

BUSINESS CONTRIBUTIONS TO CANADIAN COMMUNITIES: RECENT SURVEY RESULTS

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A. INTRODUCTION

Between October and December of 2006, Imagine Canada¹ conducted a study through a nation-wide series of roundtable discussions with representatives from a broad range of Canadian businesses which are actively involved in investing in their communities. The survey, *Business Contributions to Canadian Communities: Findings from a qualitative study of current practices* (the “Report”),² was funded by the Calgary-based EnCana Corporation.³ The results were released on February 7, 2007 and a summary of the findings are set out in this Charity Law Bulletin (“Bulletin”). The Report represents the first stage in Imagine Canada’s wider study which will survey 2,500 Canadian companies, the goal of which is to illuminate the present gaps in knowledge with respect to community investment practices in Canada. Over the course of the next few months, Imagine Canada will be conducting research in this area. The findings, expected to be released this fall, will show both the economic value of employee volunteer programs and the impact of monetary and in-kind support of businesses toward charities and non-profits, activities to which the Report refers as “community investments.”

¹ Imagine Canada, online: <http://www.imaginecanada.ca/>.

² M. H. Hall, M. Easwaramoorthy and W. Sandler, *Business Contributions to Canadian Communities: Findings from a qualitative study of current practices* (2007), Imagine Canada, online: http://www.nonprofitscan.ca/Files/misc/business_contributions_en.pdf.

³ EnCana Corporation, online: <http://www.encana.com/>.

While Canadian businesses provide a considerable level of support for charitable and non-profit organizations, the Report shows that:

surprisingly little is known about the ways in which such support is provided or the perspectives that businesses have about their contributions. As a result, businesses that are considering how to develop initiatives to support communities or are exploring how to improve their contributions will find themselves in mostly uncharted territories with little solid information to guide their way. This can pose unforeseen problems because, as will be seen, providing support to communities can have its challenges.⁴

B. BACKGROUND

In order to launch the first stage of the study, Imagine Canada researchers read current literature on community investment and conducted roundtable consultations with forty-seven representatives from Canadian businesses which were actively involved in this area. The consultations were held in Halifax, Montreal, Toronto, Winnipeg, Calgary and Vancouver. Small, medium and large companies representing all of the major industries ensured broad representation.⁵ The purpose of these discussions was “to understand practitioners’ perspectives about the various ways that businesses are supporting communities, the reasons why businesses provide such support, how this support is organized within these businesses, and the challenges, if any, that they face.”⁶

There are a variety of reasons for publishing more comprehensive information about business support for communities, including:

- ◆ How the community support offered by a business compares to other businesses;
- ◆ How the approach to providing support compares to other businesses;
- ◆ Whether the challenges a business is facing is being faced by other businesses;
- ◆ The kind of support that businesses are offering;
- ◆ The kinds of causes they support;
- ◆ Their expectations for their relationships with community organizations; and
- ◆ For those who wish to encourage businesses to contribute, the level of business support and whether it is increasing or decreasing.⁷

⁴ *Supra* note 2 at 6.

⁵ *Supra* note 2 at 8. The major industries included: Retail and Wholesale Trade; Manufacturing and Construction; Mining, Oil, Gas Extraction; Utilities; Agriculture; Forestry; Fishing and Hunting; Finance and Insurance; Professional, Scientific and Technical Service; Accommodation and Food Services.

⁶ *Supra* note 2 at 6.

⁷ *Supra* note 2 at 6 – 7.

While it is difficult to ascertain the level of contribution Canadian businesses make toward community organizations, a recent analysis of taxation data published in 2006 by Imagine Canada “found that 3% of Canadian businesses claimed charitable donations on their 2003 tax returns totalling \$1 billion.”⁸ Another Canadian study surveyed over 13,000 charitable and non-profit organizations revealed an estimated receipt of \$2.8 billion in corporate donations and sponsorships in 2003.⁹ Other studies show that some Canadian businesses support the volunteer activities of their employees – some during working hours and some on employees’ own time.¹⁰

Two studies have revealed the challenges that come with community investment:

- ◆ Determining how much to contribute;
- ◆ Measuring the full value of contributions;
- ◆ Measuring the impact of contributions on the community and on the business;
- ◆ Responding to increasing numbers of requests for funding; and
- ◆ Obtaining sufficient financial and human resources to run their community contribution initiatives.¹¹

C. KEY FINDINGS

1. Why Businesses Contribute to Charitable and Non-Profit Organizations

Two of the motivating factors behind supporting community organizations include: (1) the philanthropic values of business leaders and employees (these companies are more likely to be privately owned); and (2) “good corporate citizenship”¹² (these companies are more apt to be publicly owned). Four main reasons were cited as to why businesses contribute to communities in relation to their general business strategy:

- ◆ **Marketing** – Contributions to charities and non-profits are used as a way to build their company’s brand and reputation among consumers.

⁸ *Supra* note 2 at 7.

⁹ *Ibid.*

¹⁰ For an earlier Bulletin on this subject concerning a survey conducted by Imagine Canada and the University of Lethbridge, see Jacqueline M. Demczur and Paula J. Thomas, “Business Support for Employee Volunteers in Canada: Results of a National Survey” in *Charity Law Bulletin* No. 108 (24 January 2007), online: <http://www.carters.ca/pub/bulletin/charity/index.html>.

¹¹ *Supra* note 2 at 8.

¹² *Supra* note 2 at 6.

- ◆ **Shared fate rationale** – Companies believe that they benefit and prosper from healthy and vibrant communities and that supporting charities and non-profit organizations is an important way to build strong communities.
- ◆ **A social license to operate** – Many businesses recognize that if they are going to be successful, they need to be accepted and valued by the communities in which they operate. Support for community organizations is believed to build social capital and support among citizens and governments.
- ◆ **Improved ability to recruit and retain employees** – A company’s support for the community is considered to play a role in helping to attract and retain employees. A number of participants reported how their community contributions fostered pride and loyalty among their employees.¹³

2. What Are Businesses Doing to Support Communities?

There are many different ways in which businesses support charitable and non-profit organizations:

- ◆ Making financial donations;
- ◆ Donating goods and services;
- ◆ Supporting employee volunteering;
- ◆ Sponsoring charity events; and
- ◆ Matching employees’ contributions.

The Report noted that larger businesses were more likely than smaller businesses “to align their community contributions with their business objectives [and] they were more likely to express an interest in finding a unique niche for their community contributions that would distinguish their companies from others.”¹⁴ Many companies assisted charities with a connection to their business objectives, *e.g.*, a pharmaceutical company would be likely to support a health-related cause or a print media company would be likely to support a literacy program.

The Report also noted that businesses tend to respond to requests from community organizations rather than seeking them out. As businesses are inundated with requests from organizations for assistance, there is no need to proactively search for them. As well, businesses reported difficulty in systematically finding information about charities and non-profit organizations in Canada.¹⁵

¹³ *Supra* note 2 at 9.

¹⁴ *Supra* note 2 at 10.

¹⁵ *Supra* note 2 at 11.

3. How Do Businesses Organize Their Contributions?

With respect to community support, larger businesses usually have more formal policies and procedures in place as compared to smaller businesses. Decisions regarding causes to support may be made by management staff, the board of directors, senior management or a committee of employees. In smaller companies, it is often the business owners who make community investment decisions based on their own altruistic motivations.

The Report noted that many businesses surveyed drew a distinction between sponsorships and donations. Marketing departments are often in charge of sponsorships and have a separate budget for them, while community investment departments, separate corporate foundations and public affairs or communications departments are often responsible for making donations.¹⁶

4. How Do Businesses Assess and Evaluate Their Contributions?

Many of those surveyed reported difficulty in evaluating their community investments in terms of tracking their value and assessing their impact. This is partly due to a lack of standardized processes for making these kinds of assessments. While cash donations are fairly easy to track, it is more difficult to track “employee volunteering initiatives, pro-bono service, community economic development activities and in-kind donations.”¹⁷ Businesses found it similarly difficult “to benchmark their efforts against other companies or against industry standards.”¹⁸ As well, few businesses reported having a formal process in place for charitable and non-profit organizations to relay back how they are using the contributions from businesses.

5. The Challenges Businesses Face

Businesses surveyed identified three major obstacles that occur in connection with community investment:

- ◆ Lack of staff and resources to handle the overwhelming demand for support from charitable and non-profit organizations;
- ◆ Lack of internal adherence to corporate policies; and

¹⁶ *Ibid.*

¹⁷ *Supra* note 2 at 12.

¹⁸ *Ibid.*

- ◆ Difficulty in balancing and managing the expectations of a variety of stakeholders, such as the board, senior management, employees, shareholders, community organizations, consumers and government.¹⁹

6. Conclusions and Implications

From the results of the survey, it is clear that Canadian businesses require an enhanced level of information and more practice tips with respect to community investment initiatives. In that regard, the authors of the Report suggested that businesses would benefit from:

- ◆ Better knowledge about what other businesses are doing;
- ◆ Information about promising or innovative practices;
- ◆ Opportunities for education or training;
- ◆ Opportunities to share practices; and
- ◆ Better information about charitable and non-profit community organizations.²⁰

In relation to the challenges that businesses face with respect to a lack of staff and resources to respond to community requests, and the challenges with regard to implementing corporate policies, the authors of the Report raised the following questions:

- ◆ Are there more efficient ways for businesses to manage contributions?
- ◆ How much of a priority do businesses place on community investment?
- ◆ Are businesses maximizing their returns from their community investments?
- ◆ Does the inability to satisfy the many requests for community support pose risks to businesses?
- ◆ Would community organizations benefit from better information about the community investment practices of businesses?
- ◆ Are there ways for businesses to support communities?²¹

¹⁹ *Supra* note 2 at 13.

²⁰ *Supra* note 2 at 15.

²¹ *Supra* note 2 at 15-16.

D. COMMENTARY

As the first step in a wider study on community investment practices in Canada, this Report demonstrates the many forms of business support for charitable and non-profit organizations and the related challenges. As the Report notes, this is an emerging field of practice, one that will profit by more helpful information becoming available, as well as more opportunities for education and sharing practice tips. Whether community investment is conducted as an expression of philanthropic values, as an indicator of “good corporate citizenship”, or as a combination of the two, it has positive consequences for businesses and the community organizations which they serve. As well, a wide range of other stakeholders are impacted: boards of directors, senior management, employees, shareholders, community organizations, consumers and the government. The results of the next phase of Imagine Canada’s research, due to be released in the fall of 2007, will offer more breadth and depth to the present state of investments in the community by Canadian businesses.



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