




The Social Investment Consultancy



The Social Investment Consultancy Briefing

Financing Revenue Generation in the Third Sector



Prepared by
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March 2010



Foreword

“**The future is social enterprise,**” announced Cabinet Minister Tessa Jowell at the 2009 Social Enterprise Awards at Downing Street. While the sector has yet to reach this potential, its effects are subtly growing in both the corporate and charitable spheres: many businesses are creatively applying themselves in the community, many charities are becoming more entrepreneurial.

Here at the Social Investment Consultancy (TSIC), we investigated the appetite amongst high net worth individuals for funding revenue generating activities in the charitable sector. We did this because we believed that third sector organisations are missing an opportunity to engage with donors in this space.

In January 2010, we polled approximately 500 high net worth individuals and found that they are not only keen to support revenue generating activities, but are, in fact, prepared to finance them. For organisations without charitable status they are even prepared to sacrifice tax deductibility to do it. Our poll’s key finding is that less than 5% of high net worth individuals in the UK would be deterred from making a philanthropic gift to an organisation if it went toward revenue generating purposes. Over 40% would be more likely to make the gift.

This result is significant because it shows that donors are interested in helping to make charities more sustainable. If solicited, a large percentage of donors would invest in a charity’s ability to become more self-sufficient. Charities should be looking to directly engage with their donors on existing and future income generating schemes.

Commenting on our poll, Sir Richard Branson, said “It’s so exciting to see the growing opportunity for charities and donors to work together to create new entrepreneurial approaches to help drive the scale of change we need in the world”. Philanthropists have the appetite to give creatively and to fund commercial innovation within the charitable sector. Such attitudes are not surprising, given that three-quarters of philanthropists are now self-made when a generation ago the majority had inherited their wealth.

The poll’s results can be seen as revealing potential rather than current trends. An opportunity exists right now to make the ideals of social enterprise play a major role in philanthropy, but it must be aggressively pursued if we are to see it realised.

Jake Hayman
CEO
The Social Investment Consultancy

“It’s so exciting to see the growing opportunity for charities and donors to work together to create new entrepreneurial approaches to help drive the scale of change we need in the world”

Sir Richard Branson



Financing Revenue Generation in the Third Sector

About the Poll

In January 2010, The Social Investment Consultancy commissioned YouGov Plc to conduct a poll into the willingness of high net worth individuals to philanthropically support revenue generation activities in charitable organisations. The poll's total sample size was 476 adults with over £100,000 in investable assets. The poll was undertaken between 22nd and 26th January 2010. All figures, unless otherwise stated, are from YouGov Plc.

Willingness to Support Revenue Generation Activities

The majority of charities and non-profit organisations find soliciting high net worth individuals for direct programmatic activities the most successful way to fundraise. Even charities with successful revenue generation programmes have been unsure on whether or how to engage their donors in this process.

Monies raised from revenue generating activities are of particular value to charities as they provide an unrestricted income that can be spent on basic core costs and testing new ventures. They tend not to lead to short-comings in overhead costs that charities receiving only programmatic donations often face.

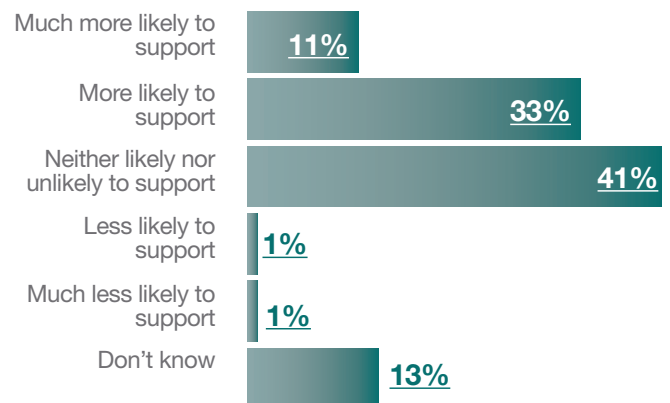
The TSIC/YouGov poll shows a clear willingness from donors to help charities launch and/or scale revenue generating activities. The results reveal that:

- Less than 5% of high net worth individuals in the UK would be deterred from making a philanthropic gift to an organisation if it went toward revenue generating purposes;
- More than 40% would in fact be more likely to make the gift; and
- Approximately 11% of those would be 'much more' likely to make the gift.

These results show donors are interested in helping to make charitable activities more sustainable. If solicited, a large percentage of donors would invest in a charity's ability to become more self-sufficient. This

opens up creative opportunities for fundraisers who need no longer be bound to simply asking for either restricted or unrestricted income. Charities and social enterprises should be looking to directly engage with their donors on existing and future income generating schemes; there is a clear appetite for this and organisations should take advantage of it.

Are you more or less likely to philanthropically support an organisation if it were to use your gift to create revenue generating activities that would make it financially self-sufficient in the future?



Sally Eastcott, Director of AfriKids, said that these results fit with her recent experiences raising money for revenue generation programmes: "AfriKids is aiming to close our UK office by 2018. We're making this possible by empowering our partners AfriKids Ghana to generate their own funds through businesses in northern Ghana. We are on track to do this via the profits of the AfriKids Medical Centre and AfriKids Ethical Trade Programme. Our donors love to see that we are taking responsibility for our long term financing – just this month city brokerage ICAP made a grant to establish our biggest business to date: the AfriKids Eco Village."



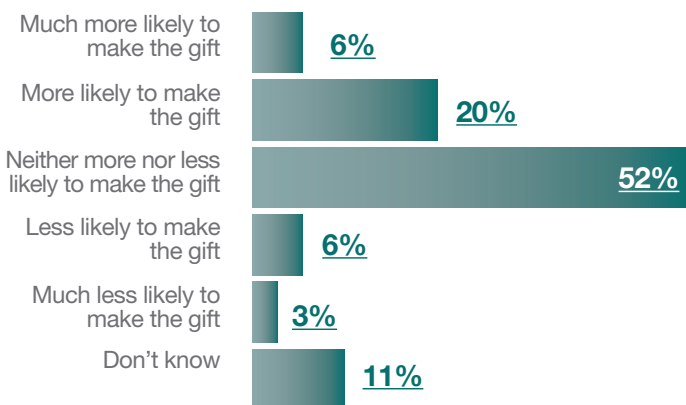
“Our donors love to see that we are taking responsibility for our long term financing – just this month city brokerage ICAP made a grant to establish our biggest business to date”

Sally Eastcott, Director of AfriKids

The Role of Tax

Due to the tax-status of many social enterprises and social businesses, a major hindrance in looking for grant funding is the perception that donors would never sacrifice their tax-deductibility in order to make a gift. This premise is also challenged by the poll results that show only 9% were less likely to make a gift if it were to be used to create sustainable revenue for the organisation, while 80% were equally or still more likely to make the gift.

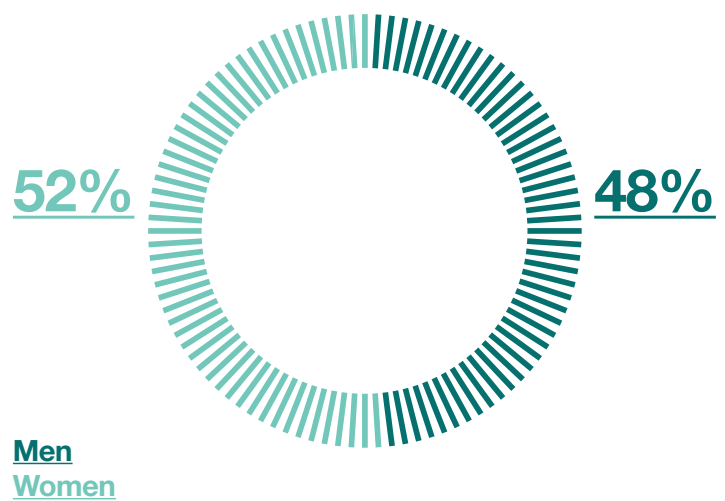
Likelihood to make a gift for revenue generation, even if that meant sacrificing tax deductibility



Demographic Breakdowns

The survey was held throughout the UK and contained a strong demographic mix. There was no major difference in results between responses by age, geographic area or gender.

Gender Split of Those More Likely to Make the Gift



Creative Financing Options

New approaches for financing social organisations are also currently being explored by a few pioneering organisations. These range from revenue participation schemes with social businesses to no-interest loans being provided to charities that are waiting on income or investing in their growth. Mainstream UK Foundations such as the Esmée Fairbairn Foundation are already providing such opportunities as are social finance organisations such as Venturesome and Bridges Ventures.

Through our own work, TSIC has been exploring creative financing with our clients for some time, uncovering real enthusiasm from both donors and social organisations. As part of the poll, we posed the question:



‘Imagine you are considering giving financial support to an organisation dedicated to a charitable cause you are interested in. If the organisation offered you the opportunity to give either a long-term no-interest loan or a charitable gift, which would you be more likely to do?’

Though more preferred a charitable gift than a loan (44% gift vs. 15% loan), less than 10% were ‘much more likely to make a charitable gift’ and 27% opted for ‘don’t know.’

Though the no interest loan approach is less popular than straightforward gifts, there clearly is a market for it and there is clearly the potential to build that market if it proves itself as a high-impact means of philanthropy.

Conclusion

The poll’s results should embolden charities already involved with revenue generation to ask their donors to support scaling their activities. It should also lead charities currently relying exclusively on philanthropic or statutory funding to ask whether revenue generating activities could or should play a role in their medium- to long-term strategy.

The Social Investment Consultancy



About us

The Social Investment Consultancy (TSIC) is a strategy and fundraising consulting firm operating at the intersection of the for- and non-profit worlds. We provide charities, businesses, foundations and social enterprises with the advice and support they need to best realise their goals and maximise their impact.

Our consultants have first-hand experience of working in-house for and consulting to many of the world's leading private and charitable organisations. Our blend of skills and expertise forms the basis for a range of dynamic services designed to:

- Create fundraising, income generating and development strategies;
- Identify opportunities to access new resources and expand into new markets;
- Test the feasibility of a proposition or campaign;
- Identify and facilitate strategic partnerships;
- Provide capacity support.

Our previous and current clients include The John Lewis Foundation, Standard Chartered Bank, Global Ethics/The One Foundation, The Jumeirah Group, OneVoice, MacFarlanes LLP, Cecily's Fund, Just Vision, The Alliance for Global Good, and The UK National Committee for The United Nations Development Fund for Women (UNIFEM).

As part of our own corporate social responsibility, in 2008 we launched Future First, a social enterprise that improves career guidance in British state schools. Future First works in partnership with the Sutton Trust and has been recognised by both the Young Foundation and UnLtd (The Foundation for Social Entrepreneurs). Today, Future First is an independent organisation, with its own management team and advisory board.

To learn more about TSIC, our clients, staff, services or our corporate social responsibility practices please visit www.tsiconsultancy.com or contact us at info@tsiconsultancy.com.
