purpose is to blend financial and social returns. If regulators are satisfied that a bona fide public good is being met, the company directors are not held to the usual standard of maximizing shareholder value, but must instead achieve a blended or mixed return that creates public benefit as well as private profit. In its first five years, some 4500 CICs have been created to meet a range of social or environmental challenges.

For the past few years, there have been attempts in Canada to mobilize new sources of capital, and to enable organizations working for public benefit to access a wider range of financial instruments, including mortgages, bridge funding, loans, etc. Community foundations in Edmonton, Ottawa and Saint John have created loan funds, while in Quebec the *Fiducie* was created with government, a labour investment fund (Fonds de Solidarité), and private capital. Credit unions have also been active, notably Vancity, Assiniboine, and Desjardins, and there is a growing number of private capital funds being set up.

It was to accelerate this process that the Social Innovation Generation (SiG) partnership created the national Social Finance Task Force in mid-2010.⁷ The Taskforce, made up of leaders from the financial sector, entrepreneurs, and from the community, made a number of recommendations addressed to governments, foundations, banks, and community groups to develop an “impact investing” marketplace that would diversify revenue sources for public benefit activities and provide an option for institutional or individual investors seeking to achieve a public benefit as well as personal profit from the use of their capital.

A New Narrative

The “old” narrative was – for many of us – an inspiring story of generosity, of commitment to others, of a culture of collective responsibility for the public welfare. It

⁷ See www.sigeneration.ca

has largely been a story of *helping*, exemplified by the Good Samaritan, of giving neighbours a hand, the communal barn-raising, a story of caring for each other.

But evidence suggests that this story is losing some of its power to engage (Stats Canada reported that in 2009, 180,000 fewer tax filers claimed donations, the biggest drop since 1997). It expresses the abiding value of charity, which will always be an important expression of compassion – but we are focusing now on the larger issue of the implicit social contract that binds us as citizens, the glue that creates *community*, not just neighbourhoods; the commitment we share as citizens in a democratic society to work together to create a better, fairer world for everybody (and not least, for future generations).

We can begin to create a new narrative by shifting the conversation from economic growth to quality of life. We need new standards and tools to replace, or at least complement, today's ubiquitous Gross Domestic Product (GDP). New and credible efforts are being made: for instance, the Genuine Progress Indicator (GPI) distinguishes between worthwhile growth and uneconomic growth caused by such activities as cleaning up pollution, the depletion of non-renewable resources, or crime. There are also the Canadian Index of Well Being launched by the Atkinson Foundation and now housed at the University of Waterloo, and the Federation of Canadian Municipalities' Quality of Life Reporting System for cities, and the Vital Signs reports issued annually by more than fifteen community foundations, which provide a snapshot of the quality of life in their cities.⁸

Efforts to measure non-economic factors have been disparaged ever since the first Gross National Happiness index was launched by the ruler of Bhutan in the 1970s. In recent years however, the notion has acquired some legitimacy. In 2008, President Sarkozy of France set up a commission of economists led by Joseph Stiglitz, formerly of the World Bank, with a mandate to create a statistical measure that would go beyond growth. It proposed replacing GDP by something broader, Net National Product (NNP) which would take account not just of economic growth but also the value, or depreciation, of all of a nation's human and natural resources. In Sarkozy's words, the "cult" of growth and the market must be replaced by a new "politics of civilization" because in a world of finite resources and risks to the environment we cannot demand endless economic growth. In 2010, Prime Minister Cameron of the U.K. asked the Office of National Statistics to undertake a similar exercise, and at the beginning of this year, an all-party committee of the German parliament began looking into a "Progress Index" which could serve, in the words of one M.P., as "a compass for policy makers to show where our society stands, and if people are better or worse off."

In the 'new' narrative, the community sector is where people organize to express their concerns, act to solve problems, and hold governments and business accountable for their decisions. It is about relationships that are neither instrumental, as in business, nor subject (ultimately) to coercion, as in relation to the State. The complexity of the narrative arises because although the dominant view of the sector is based on the

⁸ For details, see www.ciw.ca, www.gpiatlantic.org, www.cfc-fcc.ca and others

notion of charity, it is actually three things: an associational sphere where people combine to advance a common purpose, a normative sphere, where people promote a vision of the “good life” (including human rights, gender equality, inclusiveness), and a public space where people can meet, debate, campaign and hold the private and public sectors accountable to the wider society. This broader view makes it clear why service to others cannot be the sole defining feature of the community sector. Innovation – creating fresh, resourceful approaches to solving challenges where they arise – and advocacy, particularly by or on behalf of the vulnerable, are key contributors to community vitality.

From a “charity” perspective, the act of volunteering, like giving, is an option for the individual, an expression of personal values. In the “new” narrative, however, “volunteering” equals participation and contribution, the defining act of citizenship in a democratic society. As such, it needs encouragement and support. We know that volunteering in the traditional sense is closely correlated to parental example, church attendance, and education level. The first two factors are in decline and subjective motivation is too variable, so we need more muscular and deliberate strategies to promote engagement. In some provinces, schools have compulsory volunteering (the contradiction is obvious), and many universities have adopted community service-learning⁹ as a way to engage students in applying their learning to community needs, but it should be made easier for people to “do the right thing” – not exhorting or *pushing* people but *pulling* them into public institutions like schools or hospitals, seniors’ homes and daycares. Some businesses have already embarked on this path, granting employees leaves of absence so they can contribute locally or overseas. It is not coincidental that firms in the creative and high tech sectors are leading the way, as they compete for high performing and self-motivated staff. The concept of *voluntarism* should refer not to the act of getting engaged, but to the individual’s choice of what type of involvement is most productive and fulfilling.

How the world sees the community sector is determined in large part by its self-image. If it sees itself as well-intentioned but marginal, it will continue to beg for attention and resources. If, on the other hand, it sees itself as the expression of responsible citizenship and the source of creativity and resourcefulness in promoting society’s well-being and resilience, then it must be an equal partner in shaping Canada’s future. That choice is ours.

⁹ See Silver Donald Cameron, *Getting Wisdom*, The J.W. McConnell Family Foundation, 2010, <http://www.mcconnellfoundation.ca/en/resources/publication/getting-wisdom-the-transformative-power-of-community-service-lea>