PHILANTHROPY AND BUSINESS: LIKE MIXING OIL AND WATER?

Can you mix charity and business? And if so, how?

BY MARILYN L. MORRIS

Is mixing business practices and nonprofits like combining oil and water? Media attention to nonprofits' violations of public trust has added fuel to this argument. Proponents of keeping business and nonprofits apart believe running a charitable organization "like a business" violates an unwritten code of ethics and taints a nonprofit's altruism (see Fisher Howe's "Philanthropy is Not Business...," *Nonprofit World*, Vol. 13, No. 5).

Conscientious, talented people who have made charitable work their profession often express frustration with ineffective business representatives on their governing boards. Couple that with a perception that making a profit in a business is less noble than the altruistic motivations of a charity, and you have a recipe for friction between the two sectors.

Do violations of the public trust within the nonprofit community occur because of an attempt to treat charities as businesses? Are businesspeople ineffective on nonprofit boards? Are charities more valuable to a community than businesses? How are business and philanthropy different? The answers to these questions depend not only on perspective but on definition.

HOW DO BUSINESS AND CHARITY DIFFER?

We can define "business" as the practice of gaining profit (benefit) for one or more individuals. "Philanthropy" or "charity" can be defined as the practice of benefiting (profit) the public (one or more individuals). While it can be argued that business is concerned only about financial profit, a well–run business also provides public benefit by assuring employment and economic advantage to a community. Many businesses are heavily involved in public service and philanthropy, since a healthy community benefits their employees. Businesses also know their philanthropic involvement is good public relations.

A primary goal for most charities is to build strong communities. Charities depend on economic growth not only to fund their programs but to assure jobs and self–sufficiency for their clients. Strong social services help secure customers for businesses. A strong customer base, in turn, means more business profits and potentially more funding for charities.

While their structures and bottom–line philosophies are different, businesses and charities cannot exist without each other. The dispute over their relative value becomes moot when we understand that each needs the other. Business is not bad, and charity is not a placebo. Both have critical roles to play in every community.

True, there are good and bad business practices, just as there are good and bad charity management practices. It's also true that there are poorly trained and well–trained board members who are businesspeople. Taxpayers (who fund government programs) and donors (who fund charities) either work for or own businesses. To suggest business is "bad" for charity is to bite the hand that feeds philanthropy.

The loss of public trust in the charitable community, as a result of highly–publicized scandals, usually results from poor ethics or faulty business practices. Substandard ethics and procedures can cause the demise of any business, for–profit or nonprofit.

BUSINESS IS NOT BAD, AND CHARITY IS NOT A PLACEBO.

Do You Need More Businesslike Methods?

Charities are facing tremendous challenges and must look at new methods if they are to survive. With over one million nonprofits in the nation, the competition for charity dollars is fierce. Government downsizing and a changing political climate for government social programs, such as block grants, are forcing a dramatic change in the way charities function and are funded.

Peter Drucker formed the Peter F. Drucker Foundation for Nonprofit Management because of the glaring lack of good business practices in charities. Strategic planning, solid board member orientation, staff training, evaluation, marketing, and adherence to wage and benefit laws may be new to many charities, but they are essential to success, as Drucker realized.

Just as businesses that have downsized are more apt to survive their competition, charities that survive will be those that change to meet community needs, rather than continuing with their own agendas. Total quality management techniques, mergers, improved accountability, internal management audits, marketing, planned giving, investment strategies, and strategic planning are just a few of the good business practices which will be essential for successful charities.

All charities that survive will need to develop programs with measurable results. While it may not be easy to measure a nonprofit's outcomes, it can be done. A community can come to agreement on how to evaluate a charity's work. Just as a business measures success by profit, a charity can measure success by long–term benefit to clients.

Charities are learning from the business community that creativity and opportunities emerge from adversity. They're finding that they must put aside old turf issues and form honest collaborations with partners educated in community capacity–building. These collaborations should include representatives from the entire community—business leaders, labor, all levels of government, educators, the health professions, charities, the religious community, and the clients of nonprofit organizations. Such collaborations will support charities that achieve measurable results.

Donors' "compassion fatigue" and decreased government funding are forcing nonprofits to look at new ways of generating funds. More and more charities

A WELL–RUN BUSINESS ALSO PROVIDES PUBLIC BENEFIT.

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will need to begin for–profit businesses to assure a steady income. Experienced business entrepreneurs will become even more valuable board members to assist nonprofit staff, who often lack business experience.

Unfortunately, not all charities are receiving the business advice they need. Too many nonprofits will fail because they are making the most disastrous mistake of all: letting donations decide their mission rather than fixing their mission and deciding what resources they need to achieve it.

What Are the Steps to Take?

It is time to lay aside the debate on the efficacy of business over charity. It's time for nonprofits to take the following steps:

1. Train board and staff on their roles.
2. Conduct internal and external assessments of what is needed and what resources are available.
3. Work in partnership with all community players (including business).
4. Evaluate the charity's vision, mission, and values, based on community needs and community resources.
5. Establish long–range goals and priorities.
6. Measure results and adjust programs accordingly.
7. Manage resources using good business practices, and assure accountability.
8. Market the results to the community.

The best and brightest of our community's leaders—from *all* sectors—must join together in a turfless collaboration to assure safe, healthy neighborhoods for our children. Let's end the debate on business versus charity. Instead, let's focus on the assets each individual brings to the community table and work together for the common good. ■

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