

## **It's time to say 'not' to not-for-profit**

### **Special to Globe and Mail Update**

*Published Monday, Oct. 31, 2011 2:00AM EDT*

It might surprise you that the not-for-profit sector is larger and more important to Canada than the oil and gas sector. It might also surprise you that the not-for-profit sector is in the midst of a major identity crisis.

This crisis starts with the sector's name. After all, what other sector of the economy refers to itself by what it's not? Grocery stores don't call themselves "not furniture stores." It creates an expectation that we should not be profitable. This negative naming has created a severe disadvantage for us compared with the other sectors in how money is raised, how it gets spent and who gets to "profit" from success. A better name is the "social profit sector."

If profit is a measure of value created, then the reality is that most charities are immensely "profitable" from both a net revenue and impact perspective. We need to raise more money than we spend in order to fund our missions and our causes. We deliver profit – value – to society through an extraordinary array of institutions, programs and services. So our net profit – analogous to the profit of a private company – is in delivering social value.

But current guidelines from the Canada Revenue Agency suggest a 20-per-cent to 35-per-cent target fundraising cost ratio. Imagine the government telling a bank or software company what its expense targets should be annually. But this is what happens in our "not-for-profit" sector. At best, this stifles a charity's current operations and its potential for greater impact in the future. At risk is fundraising innovation, prudent risk taking, launching social enterprises, creating new initiatives, enhancing service, creating brand equity – the very things lauded in the other sectors. At worst, it focuses public and policy attention on a difficult performance metric and creates a very short-term view of "investment" and "return."

The real value of a charity is in the value we create for society on a daily basis: feeding the hungry, sheltering the homeless and, in the case of the Princess Margaret Hospital, searching for better treatments and conquering cancer in our lifetime. In order to deliver our social profit, we need to invest in our people, programs, places and, yes, even fundraising.

Our lotteries are the largest private source of funding for cancer research in Canada. Since their launch in 1996, more than \$225-million has been raised, and 100 per cent is devoted to cancer research. This investment has propelled the Princess Margaret to be ranked third in the world in research performance as measured by citations in high-impact journals. This is our impact, and society is the beneficiary. This is our social profit.

So it's time to rename the "not-for-profit" sector to what it really is: the social profit sector. Rethinking charities as social profit organizations will recognize our impact and the beneficiaries of our collective good work. It will allow for new ways of thinking about profit – financial and social – that combine the best of the other sectors for the benefit of all Canadians.

Rather than focusing on fundraising or overhead costs as the metric of choice, social profit organizations will need to develop a new set of high-performance measures that incorporates fiscal balance and social impact. After all, shouldn't demonstrating impact and social value be the name of the game? A renaming will finally unleash a new way of thinking

and working in the world of philanthropy that is so crucial to our long-term success.

The social profit sector is charity for the 21st century and a name that can make everyone involved proud.

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