Charities in Business, Business in Charities, Charities and Business – Mapping and Understanding the Complex Nonprofit/Business Interface

RAYMOND DART

Assistant Professor, Business Administration Program, Trent University, Peterborough, Canada

Introduction

> A new pro-business zeitgeist has made for-profit initiatives more acceptable in the nonprofit world. (Dees, 1998, p. 3)

One of the most important dynamics in the charitable sector in Canada at the present time is its evolving relationship with the private sector. We frequently hear of charities that are attempting to run in a more "business-like" manner. We hear of charities that are developing revenue streams through increased sales of good and services. And we hear of charities that are joining forces with businesses to undertake joint marketing initiatives and cross promotions. What does all of this mean for Canadian charities? What are the policy and societal implications of these developments?

This article attempts to answer these two questions by providing a provisional "map" of the state of thinking and practice at the charity-business interface in 2003. The central contention of this article is that there is not just one arena of engagement between charities and business, but at least three – specifically, "charities in business," "business in charities," and "charities and business" – and that each of these arenas has dramatically different implications for the participating organizations and for the wider policy context.

The Evolution of the Charity-Business Interface

Present thinking (and writing) on the nonprofit or charitable* sector's engagement with business is generally quite muddled. However, a few things are clear. Foremost, there seems to be a general social belief that there is value in nonprofits becoming in some ways more business-like and there is a need for them to do so. Canada's pre-eminent management thinker, Henry Mintzberg (1996), believes that an ideological change in OECD countries includes the view that both government and the nonprofit sector need to learn from the

* For the analytical purposes of this paper, nonprofits and charities are presented as roughly synonymous, except where indicated.

private sector, and that "everything" should be run like a business, although it is not always clear what it meant by this. A plethora of new practitioner-focused publications for the nonprofit sector (primarily American in origin, although applying "enterprise culture" to the charitable sector has also been an explicit project of the Blair government in the UK) focus on "private sector strategies for social sector success" (Kearns, 2000), "social entrepreneurship" (Brinckerhoff, 2000), and "nonprofit enterprise" (Dees, Emerson, & Economy, 2001).

The Canadian context for this issue is large and growing. We routinely hear about Canadian charities dealing with outcomes and accountability issues by doing "business planning" (e.g., museums in Alberta; Oakes, Townley, & Cooper, 1998; Townley, 2002) and charities attempting to diversify revenue streams by developing related-business programs (e.g., the YMCA providing health club facilities, or Family Services Canada agencies competing in the Employee Assistance Program market). Recently we have seen the emergence of the Canadian Centre for Social Entrepreneurship at the University of Alberta and the Social Capital Partners, a "venture philanthropy" organization to support social entrepreneurs in Toronto. These developments are generally understood as emerging from a common trajectory.

The idea of nonprofit organizations getting "into business" is not at all new. British researchers (Shaw, Shaw, & Wilson, 2002) trace the origin of the idea to Victorian hospitals and say it has "always been a key feature of charity work" (p. 10). However, the issue regained prominence in the 1980s, primarily in the United States, as a result of the pioneering work of the American federal government in unraveling the welfare state. American nonprofit social service agencies were among the first in the OECD to feel the funding crunch caused by the neo-conservatives' tax-reducing ideology. Emerging from concerns about reduced government funding were two books about nonprofits in business by Crimmins and Keil (1983) and Skloot (1987). Both books focused primarily on the need for nonprofit organizations to begin to generate their own revenues in order to reduce dependence on government funding. To fit this focus, Skloot defined business activity by nonprofits as "sustained activity, related, but not customary to the organization, designed to earn money" (p. 381). In other words, the first focus of charity-business engagement was revenue generation.

By the mid 1990s, the introduction of the concept of social entrepreneurship (Emerson & Twersky, 1996) transformed discussions about where the nonprofit sector connected with the business sector. This concept was much broader than Skloot's and signaled a more robust engagement of the nonprofit organizing model with ideas from business. Unlike earlier developments, this one challenged the basic idea and organizing models of nonprofits. Here, business is not simply the addition of activities designed to generate funds, but is a core element of nonprofit organizational behaviour. Emerson and Twersky discuss the need to design organizations that are managed for a "double bottom line" consisting of mission and revenues. They present commercial revenue generation not as a subordinate goal, but as an equal and parallel organizational goal. "This commitment to a 'double bottom line' is at the heart of the New Social Entrepreneur. It forces the nonprofit manager to live within a dynamic tension of what makes good business sense and what fulfills the organization's social mission" (p. 3). The double bottom line, then, represents an evolution of the charity-business interface to a point where commercial viability is a goal equal to that of fulfilling the organization's social mission.

Although Emerson and Twersky's book focused specifically on the job training, job readiness, and homeless service subsectors (i.e., much of what constitutes the community economic development area in Canada), their ideas soon extended to the wider nonprofit sector. In 1998, Dees catapulted the idea of social entrepreneurship into the management mainstream with his *Harvard Business Review* article entitled "Enterprising Nonprofits." In this article, he discussed not only revenue generation goals for nonprofits, but also wholesale organizational and cultural change to meet emerging "realities" in competition and environmental change. For Dees, and for much of the nonprofit/business discussion since, the issue has broadened to include the need for increased market-focused discipline, market-focused social innovations, partnerships and collaboration with for-profit sector organizations, increased financial efficiency, and the application of new concepts such as "social return on investment" to the management of nonprofit organizations. These types of initiatives also require different managerial and organizational approaches: "If nonprofits are to explore commercial options, it is essential both that they build business capabilities and that they manage organizational culture" (p. 13). Here we see the charities/business interface broadening a great deal.

The most recent publications for practitioners take this dimension further. This is exemplified by Brinckerhoff (2000, p. 2), who asks, "Does your organization need business development skills even though it is a nonprofit? Absolutely!" and by Kearns (2000) whose focus (and book subtitle) is "private sector strategies for social sector success." In these books, we find the nonprofit and business connection applying not only to programs or initiatives designed to make money and to the management and organization of settings in which commercial revenue goals are considered appropriate, but also to the wholesale management and organization of the nonprofit or charity.

The basic map of the recent evolution of thinking about the nonprofit sector's engagement with business sector models, goals and ideas, while not comprehensive or detailed, conveys the trajectory of thinking about the nonprofit/business interface from a relatively small and focused domain to one that has become much more extensive and fundamental. A result of this wide-ranging approach is that it is now very difficult to assess what business-like means in a nonprofit/charity context. Recent writing on the subject presents many readers, particularly those outside of the social enterprise field, with a "dark night where all cows are black," in which we are unable to sort out what specifically is meant when we talk about the need for nonprofits to be more business-like, or the problems associated with this.

This article breaks down this wide-ranging discussion into three dimensions so that readers may better understand the whole domain, as well as the implications of business-like or commercial activity at organizational, sectoral and societal levels. It contends that business or commercial activity in a nonprofit can mean fundamentally different things and that each of these distinct things presents distinct managerial challenges and opportunities, and has distinct risks and policy implications.

The first dimension, charities in business, focuses on the movement of charities into the business arena, the for-profit market place, and commercial revenue generation. The second dimension, business in charities, focuses on the movement of business language and practice into nonprofit management and applied to programs with a classical charitable mission-focus as well as those with a more financial focus. The third dimension, charities and business, looks at the rhetoric and practice of nonprofit partnerships with for-profit organizations, and the multiple issues and opportunities that accompany the emergence of these partnerships.

Charities in Business

Charities in business describes forays by charities into new client markets or new market segments where they attempt to make money and where they compete with for-profit entities. When one hears about the increasing commercialization of charities, this most commonly refers to fees for service, ancillary services, and related business activity (Weisbrod, 1998). This dimension is the one described earlier by Skloot, and is differentiated from traditional nonprofit organizational behaviour first and foremost by its goal or the motivation for the activity, i.e., revenue generation. There are many well-known examples of this in Canada's charitable sector, ranging from museum gift shops and hospital parking lots to the provision of market-priced services to wealthier clients by charitable home care organizations. All of these examples are common in most Canadian communities, and many are undertaken by well-known Canadian charities. These activities occur in organizations that have internal organizational capacities and assets that can be used effectively to generate surplus revenue (i.e., profit) that can be returned to the initiating organization.

The first issue relating to charities in business is whether charities can undertake activities that make – or are intended to make – a profit. Within the context of the "nondistribution constraint" (i.e., charities cannot distribute surplus revenues to owners or directors; DiMaggio & Anheier, 1990), and the "charitable purpose" focus of the organization, charities have few legal limitations on the kind of activities that they may pursue. (Limits to this type of commercial activity by charities are more likely to arise from strategic, social legitimacy, and public relations concerns.) There is a legal context to this issue in Canada, however, centring primarily on the tax status of business income, and the complex and evolving definition of "related" business activity. (Business income from activity that is substantially related to charitable purpose is exempt from income tax. "Unrelated business income" is fully taxable.) Although this issue is a significant and evolving issue, it is beyond the scope of this paper.

The second issue relating to charities in business concerns its incidence and profile – this is, which kinds of nonprofit organizations most frequently initiate these of activities, and why? Until recently, these questions could only be engaged anecdotally and speculatively. However, in 2002, Massarsky and Beinhacker released the first population level study of commercial venturing in the nonprofit sector. Although theirs was not a completely random, representative study of American nonprofit organizations, it provides some guidance in answering these questions. Their findings suggest that approximately 42% of surveyed organizations housed some kind of earned-income venture (this number is likely high, based on a self-selection bias of survey respondents), and that the "typical" nonprofit that initiated an earned-income venture was older in age, larger in size (as measured by staff and budget), and more likely to be in arts and culture or health areas. Conversely, nonprofit organizations that were least likely to initiate commercial ventures (and whose commercial ventures were least likely to be commercially successful) were younger, smaller, and in the education, environmental or religious areas.

The charities-in-business dimension comprises considerable diversity both in the phenomenon and in practice. The typology provided by Skloot (1987), which itself is based on the earlier work of Crimmins and Keil (1983), is probably the most useful in describing the range of activities that is possible. (Unlike the other two dimensions of the charity-business interface, this one has been documented reasonably well. More detail can be found in Skloot or, in the Canadian context, Zimmerman and Dart, 1998).

Commercial activities (described in Skloot and elaborated in Zimmerman & Dart) include the following:

(a) *Program-Related Services*. According to Massarsky and Beinhacker's (2002) survey, "service-related ventures" are by far the most common form of commercial venturing undertaken by nonprofit organizations. Fully 74% of organizations reporting earned-revenue activities engaged in at least one service-related venture. However, this category includes several kinds of services, including staff resources and client resources, discussed below. Skloot describes program-related services as "ancillary commercial services, which enhance the tax-exempt mission of the organization" (1987, p. 381). This category commonly includes gift shops, parking lots, food and beverage sales, etc. The "customers" are typically and primarily the clients and staff of the organization, although they may also include the general public. The benefits of these kinds of revenue-generating activities are well known and fairly obvious – not only do they generate funds, but they also provide services for clients and, thus, support programs.

Many of these ventures are well known and not particularly innovative or novel. However, the scope of some of them is impressive. For example, Centenary Hospital in Toronto used the revenue from its parking lots (one of the very few unallocated sources of revenue in the hospital sector) to finance the construction of 20,000 square feet of commercial office space in a professional medical/retail mall. (The mall is itself a different kind of charity-in-business initiative and will be discussed later.) Massarsky and Beinhacker (2002) report that these initiatives have a chequered incidence of profitability, with 53% reporting that they only break even or lose money. (Again, it must be noted that in this self-report survey, the sample bias was likely toward more successful commercial venturing nonprofit organizations and that the wider population may have an even lower commercialization success rate.) However, the multiple benefits of program-related services, such as gift shops or snack bars, to an organization's clients and staff mean that even if these are not successful from a financial perspective, they can be justified and appreciated for other roles they perform within the hosting organization (e.g., the provision of services for clients or staff, or for the opportunity that these settings offer for volunteers or for client training, etc.). It does, however, beg the question of why these ventures are necessarily considered to be commercial.

(b) *Program-Related Products*. Charities have always sold products. Indeed, labeling this practice as "commercial venturing" may be the most novel aspect of the nonprofit/business interface. This type of commercial activity typically involves a nonprofit offering for sale products that are closely identified with the organization, and/or are sold by agents of the organization. For example, Girl Guide cookies gross millions of dollars per year for Girl Guides of Canada. Not only are Girl Guide cookies associated with the organization and sold by its members, but selling these cookies (which is often also regarded as fundraising) is a major mission-focused activity. The well-established Girl Guide cookie brand can be contrasted to the program-related products sold by other Canadian nonprofit organizations, such as the Canadian Geographic Society. In seasonal catalogues sent to subscribers of *Canadian Geographic* magazine, products are offered that may not be uniquely branded or associated with the organization, but that have resonance with subscribers and reflects their interests. For example, the Canadian Geographic Society retails outdoor books, naturalist supplies, and nature-focused arts and household items. These products are related to the Society's nature, heritage, and landscape education programs, and are sold to generate revenue to help the organization support its wider social mission.

Massarsky and Beinhacker (2002) offer an interesting insight into this second-most common form of commercial venturing by nonprofits. Fully 51% of organizations reporting product-related earned income ventures do *not* report earning a profit from these ventures; that is, they either only break even or require internal subsidy. As any internal subsidy would have to come from the nonprofit funding base of the organization, this is a harrowing observation. To balance this potentially disturbing observation, they note that nonprofit organizations responding to their survey reported multiple benefits from product sales, beyond narrow financial ones, such as increased visibility, additional opportunities for activity, etc.

(c) *Staff Resources.* This kind of earned-revenue initiative is based on the hosting organization leveraging the considerable skills of its professional staff for activities in the for-profit domain. “Nonprofit organizations use the expertise of their staff members... These ventures may offer similar services to new groups of consumers or new, related services to current ones” (Skloot, 1987, p. 382). This typically involves professional staff working in an organization or department that is parallel to that of their normal nonprofit setting, and charging market rates for their services. The incidence of this kind of activity is thought to be increasing significantly in Canada.

There are many well-known examples in Canada of this kind of activity, particularly among organizations that are well-established in service delivery. Family Services Canada (FSC) organizations, for example, have used their national scope, and their local counseling and social work skills, to become nationally significant players in the Employee Assistance Program (EAP) market in Canada. FSC organizations are the sole major nonprofit player. They compete with both American-owned HMOs, and local and independent providers. Except in the largest FSC organizations, social workers provide services to both nonprofit and EAP clients. The benefits that this produces for FSC organizations are multiple: not only do EAP contracts generate revenue for these perennially under-funded organizations, but they help to expand the counseling specializations in FSC organizations (because they have more clients and more “business”) and allow FSC organizations to pay their social work staff something more approximating the salaries of private practice social workers. Similar types of earned-revenue professional service delivery are found in other well-established Canadian organizations such as the YMCA, the Salvation Army, and St. John Ambulance.

Staff resource ventures are also common in organizations with a specialized research capacity. For example, museum curators often participate in commercial appraisal and consulting, and university research departments often take on private research contracts. All of these initiatives depend on the hosting nonprofit organization having significant specialized staff knowledge and skills, and all of these initiatives are, therefore, clearly related to the nonprofit focus of the organization.

(d) *Client Resources*. For a variety of reasons, some charities initiate ventures that seek to involve clients in commercial revenue-generating opportunities, typically by employing them. While many of the most recent versions of this kind of activity fit under the rubric of 'social entrepreneurship' (Emerson & Twersky, 1996) and are explicitly designed to both generate profit and provide meaningful client and mission-fulfilling opportunities, earlier and more familiar versions of these ventures (such as sheltered workshops) were more focused on charitable missions and had revenue generation as a secondary goal. Skloot (1987, p. 382) notes that "owing to their large social service and training components, few [client resource] ventures earn much profit." Organizations that initiate this kind of venture typically have large pools of disadvantaged clients and organizational missions that focus on vocational training, job readiness, and community economic development.

Until recently these ventures were only considered marginally commercial, because their primary logic (as Skloot notes) was to provide job-like and business-like opportunities to clients who would benefit from such activities. However, since the popularization of the "double bottom line" concept (Emerson & Twersky, 1996), many initiatives have been developed that claim to produce both economic and social value. The Roberts Foundation in the United States (www.redf.org) has catalogued numerous examples of these ventures and has highlighted the managerial and financial challenges they pose, as well as the massive opportunities they offer. Although there have been many Canadian examples of vocational training organizations that have established businesses to provide clients with work opportunities, most of these have been significantly subsidized, both directly and indirectly, and most have focused more on the mission element than on the need to break even or generate profits.

Recently, however, at least one notable Canadian organization has focused on the double bottom line as a way to generate revenue while providing clients with vocational and social development experience. Social Capital Partners, a Toronto-based venture philanthropy organization that has an approach similar to that of the Roberts Foundation, recently partnered with some local organizations to implement this approach. In one initiative, disadvantaged inner-city and in-trouble youth are being trained in the construction trade and are provided with personal/social development support while they participate in a viable profit-making construction enterprise that is explicitly designed to fulfill this double mandate. Given the public policy focus in Canada on poverty and on youth issues (especially the "hand up" rather than the "hand out" approach), it is believed that initiatives such as these will become much more common in the near future.

(e) *Hard Property*. Earned revenue from "hard property" is the only major category where the nonprofit host organization rarely leverages or risks its wider community reputation and standing. Hard-property ventures are those that involve the rental or lease of land, buildings, offices, etc., either routinely and on an ongoing basis, or seasonally during facility downtime when fixed resources are underutilized. These types of ventures are the most conceptually straightforward, which is perhaps why Massarsky and Beinhacker (2002) found that they were the most frequently and consistently profitable earned-income ventures reported in their study. (They found that 50% of rental/leasing activities produced a profit, compared to a maximum of 37% of any other earned-income venture.) Profitability in this context is a complex issue, however. It is not known what costs are included in profit calculations, and whether profit is attributed to building rental when other programs pay facility costs or when land and building mortgages have been paid off for many years. (Recall that Massarsky and Beinhacker, 2002, noted a strong correlation between commercial ventures and older and larger nonprofit organizations.) Despite these concerns, hard-property initiatives are common in organizations that possess these kinds of assets.

Many nonprofit organizations in Canada earn income in this manner. Churches lease their basements and halls to daycare facilities or community organizations, and universities use their residences and classrooms as summer conference and meeting centres. The Centenary Hospital example referenced earlier provides an example of the upper end of the scale and scope of hard-property earned-revenue initiatives. Using its program-related service income from parking lot revenue, Centenary financed the construction of a $14-million, 75,000-square-foot professional office building near the hospital site. It leases approximately 20,000 square feet of office space to a variety of health-care professionals and the facility is professionally managed by a separate organization that is wholly owned by the hospital (Canadian FundRaiser, 1996). While Centenary's venture is frequently referenced to illustrate the potential of these ventures for nonprofit organizations, it is obvious that the typical nonprofit organization would not have the development capital, the valuable real estate, or the internal organizational capacity on which to base a venture as significant as this one.

(f) *Soft Property*. Earned income can come from commercializing the intangible assets and property of a nonprofit organization (rather than its tangible hard-property assets). In this category are such things as copyrights and patents; mailing and membership lists; and organizational image, brand and reputation. Many of these initiatives are carried out as partnerships with corporations or as part of "cause-related marketing." These will be discussed later in this article.

While relatively few Canadian nonprofit organizations have copyright and patent assets that can be commercialized (Canada's research universities and research institutes being notable exceptions), many Canadian nonprofits do have significant assets in the form of membership or supporter lists, and reputation and "brand equity." However, to date, relatively few organizations have done significant work in this area, and the well-known exceptions to this pattern tend to be national, larger, and older organizations in the health area.

For example, Canadian Dental Association and the Heart and Stroke Foundation of Canada receive funds in return for endorsing various products that are related to their areas of expertise, where their endorsement increases the legitimacy of claims made by manufacturers of these products. For example, cookbooks labeled HeartSmart and endorsed by the Heart and Stroke Foundation are sold at least partially on the basis that the Foundation has reviewed the recipes and deems them healthy. Although the commercial and mission value of such endorsements may seem quite compelling, the downsides are thought to be at least equal. Pollution Probe's famous (now infamous) partnership with Loblaws to endorse Loblaws' GREEN product line in the late 1980s is now referenced as a textbook soft-property commercialization disaster (Westley & Vredenburg, 1991) in which the endorsements undermined the legitimacy, public status, and environmental credibility of one of Canada's best-known and best-respected environmental organizations. Similarly problematic is the sale of membership lists to marketing firms. Although there is definite commercial potential for organizations whose members or clients are valued target markets, the downside for organizations in terms of possible member backlash is not to be underestimated.

The last several categories of charities in business are based on Skloot's (1987) typology and are intended to illustrate the range of possibilities in this domain. However, Skloot's typology is based on kinds of activity and is not analytically organized. There are other ways to map the diversity of charities in business that highlight the type and scope of issues and opportunities that can be observed in the field. For example, we may distinguish charities in business on the basis of the extent to which the commercial activity is related or unrelated to both the organization's core charitable aims and its core service or program competencies. We can also differentiate charities in business on the basis of the scope, intensity, frequency, and substantiality of the business activity. This kind of continuum would map the degree to which a charity generates significant revenue from a commercial enterprise, or the degree and extent of its organizational commitment.

There are many issues surrounding charities in business, ranging from managerial issues of a functional and technical nature (i.e., how to design and implement a successful venture, whether to separate or integrate a business venture into or apart from the core charitable organization) to broader ethical, ideological and social policy issues at the organizational, sectoral and societal level. Many of these issues are developed at length in Zimmerman and Dart (1998); a few of the key ones will be discussed briefly.

Perhaps the broadest and most important issue emerging from charities in business is whether a profit focus is appropriate within a program of a charity and whether this focus is likely to result in mission drift (DiMaggio, 1986) and values displacement within the hosting organization. There is as yet little empirical evidence to confirm or challenge this very important organizational and policy concern. Dart and Zimmerman (1999) published two Canadian case studies that showed a nonprofit organization in which for-profit programs were either comfortably contained and constrained by nonprofit/charitable values or in which the for-profit programs actually concurred in important ways with the nonprofit values of the organization. Most of the published works on "social enterprise" (Emerson & Twersky, 1996; www.redf.org) are case studies illustrating the ways in which financial goals can have mission-fulfilling value, but these cases are largely promotional rather than analytical or critical. There are no other analytical studies published yet on the effects of the charities-in-business phenomenon on the organization itself.

There are also concerns expressed that charities in business will undermine public attitudes toward and public support of charities. In a national poll in 2000, the Muttart Foundation probed a piece of this issue and found that the Canadian public was highly supportive of charities generating some of their own revenue through activities such as second-hand shops, office space rental, consulting or incidental product sales. However, this component of the issue has not been dealt with extensively or in detail.

There is certain to be heard a great deal more about the implications of charities in business, particularly as some of these initiatives evolve beyond incidental product sales and other traditional revenue generating activities into activities that are more significant and/or profitable. The phenomenon of charities working outside of the domain of charitable activity raises issues, such as "unfair competition" with local businesses (the Canadian Federation of Independent Business has spoken out on this issue) and charities spending "opportunity energy" chasing commercial revenue rather than charitable mission and objectives, that promise to provoke high-stakes discussion and debate in the near future.

Business in Charities

Business in charities describes something that is different from, though often connected to, charities in business. Business in charities refers to the inclusion or importation of business/corporate language, models, techniques, strategies, mindsets and management practices into charities. This dimension describes charities being business-like not specifically in terms of ends (i.e., the commercial goals of charities in business), but in terms of means: organization, structure, and culture. In a nutshell, business in charities refers to organizations that use commercial language ("being in business," "run like a business"), commercial decision metrics (e.g., return on investment, the Boston Consulting Group portfolio analysis matrices), commercial strategy frameworks (e.g., Porter's strategy framework), commercial organizing tools (e.g., business planning), and commercial service delivery.

This dimension of the issue is analytically trickier than charities in business – although it is easy to label a profit motive as business-like, it is less obvious that organizing a certain way, or using a certain language or mindset or particular analytical tools, necessarily means that business has entered a charity. It is also trickier to point to examples of business in charities. While executive directors generally have an easy time labeling programs or activities that are undertaken to make money, they find it more difficult to name the more or less business-like organized programs. This is due, in part, to the degree to which business-based organizing models have now become the underlying and largely unquestioned models underpinning almost all organized activity (Mintzberg, 1996).

With these problems in mind, this section provides a descriptive overview of the dimension of business in charities and discusses what have been framed (to this point) as important managerial and policy issues related to this dimension.

Business in charities consists of the thinking and techniques of efficiency, core competence, market orientation, strategic focus, portfolio analysis, risk/return, etc. that have traditionally been found in standard MBA texts and are now contained in core texts for nonprofit sector management programs at both the academic (Oster, 1995) and practitioner (Brinckerhoff, 2000; Kearns, 2000) levels. This dimension cannot be broken down into a helpful typology in the same way that charities in business can. After all, where does business discourse begin and business technique end? In a report for the Trillium Foundation, Brenda Zimmerman and I describe the degree to which "corporate rhetoric permeates the [charitable] sector" (Zimmerman & Dart, 1998, p. 16) and the extent to which language, tools, techniques and mindsets are all related. We suggested that "the language of the marketplace has put management at the centre of our organizations, corporate business at the centre of society and defined government and business as nonproductive and troublesome" (p. 16). If this is the case (as many of us working and researching in the charitable sector believe), then the importation of business into charities can be understood as occurring through any of several combinations of techniques, languages, values, and metrics. Charitable organizing is being infused with language and technique from the business sector.

Why has this dimension of the business-charity interface emerged? There are two distinct schools of thought on this. Proponents of this phenomenon (Kearns, 2000; Brinckerhoff, 2000) believe that these tools, and the language and mindsets that complement them, are functional and ameliorative; that is, that these approaches can facilitate improvements in program and organizational effectiveness and efficiency. They believe that commercial tools and frameworks can be legitimately and effectively applied to charitable and "pro-social" goals. Other commentators point to a different origin of business in charities that is more ideological in character. Mintzberg (1996), Oakes, Townley and Cooper (1998), and Zimmerman and Dart (1998) all emphasize the increased social legitimacy of business-like language, business practices, and business tools and techniques – from this perspective, business in charities may not be necessarily better, but may be more socially legitimated and expected by stakeholders such as funders, regulators, boards, and managers.

What are the issues surrounding business in charities for Canadian charitable organizations? Policy and organizational concerns have been expressed in both abstract and general terms and, more specifically, as a result of case studies. At the broadest level, concerns have been expressed about the importation of a "managerialist" culture into charities (Hall, 1990) and the way that this culture might bring different and less pro-social/charitable values into the charitable sector. Mason (1992) wrote an article entitled "Invasion of the Soul Snatchers: Are Invaders from the Business World Stealing our Sector's Soul?" that focused more on concerns about the importation of business thinking than on the simple profit focus for nonprofit organizations. Mason and others articulate basic concerns that business in charities undermines basic charitable values and priorities with sharper edged, less caring, and less altruistic corporate values.

Articles such as Mason's concern themselves with whether business thinking, language, and tools are compatible with and appropriate for anything other than the financial bottom line. If we think in terms of strategic focus, market orientation, and return on investment (or the even recently framed "social return on investment"), can we actually organize effectively to engage important social and environmental values and priorities? In published work, this question tends to be asked more broadly, at the non-business level of society, which includes charities, governments, communities, etc. Here, concern is expressed about approaching societies and communities as "markets" (Kuttner, 1997), and using private sector models and language to evaluate "public" "goods" (Saul, 1995). Even billionaire financier George Soros (1997) has voiced strong concerns about the pervasiveness of market ideology in civil society discourse. These latter concerns about business thinking are not directed specifically at nonprofit and charitable organizations, but at the wider non-business community of which charities are a part.

There has been little detailed critical research to date on the impact of business language and organizing on the actual behaviour of charitable organizations, but what research there is frames important concerns and suggests that business mindsets in charities cause significant (and often unintended) changes. In a case study, Oakes, Townley and Cooper (1998) showed amazing (and frightening) changes in the museum sector in Alberta as a result of museums being required to use business planning in their operations. These researchers compellingly documented how their sample of organizations moved from valuing collections and research, to valuing marketing, entertainment, and ancillary operations as a result of the "pedagogy" of business planning. My own research (Dart & Zimmerman, 1999; Dart, in review) shows business-like service delivery rationalizing multiple changes in a nonprofit social work organization. As a result of applying business thinking to its services, this organization decided to abandon some high-need client groups, reduce overall quantities of service to other groups, and shift its service delivery to models that emphasized less emotional (i.e., "tough love") and more affectively detached engagement.

It is important to note that my research also shows some positive organizational outcomes in terms of numbers of clients served and in some dimensions of program outcomes resulting from a business-like approach. However, these positive outcomes are framed in the context of the business-like organization fundamentally reconstituting what program and service even mean, in a matter quite similar to that described in the Alberta museums studies. However, both of these are qualitative case studies of a small numbers of organizations. To date, there have been no systematic studies of large numbers of organizations to examine this phenomenon.

We don't yet know much of the impact of business in charities at either the organization, sectoral, or societal levels. Given the pervasiveness of the use of business language and tools in Canada's charitable sector, a great deal of study – to say the least – is called for.

Charities and Business

Charities and business describes the inter-organizational collaboration dimension of the nonprofit-business interface (Young, 2001; O'Regan & Oster, 2000). Rather than focusing on some aspect of the charity's internal behaviour (i.e., goals or organization), this dimension illuminates the increasingly important collaborative relationships, typically called partnerships, between charities and commercial businesses. Thus, rather than "being" business-like in some way, the charities-and-business dimension highlights charities working with businesses to achieve ends that are valued by both parties.

The discussion of charities and businesses begins with a description of the intended values of partnerships, then elaborates the types of partnerships commonly seen in Canadian charities, and concludes with what is presently known or thought about the managerial, sectoral and policy issues relating to this dimension of the nonprofit-business interface.

Why charity-business partnerships? Where have these partnerships come from? Historically, the reasons for partnerships were similar to the reasons for charities in business. From the charity perspective, the primary reason was generally taken to be financial (Austin, 2000). Partnerships with corporations allow charities to develop a new revenue source and/or to diversify their revenue base. However, thinking about partnerships has evolved a great deal. The present thinking emphasizes relationships that are much more ambitious and wider in scope than the traditional *quid pro quo* of the "charities get money, businesses get publicity" frame. The key now is thought to be "common interest and common good," in which both parties can create multiple important values for themselves and their constituencies (Sagawa & Segal, 2000). Partnerships exist, by definition, because they allow both parties to further important values. Because corporations have moved from simple philanthropy to "strategic philanthropy" in which charitable funding is tied to corporate objectives (Young, 2001) and because the missions of charities and businesses have become increasingly inter-related and interdependent (Austin, 2000), cross-sectoral partnerships of increased scope and complexity (in which corporations provide more than money and charities provide more than service) are thought to be becoming increasingly viable.

The kinds of charities-and-business partnerships are as varied as the types of charities-in-business enterprises and actually overlap to some degree. (The soft property category of commercial ventures can also be understood as collaborative partnerships between a business and a charity.) James Austin (2000) frames cross-sector partnerships along a "collaboration continuum" that varies between "low" level engagement, "small" resources, and "minor" strategic value, to "high" level engagement, "large" scale resources, and "major" strategic value. Young (2001) describes the types of corporate partnership arrangements as follows:

Type of Partnership	Description	Canadian Examples
1. Event Sponsorships	Corporate sponsorship of fundraising events. Typically, corporations provide funds or services in exchange for publicity.	Manulife Financial sponsors the Heart and Stroke Foundation's "Ride for Heart" event.
2. Royalty Arrangements	"Nonprofits may associate their good names with corporate products in exchange for a share of the sales revenue of those products" (p. 1).	Trent University partners with and promotes Trent University Mastercard credit cards.
3. Direct Sales	Nonprofits may sell commercial products under their own name.	Girl Guides sell cookies made by a third-party manufacturer.
4. Solicited Donations	Corporations may allow clients to direct benefits to charities.	AT&T allows customers to donate their sign-up bonuses to the March of Dimes.
5. Product Endorsements	Nonprofits may publicly endorse commercial products in exchange for a share of revenues.	The Canadian Dental Association endorses Crest toothpaste.

6. Shared Resources	This is an aggregate section, including the loaning of corporate executives to charities, giving employees time off to volunteer in charities, and offering charities marketing and advertising space in publications or marketing materials.	RBC (formerly the Royal Bank) supports staff involvement in community volunteer work and donates $500 to charities with which an RBC employee volunteers more than 40 hours per year.

For examples at the high/complex end of the collaborative continuum, see Austin (2000).

What are the issues associated with charity-corporate partnerships? Those that have been discussed in the literature vary from functional and technical to political and ethical. Functional issues cover the tricky issues of "how to do" partnerships. Charities and businesses typically have different cultures, values, and goals and are, therefore, not easily able to develop strong collaborative relationships (Sagawa & Segal, 2000). Young (2001) notes that poorly designed partnerships can lose money and interfere with the missions of both parties. Technical and functional concerns about partnerships are dealt with by clearly framing the value proposition of the partnership, by developing deep relations between partner organizations, and by viewing the partnership not merely as philanthropic and transactional, but as actually "integrative" between organizations (Austin, 2000). Clearly, though, this is often easier said than done, and management literature is full of examples of the challenges of managing productive inter-organizational relations.

The ethical and political issues of charity-business partnerships are also problematic. Although most of the sources that discuss partnerships frame problems only on a functional/technical level, a few note more fundamental problems. Westley and Vredenberg (1991) studied the controversy surrounding Pollution Probe's endorsement of Loblaws' GREEN products and noted that the partnership was disastrous to the credibility and perceived legitimacy of the environmental organization. Rundall (2000), who studied the case of Nestlé in the breast-feeding issue in Europe suggests that partnerships with NGOs can unjustifiably sanitize the image of a large corporation, and can also influence the policies and priorities of NGOs that stand to benefit from partnership arrangements. For Rundall, the relationship between typically large and well-capitalized corporations and typically smaller and less powerful nonprofit organizations is never a true partnership and is inevitably asymmetrical – corporations control too many scarce resources and have too many tools for a functional, balanced partnership to evolve. (This view is not shared by American commentators such as Austin, 2000; Young, 2001; or Sagawa & Segal, 2000).

Partnerships, collaboration, and inter-organizational relationships are thought to be increasing in scope, scale, and complexity both within and between organizational sectors. Research and policy analysis in the area of charities and business has barely begun.

Conclusion

This article has described and discussed three fundamentally different domains of the nonprofit-business interface in an attempt to illuminate these domains, to highlight their basically different characters, and to present what are considered to be the most compelling issues, opportunities, concerns, and hopes for each domain. While a basic premise of this article has been that there are many more questions than answers about the changing nonprofit-business interface, it has shown – at a minimum – that there are at least three distinct types of nonprofit organization activity that we need to consider, and that the approaches to and implications of each of these types is quite different. Certainly, the importance of this emerging domain suggests a need for additional organizational, legal, public policy, and political research to understand the Canadian context of this phenomenon and to begin to attempt to manage it broadly in the public interest.

REFERENCES

Austin, J. (2000). Strategic collaboration between nonprofits and businesses. *Nonprofit and Voluntary Sector Quarterly*, 29(1), 69–97.

Brinckerhoff, P. (2000). *Social entrepreneurship: The art of mission based venture development*. New York: John Wiley and Sons.

Canadian FundRaiser. (1996). Centenary Health Centre's medical/retail mall. Retrieved November 2003 from <http://www.charityvillage.com/charityvillage/ research/rcomm1.ht ml>.

Crimmins, J., & Keil, M. (1983). *Enterprise in the nonprofit sector*. Washington, D.C.: Partners for Livable Places.

Dart, R., & Zimmerman, B. (1999). After government cuts: Insights from two Ontario case studies of "enterprising nonprofits." In K. Banting (ed.), *The Canadian nonprofit sector in transition: New challenges, new roles* (pp. 107–148). Montreal: McGill-Queen's University Press.

Dees, G. (1998). *The meaning of "social entrepreneurship."* Stanford University, Graduate School of Business.

Dees, G., Emerson, J., et al. (2001). *Enterprising nonprofits: A toolkit for social entrepreneurs*. New York: John Wiley and Sons.

Dees, J. D. (1998). Enterprising nonprofits. *Harvard Business Review*, January–February, 55–67.

DiMaggio, P. (1986). *Nonprofit enterprise in the arts: studies in mission and constraint*. New York: Oxford University Press.

DiMaggio, P., & Anheier, H. (1990). The sociology of nonprofit organizations and sectors. *Annual Review of Sociology*, 16, 137–159.

Emerson, J., & Twersky, F. (Eds.) (1996). *New social entrepreneurs: The success, challenge and lessons of non-profit enterprise creation*. San Francisco: The Roberts Foundation.

Hall, P. D. (1990). Conflicting managerial cultures on nonprofit boards. *Nonprofit Management and Leadership*, 1(2), 153–166.

Hall, M., Greenberg, L., & McKeown, L. (2000). *Talking about charities: Canadian opinions on charities and issues affecting charities*. Edmonton: The Muttart Foundation.

Kearns, R. (2000). *Private sector strategies for social sector success*. San Francisco: Jossey-Bass

Kuttner, R. (1997). *Everything for sale: The virtues and limits of markets*. New York: Random House.

Mason, D. (1992). Invasion of the soul snatchers: Are invaders from the business world stealing our sector's soul? *Nonprofit World*, 10(6), 27–30.

Massarsky, C., & Beinhacker, S. (2002). *Enterprising nonprofits: Revenue generation in the nonprofit sector*. Yale School of Management – The Goldman Sachs Partnership on Nonprofit Ventures: 15.

Mintzberg, H. (1996). Managing government, governing management. *Harvard Business Review*, May–June, 75–83.

O'Regan, K., & Oster, S. (2000). Nonprofit and for-profit partnerships: Rationale and challenges of cross-sector contracting. *Nonprofit and Voluntary Sector Quarterly*, 29(1), 120–140.

Oakes, L., Townley, B., & Cooper, R. (1998). Business planning as pedagogy: Language and control in a changing institutional field. *Adminstrative Science Quarterly*, 43, 257–292.

Oster, S. (1995). *Strategic management of nonprofit organizations*. Oxford: Oxford University Press.

Rundall, P. (2000). The peril of partnership – an NGO perspective. *Addiction*, 95(10), 1501–1504.

Sagawa, S., & Segal, E. (2000). Common interest, common good: Creating value through business and social sector partnerships. *California Management Review*, 42(2), 105–122.

Saul, J. (1995). *The unconscious civilization*. Toronto: House of Anansi Press and the Canadian Broadcasting Corporation.

Shaw, E., Shaw, J., et al. (2002). *Unsung entrepreneurs: Entrepreneurship for social gain*. Durham, U.K.: University of Durham Business School.

Skloot, E. (1987). Enterprise and commerce in nonprofit organizations. In W. Powell (Ed.), *The nonprofit sector: A research handbook* (380–393). New Haven: Yale University Press.

Soros, G. (1997). The capitalist threat. *Atlantic Monthly*, 279, 45–58.

Townley, B. (2002). The role of competing rationalities in institutional change. *AMJ*, 45(1), 163–179.

Tuckman, H. (1998). Competition, commercialization and the evolution of nonprofit organizational structures. In B. Weisbrod (Ed.), *To profit or not to profit: The commercial transformation of the nonprofit sector* (pp. 25–46). Cambridge: Cambridge University Press.

Weisbrod, B. (Ed.) (1998). *To profit or not to profit: The commercial transformation of the nonprofit sector*. Cambridge: Cambridge University Press.

Westley, F., & Vredenburg, H. (1991). Strategic Bridging: The collaboration between environmentalists and business in the marketing of green products. *Journal of Applied Behavioural Science*, 27(1), 65–90.

Wyszomirski, M. (1999). Creative assets and cultural development: How can research inform nonprofit-commercial partnerships? *Journal of Arts Management*, 29(2), 132–142.

Young, D. R. (2001). *Corporate partnerships: A guide for the nonprofit manager*. National Center for Nonprofit Enterprise.

Zimmerman, B., & Dart, R. (1998). *Charities doing commercial ventures: Societal and organizational implications*. Toronto: Canadian Policy Research Network and the Trillium Foundation.