



**Dennis O'Connor**

## Time for tough love

Irish non-profitable organisations must operate like the private sector in the future, consultant Dennis O'Connor tells Nicole Matthews

Charitable donations have historically increased by between 4% and 46% in declining markets, according to a new report released by 2into3. This organisation provides management consulting and recruitment services to non-profit organisations operating in the 'third sector'. This sector represents 8.8% of the Irish workforce and is frequently termed the 'third sector' due to its scale and role in the economy, with latest figures valuing it at €2.5bn.

The non-profit sector in Ireland has traditionally been associated with charity balls, fund-raising events or direct mail runs. While we have some way to go in catching up with the US and UK models, which have been in operation for many decades, there is a significant opportunity to grow the role of the third sector in Ireland, according to Dennis O'Connor, founding director of 2into3.

"There has been speculation in the current market that volunteering could fall and while the performance of the stock market has a direct impact on giving, the evidence from elsewhere over several decades shows that giving doesn't fall when the stock market is performing poorly. We would have anecdotal evidence from our client base that the organisations that are being managed efficiently are weathering the challenge well while the ones that have inherent weaknesses are hurting more. There are also certain types of giving that are less effective such as charity balls, trips

abroad, events and mass direct mail whereas going to donors and asking for more support seems to work better."

The idea behind 2into3 is that 2 represents the private or second-sector and 3, the third or non-profit sector so 2into3 refers to putting the experience of the private sector into the non-profit one. There is no aggregate data in Ireland mapping the performance of non-profit organisations yet one area which needs to be developed is philanthropy, according to experts.

"In Ireland we are still in the early stages of developing a culture of philanthropy and while we do have a number of very active philanthropists, the general view is that number will grow like in the US where there are leading philanthropists such as Bill Gates, Warren Buffett and the Rockefellers. This is badly needed in Ireland as we are heading into a situation where the State will be able to do less, the private sector has to go through a very difficult period and recover so there is an opportunity there for philanthropy," says O'Connor.

A major shift in attitudes towards donating and giving to charity is that people want to know now more than ever where their money is going. This is transforming the non-profit model towards more results-driven goals.

"If you take the example of Niall Mellon pledging to build 10,000 houses in 2010 in South Africa, the statement is out there and is a tangible goal. The organisations that have that level of ambition and organisation

and can show they are making progress towards it, is something we need to see more of in Ireland.

"So we need less of the fund-raising for general support and more of results-driven and goal driven fundraising and regular reports to volunteers and donors on how this goal is progressing.

"This will have the biggest impact on the overall level of support. Organisations also need to establish a connection between people and the overall goal of the organisation. The larger organisations tend to use every technique available to them while the smaller ones will have to be more creative," he says.

Looking to the US model, the evidence would suggest that those countries with a well-established culture of philanthropy fare better. "The single biggest reason that people give is because they are asked, so the more asking is done of individuals for significant support, the more support will come and for this reason philanthropy is more effective.

"This requires organisations to have good fund-raising teams who have done their research to know who they are contacting and why, which all requires good management skills. The sheer amount of these fund-raisers is growing all the time and there are now 800 registered fund-raisers in Ireland.

Only two weeks ago, there was education programme held in Ireland for fund-raisers which was supported by the Ireland Funds. This was the first time this was done, so we have a bit to go yet," says O'Connor.

This volume of fund-raisers and organisations can make it all the more difficult for donors to decide what worthy cause to support. It also makes survival for smaller non-profit organisations more difficult as they could find themselves in direct competition with another company campaigning for a similar cause.

"Anecdotal evidence would suggest that instead of supporting 10 different charities, people would tend to support fewer more substantial. There is certainly an attitude in Ireland of supporting and giving help at home where it is needed. Other causes such as Africa is well embedded in the Irish psyche, but I think people will be more selective.

"So there is a necessity for some non-profit organisations to examine if they could achieve more by combining with another organisation which, I think, we will start to see more of. It makes sense for organisations that know they have a similar

## Public service employment levels 2003-2008

(Figures at January 1st each year)

Event	Year	% Change in Stock Market	% Change in Giving
Fall of France	1940	-20.9%	+46.8%
Pearl Harbour	1941	-0.7%	+36.3%
Cuban Missile Crisis	1962	+16.9%	+1.2%
Arab Oil Crisis	1973	-30.9%	+4.7%
1987 financial crisis	1987	-4.9%	-1.3%
9/11	2001	-7%	+4%
Credit Crunch	2008	-22.16%	?
Irish Market	2008	-43.3%	?

Source: Zinto3



Dennis O'Connor, founding director of Zinto3

mission to another organisation to look at the possibility of merging. It has happened where Self Help Development International combined with Harvest Help to create Self Help Africa. I think more of that is needed and it is unlikely to come from external pressure, but from within."

One major restriction on fund-raising in Ireland which has faced criticism is Chapter 2A, Section 485C, of the Finance Bill 2006. This provision places a restriction on the use of certain tax reliefs by high-income taxpayers and includes 'donations to eligible charities and approved bodies'.

"From the January 1st, 2007, individuals with income in excess of €250,000 who have specified tax reliefs available to them will be restricted in the amount of tax relief they can claim each year. The specified reliefs that a person will be able to apply against their taxable income will be restricted to 50% of their gross income in any one tax year. Any excess reliefs will, however, be available for "carry-forward" to the following and subsequent years, subject to the 50% income cap." (Page 9 Budget 2006, Ernst & Young/*Sunday Business Post* December 2006)

The effect of this provision places a cap on the scheme for high-income individuals which is seen within the non-profit sector as potentially undermining the growth of a philanthropic culture in Ireland. Currently there are calls across the non-profit sector to remove this cap as it is argued that the tax-relief scheme on donations is different to other tax-relief schemes in that there can be no benefit to the donor other than the tax relief.

While tough times are ahead for most businesses in the current economic slowdown, non-profits will undoubtedly feel the impact of this. In 2007 the recently acquired Merrill Lynch gave almost \$44m to non-profits and the now bankrupt Lehman Brothers gave almost \$40m. Funding from these major institutions will dry-up. While philanthropy is seen as the future model which Ireland should adopt, it is seen as being stifled by the current scheme in operation under the Finance Bill.

Historically, during times of economic difficulty some non-profits prove more resilient than others. A study produced by Giving USA Foundation, which looked at human-service organisations, found that the average growth rate across 40 years (adjusted for inflation) was 2.3% which more than doubled to 5% during the four years of recession measured.

Organisations with religious, health, public-service benefits, arts or international affairs show rates of growth that were positive but did not increase. The only sector which saw a decline in the rate of donations during recession was the education sector.

In addition, the method of working seems to determine success in fund-raising, according to research carried out by a fundraising consultant in Chicago. In difficult economic times, it was witnessed that half of American colleges achieved an

## What can your organisation do?

Fund-raising tips

1. Examine your income stream
2. Diversify
3. Focus on donor retention
4. Communicate with donors
5. Find new donors
6. Keep in touch with people who have stopped donating
7. Research, research, research
8. Consider the use of planned giving
9. Avoid fund-raising cuts where possible

increase in contributions. When examined closely, it emerged that the colleges that planned for difficulties and took a long-term view of fund-raising were the same ones that achieved success in contributions. In contrast, those that had lower contributions did not have sufficient fund-raisers or a continual drive for donors.

Corporate social responsibility (CSR) in Ireland has also gone from being a buzzword within organisations to a culture which is heavily entrenched in many Irish companies. O'Connor says that while this involvement by employers has many benefits in encouraging employees to donate, the model still needs to be simplified.

"Active CSR programmes mean the employees are getting more involved in serving the public good. An opportunity which doesn't exist here yet, but may in time, is payroll giving. It happens in the US and has started in the UK so this will be the next step in Ireland which can be organised through a company."

Ireland will continue to follow trends in the UK and US within the non-profit sector. It is hoped that more measurement and transparency can help move this sector alongside the public and private sectors.

"We have a huge gap in data in Ireland. We are hoping that the recent charities legislation and regulator will start to generate a data section which will improve the transparency. Some organisations have made a start on the general industry but we don't yet have aggregate data and figures.

"When people talk about the economy in Ireland, they still talk about the private and public sectors but do not talk about the third sector or non-profit sector. We want the third sector to start being included in the wider economy. It does operate differently but there is still a fair bit to go yet here," says O'Connor. ■