

Deciphering the secret world of charities

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ABSTRACT

North American charity ventures collect donations for the needy or suffering. Few studies have analysed philanthropic ventures and altruistic promoters. In the charity industry, donors mandate intermediaries (agents) to transfer donations to beneficiaries. One of the underlying assumptions of the Agency theory is that agents attempt to maximize their personal welfare and compensation; these actions may not always be in the best interests of beneficiaries. What is the typical business model of a charitable organization? Is there a monitoring process? What is the social return on investment? The complex patterns of relationships, good and bad, between stakeholders will be scrutinized. The research paper threads its way into the 'complexity code' of charities via archival data and forensic science data. The paper also deciphers the altruism of agents via a new behavioural matrix. To conclude, a complexity-aware monitoring process is submitted. Thus, the research paper sheds new light on the complexity of charities and proposes directions for future research.

Keywords: Charities, Impure Altruism, Governance, Agency Theory, Complexity

INTRODUCTION

Over a million North American charity ventures collect donations in the name of cancer patients, dying children, homeless veterans, food banks, earthquake victims and the like. So far, few studies have analysed charities and altruistic entrepreneurs. Darwinian biologist- Dr Michael T. Ghiselin, currently Senior Research Fellow at the California Academy of Sciences and co-Editor of the Journal of Bioeconomics, had cutting remarks for charity and altruism: “No hint of genuine charity ameliorates our vision of society, once sentimentalism has been laid aside. What passes for cooperation turns out to be a mixture of opportunism and exploitation - Scratch an altruist, and watch a hypocrite bleed”. Recently, Michael Porter, from Harvard Business School, also reacted strongly: “Foundation scandals tend to be about pay and perks, but the real scandal is how much money is pissed away on activities that have no impact. Billions are wasted on ineffective philanthropy.” One of the most pressing social entrepreneurial research issue in North America is the need to understand complex structures, processes and practices inside charities, with a special focus on the behaviour of agents who manage over a trillion dollars a year.

PURPOSE STATEMENT

The research paper’s first challenge is to encapsulate key elements of the institutional complexity of a charity despite the opacity of the industry. The model will describe the means by which charities create, deliver, and capture value – in economic, social, cultural, or some other form. Charity business models range from grant-dependent non-profits to commercially viable for-profits. Competitive rivalry within the charity industry brings innovative, aggressive and amoral stratagems to a trillion dollar arena. A second focal point, the analysis of the individual complexity of agents, will help to demystify profiles of social promoters and explain how greedy agents fall off the pedestal of altruism. In the industry, donors mandate intermediaries (agents) to transfer their donations to the needy or suffering. An underlying assumption of the agency theory is that agents attempt to maximize their personal welfare and compensation; this behaviour may not always be in the best interests of the needy or suffering.

Concepts drawn from complexity theory offer new ways to monitor the governance of charities retrospectively. A new version of the Stacey Complexity Diagram plots issues according to the level of agreement among stakeholders about the solution to social problem versus the amount of certainty that a given intervention will have the desired result. If there is a high level of agreement and a lot of certainty about an issue, the problems are simple, i.e. a right answer exists. When you move away from certainty and agreement, the issues become political, complicated or even chaotic. Solving problems of the needy or suffering are usually in the zone of complexity or chaos.

The emergence of complex relationships between agents and three key stakeholders (donors, beneficiaries and regulators) is studied via a complexity-aware monitoring process. Donors provide funds to the charities, or agents; in return, the agents should be accountable to the donors. The form and degree of accountability may vary, depending on the mission of the organization. In principle, charities must provide services to the needy or suffering. There are many unanswered questions regarding the monitoring process; one objective is to observe whether the charity’s management (the agent) acts in the best interests of the donors and beneficiaries. One of the biggest challenges of the future is to measure the social return on investment of an agent’s interventions. A critical question: should regulators be accountable for the traceability of funds and the social return on investment?

RESEARCH METHODOLOGY

Since academic knowledge on charities continues to be relatively limited, we agree with Mintzberg (1978), who states that: “It seems far more important to research important topics with soft methodologies than marginal topics with elegant methodologies... most of the real insight has come from studies that used soft methodologies...” The qualitative approach was selected because of the constraints of the enigmatic and secretive culture of charities. From a methodological point of view, it is feasible to use a combination of exploratory and descriptive research to satisfy the research objectives. Such a multifaceted approach can, in many cases, transform a routine piece of research into an outstanding one. Exploratory research is most useful in the preliminary stages of a research project, when there is a lack of organizational transparency, and especially when subsidiaries are invisible in the Bailiwicks of Jersey and Guernsey. This type of research gives a high degree of flexibility and a minimal amount of formal structure, the aim being to map out the boundaries of the environment of charitable organizations in North America, particularly in Canada.

Charities in the United States and Canada have similar structures, processes and practices (Johns Hopkins University report, 2013). Although the Université du Québec research team briefly reviewed the phenomena in the United States, most of the fieldwork was done in Canada, as the research team had privileged access to archives from the federal government in Ottawa and the Canada Revenue Agency. The research was based on qualitative observations through expanded retrieval. The basic data came from the 2013 report of the House of Commons Standing Committee on Finance, entitled Tax incentives for charitable giving in Canada. The most valuable data came from the Standing Committee’s Minutes of Proceedings rather than the report itself. More than 30 papers submitted to the Committee were also analyzed.

Stimulating data from a Johns Hopkins University Report on non-profits (2006, 2013) and information from the Canada Revenue Agency also enriched our findings ; other data came from OECD’s Report on Abuse of Charities for Money-Laundering and Tax Evasion (2009). The research team also relied on secondary research data, such as the review of available documents from Statistics Canada, as well as off-the-record discussions with donors, charity employees and civil servants. Targeted emails explored the transparency of some charities. Rich data was gained through in-depth analysis of six chaotic North American charity case studies:

1. Haiti’s earthquake \$9 billion donations - Where is the money? (Ramachandran, 2013)
2. The \$3.2 billion false tax receipts by 100,000 canadian donors (Donovan, 2007)
3. Traceability of donations and manipulation of the breast cancer cause (Lacey, 2012)
4. Charity status of Al-Qaeda mosque questioned by FBI (de Pierreboug, 2013)
5. The \$100 million charity swindle: The U.S. Navy Veterans Ass. (Stern, 2013)
6. Ethics and the American Red Cross (McCarthy, 2009)

TERMS AND DEFINITIONS

Charity - For the Merriam-Webster Dictionary, charity is generosity and helpfulness toward the needy or suffering. A charity is also a non-profit organization that focuses on philanthropic goals combined with social value (charitable, educational, religious, or other activities serving the public interest). The terms and legal aspects of a charity vary according to country and, in some instances, the region of the country; for example, French Canada uses the term ‘bienfaisance’ instead of charity.

Philanthropy - Etymologically philanthropy (philos : loving and anthropos : humanity) means ‘love of humanity’ in the sense of caring, nourishing, developing and enhancing ‘what

it is to be human' on both the benefactors' and beneficiaries' parts. For the Merriam-Webster Dictionary, philanthropy is a desire to help mankind as indicated by acts of charity.

Altruism - The term altruism is described by the Merriam-Webster Dictionary as unselfish regard for or devotion to the welfare of others, in contrast, the Stanford Encyclopedia of Philosophy defines egoists as persons having but one ultimate aim: their own welfare. Donors and agents can have a impurely altruistic behaviour and alternatively they might give in to the temptation to act selfishly, having a impurely selfish behaviour. (Andreoni 1989) (Saito 2013)

Charity governance - The term refers as the systems by which charitable organizations are directed, controlled and accountable (Cornforth 2003). The term accountability of an agent involves a transfer of information in the sense that the agent is answerable to someone else. (Hyndmand 2009)

Traceability of donations - Ability to track a specific piece of financial information by means of recorded data or audit trail. Traceability in charities is also the ability to verify the history, the location and the utilization of all donations by means of recorded documents. A very difficult operation in the philanthropic sector. (Stern, 2013) (Tampa Bay Times, 2014)

THEORETICAL BACKGROUND : THE AGENCY THEORY

The principal-agent relationship is defined by Jensen and Meckling (1976) as “a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent”. In a company, the board of directors represents the principals and the chief executive officer is the agent. In the charity sector, the donors mandate an intermediary (the agent) to transfer their donations to the needy or suffering.

From an agency theory perspective, the role of the principal or governing board is to monitor the agent or the chief executive officer in order to direct financial resources toward the beneficiaries or users rather than diverting them toward management’s interest and comfort. The underlying assumption of agency theory is that agents attempt to maximize their personal welfare and compensation, but must do so within the framework of increasing revenue. These actions may not always be in the best interests of the donors and the needy or suffering.

One aspect of the study is concerned with the complex relationship between the principal and the agent (Hyndmand and McDonnell, 2009). Donors mandate a charity to forward donations to beneficiaries and users, with a regulator monitoring the process as indicated in Figure 1 (Appendix). In the charity sector, a dilemma arises when the two parties have different interests and asymmetric information, such that donors cannot directly ensure that the agent is always acting in their best interests, particularly when activities that are useful to the beneficiaries are costly for the agent, or where elements of the agent’s activities are costly or complex for the donors to observe (Hyndman and McDonnell, 2009).

THE AGENT, A COMPLEX INDIVIDUAL

The behavioural matrix as indicated in Figure 2 (Appendix) enables us to visualize four different styles of conduct. For pedagogical purpose, the research team narrowed the description of agent behavior to two dimensions : consideration of the needy or suffering and concern toward self-interest. The grid helps to explain how agents may fall off the pedestal of altruism. The model is represented as a matrix, with concern for self-interest as the vertical axis and concern for the cause (the needy or suffering) as the horizontal axis, each axis ranging from Low to High. The resulting four quadrants gave the following typology:

Bureaucrats or Clerks – Agents of this type have little concern for either clients or their own careers. They preserve their jobs and protect themselves by avoiding getting into trouble. They follow the rules and procedures. The main concern of this type of manager is to avoid being held responsible for any mistakes, which results in fewer innovative decisions and settling for the status quo.

Missionaries – They have high regard for the cause (often a religious or cult niche) and a low level of concern for salary and compensation. Salaries tend to be below average. These agents are on a mission, paying much attention to the needs of the suffering or the faith of disciples and the comfort of volunteers ; some preachers can be considered as impure altruists. The resulting atmosphere is usually friendly, human and warm, but not necessarily productive. The team usually finds entrepreneurial solutions to improving the welfare of the needy.

Egocentrics - Having a high level of concern for their own comfort, they have no empathy for the needy ; often sociopaths, they manipulate and exploit the volunteers. They control the charity, having all the answers and do not tolerate opposition. They are Machiavellians, ‘the-ends-justify-the-means’ types, even making false tax receipts or creating umbrella subsidiaries. Opportunistic and narcissistic, they adore media exposure and the limelight. A signal to identify them: their salary must be higher than a ‘premier ministre’ or the President of the United States of America, they have a chauffeur, and they have to travel first class. In Canada, more than 3,000 charity agents earn over \$160,000 a year...

Stewards – They have a high regard for beneficiaries and a high interest in the comfort of the members of the organization. Stewards are honest agents who contribute and commit themselves. Team leaders, they are pastor-figures who need followers. They are best characterized by a paternalistic style: they like to prescribe and guide. Considering themselves as patriarchs or matriarchs, they will always act in the best interests of the organization, meaning the volunteers and beneficiaries. They are always symbols of good governance.

OVERVIEW OF THE CHARITIES IN THE UNITED STATES

Charities and non-profit organizations have a significant presence in the economy of the United States. Non-profits represent more than six percent of the gross domestic product and the paid workforce makes up more than seven percent of country’s total workforce (John Hopkins University report, 2013). The main regulator is the Internal Revenue Service (IRS), which grants charities their tax-exempt status and can audit their financial filings. Once charities start raising money, monitoring is largely left to each state; it is very complex to identify the regulators in different states. In California, it is the Attorney General; in Florida, the Department of Agriculture and Consumer Affairs; in Texas, two departments enforce three different statutes that apply to certain types of charities. Rules vary from state to state and are very hard to follow. The IRS approves more than 99.5% of all applications for charitable status, creating more than 50,000 new charities each year. Once a non-profit is started, the IRS and state regulators exert negligible oversight; even charities exposed as scams can be nearly impossible to shut down (Clyne, 2013).

According to the National Center for Charitable Statistics (NCCS, 2013), there are 1,406,820 tax-exempt organizations in the United States, including 945,415 public charities. In 2011, public charities reported over \$1.59 trillion in total revenues and \$1.49 trillion in total expenses. Of the revenue: 22 percent came from contributions, gifts and government grants, 72 percent came from program service revenues, which include government fees and contracts, and six percent came from other sources, including dues, rental income, special event income, and gains or losses from goods sold. Public charities reported \$2.87 trillion in

total assets in 2011 (NCCS, 2011). The latest Charity Navigator Study (2013) shows that over fifteen charity managers (agents) across the USA command annual salaries of over a million dollars. An important salary benchmark in North America: the salary of the President of the United States of America is \$400,000.

The Tampa Bay Times and CNN allege that lack of regulation and insignificant penalties allow selfish charities to flourish. The Center for Investigative Reporting spent a year identifying the 50 'worst charities' in the United States. Over the past decade, 'worst charities' generated more than \$1.3 billion in donations, about 75 percent of which went to pay the charity agents and solicitors who raise the money (Taggart 2013). Technology also allows scam artists to be magicians. After Katrina, the FBI estimated that twenty-four hundred fake charity Web sites were set up to relieve the needy and suffering. (Stern, 2013).

According to the New York Times, it is very complex to identify which charities are trustworthy: "There are approximately 60,000 charities in this country with the word 'veterans' in their names. Only a few specialists can claim the expertise to say which are the best, let alone which are trustworthy." (Stern, 2013). The Université du Québec research team identified over 50,000 charitable organizations in the United States and Canada with the word 'Cancer' or 'AIDS' in their names, a real labyrinth, where the main beneficiaries are often the charity's for-profit fundraisers.

OVERVIEW OF THE CHARITIES IN CANADA

The charity sector in Canada's economy - Johns Hopkins University (2005) conducted a major study on the non-profit sector in 37 countries. Canada's charity sector represents an amalgam between the European welfare partnership model (Tixier, 2013) and the Anglo-Saxon model, where there is stronger volunteer and private philanthropic support. The latest Johns Hopkins University report (2013) confirms that Canada has one of the largest and most vibrant non-profit and voluntary sectors in the world. In 2012, the sector represented \$223 billion (CAD) in revenue and a total of \$215 billion (CAD) in expenditures as indicated in Figure 3 (Appendix), making it larger than the automotive or manufacturing industries. A revelation : the top 1% of charitable organizations command 60% of all revenues.

Donors play an important role, but the most important revenue source is government grants. There are an estimated 165,000 non-profits and charities in Canada, half of which are run entirely by volunteers. The Canada Revenue Agency confirmed that 85,000 charities were registered as of January 2012, with 90% of them classified as charitable organizations (40% of the charity missions are cult related). Smaller provinces have a higher number of organizations relative to their populations. The Report of the Standing Committee on Finance (2013) highlighted that in December 2011, registered charities reported having 1,307,565 permanent full-time positions (8% of total labour force) and 1,882,522 part-time positions.

Generous salaries for altruist agents - Some of Canada's largest and best-known charities are paying their top officials generous annual salaries. Government filings show that 570 individuals earned more than \$CAD300,000. An important salary benchmarking tool in Quebec : the Premier's salary is \$CAD175,000 (\$CAD90,000 for an university professor with a PhD). The Palme d'Or goes to the former chief executive officer of the Toronto Sickkids Foundation : "The Toronto Sickkids Foundation revealed that it paid their CEO \$2.4 million in total severance ; that was on top of his \$CAD574,000 salary last year." (Waldie, 2012).

Small charities, comparably efficient to large charities, have more realistic salaries. The Human Council for the Non-Profit Sector (2013) provides interesting data on the salaries of small charities : overall, almost two-thirds of employees of small charities make less than

\$CAD40,000 per year. The province of Quebec has the lowest average compensation cost per full-time employee, with \$CAD33,207, and the Northwest Territories has the highest, with \$CAD48,610. With competitive rivalry within the charity industry and barriers to entry, small local charities must bring innovative and aggressive stratagems to have access to the \$CAD200 billion arena.

Fiscal aspect - The competitive advantage for a charity doing business in Canada is the fact that the country has the most generous tax incentive system in the world. (Blumberg 2011) The most important benefit is the ability to issue official donation receipts. A Canadian specialist on charity law and philanthropy explains the system as follows : “The ability to issue a tax receipt is almost like having a license to print money, and the equipment is in your basement with a computer and a printer. If a donor makes a donation of \$1,000,000 and a charity issues a receipt for \$1,000,000, the value of that tiny little piece of paper that takes minutes to produce is \$460,000.” (Blumberg 2011) Charities’ agents with lawyers and stock brokers invented a complex stratagem via a creative “Triple-dipping tax shelter” using flow-through share donations where taxpayers and governments take 100% of the risks, making a ‘win-win-win-win’ for donors, charities, brokers and lawyers (Mackenzie 2006).

Regulators and monitoring - The Canadian Revenue Agency informed the House of Commons Standing Committee on Finance that, on average, only 1% of all registered charities are audited each year, and that for the 2010-2011 fiscal year, with only 751 charity audits conducted, 635 charities had their status revoke for failure to file an annual return. Some promoters have created tax shelters that provide a tax receipt for an amount larger than the cash investment of the donor-investor. A donor might invest \$1,000 and receive, through a convoluted scheme, a receipt for \$10,000. According to the Revenue Agency, charities issued approximately \$6 billion in fraudulent receipts between 2002 and 2009 ; only 1% of that amount was spent on charitable activities (Blumberg, 2011). Furthermore, “the taxman (Revenue Agency) is only going after the donors – not the promoters or the chartered accountancy firms and lawyers who help them.” (Donovan, 2007)

Transparency - Some charities are very creative in setting up complex structures. The Minutes of the House of Commons Standing Committee on Finance revealed the case of a charity of Toronto that spent \$11 million on legal fees to set up complex structures of for-profits units that largely deal with barriers to the audit trail and traceability of donations. Another suspicious behaviour : some charity agents are serial entrepreneurs and control over ten charities at the same time (Minutes of Proceedings, 2013). For donors and regulators, there is a traceability issue in following donation money through the delivery chain to beneficiaries. It is also very difficult to access charities’ financial statements. There is a major incongruity in the monitoring system : the confidentiality provisions of the Canadian Income Tax Act prohibit the Revenue Agency from informing the police or the public of a criminal act or fraud. Donors do not have a clue as to the honesty of the charity soliciting money, and will never know the names of the agents who committed fraud to the tune of \$6 billion between 2002 and 2009.

Confidence in charities - An Ipsos Reid survey reports that there is a widening trust gap between donors and charities. In a 2010 poll, the most recent available, 31% of Canadians said they had a lot of confidence in charities, and 69% of Canadians said they had some, little, or no trust in charities. Furthermore, 71% of Canadians said they would like more information about charities. Canadians want to know how charities spend their money and what results they achieve.

CRACKING THE CODE OF A CHARITY BUSINESS MODEL

The business model as indicated in Figure 4 (Appendix) consists of four interlocking

elements that create and deliver value for the stakeholders. The business model is 'amoral', showing no concern for whether behaviour is morally right or wrong.

Customer value proposition - The first step of charitable organization is to create a customer value proposition. In the charity sector, there is a paradox: the strategic clients are not those the charity is set up to help (the needy or suffering). The real clients are the donors. A successful charity is one that has found a way to create value for the donors and the management team. Once a charity has understood that donors are 'impure altruist' imbued with a complex mix of intrinsic emotions and social emotions such as shame, guilt, embarrassment, pride, recognition, pity and morality, the charitable organization is able to prepare, with fiscalists, a customer value proposition with a lure: generous tax incentives.

Profitable formula - Second step, the profitable formula is the blueprint that defines how a charity creates value for itself while providing value to the donors. It consists of the following formula: revenues come from donors and grants or subsidies from local, regional or national governments ; the cost structure is predominantly driven by opportunistic timing (natural hazards or disasters) and marketing costs, especially solicitation and lobbying costs. Depending on logistics, entrepreneurial charities can achieve strong margins.

Key resources - Third step, key resources are assets such as the people, technology, facilities, channels and brands required to deliver the value proposition to the targeted donors. The aim is to interlock the key resources: charismatic leaders, notables, major business sponsors, sport and show-business personalities, politicians and civil servants, the media, and a solid team of fundraisers (needy persons are used to promote the cause).

Key processes - Finally, successful charities design complex operational and managerial processes that allow them to deliver value in such a way as to successfully repeat their activities and increase revenues year after year - including recurrent social activities. Entrepreneurial charities can be very creative when it comes time to seduce donors, especially via online giving and viral marketing (such as the Ice Bucket Challenge) . Some multinational charities have also a complex legal structure and an opaque accounting system, making it impossible to measure the efficiency of their philanthropic activities.

TOWARD A COMPLEXITY-AWARE MONITORING PROCESS

Concepts drawn from complexity theories offer new ways to monitor the behaviour of charities. The Stacey Diagram (1996) plots issues according to the level of agreement there is among stakeholders about the solution to a problem versus the amount of certainty there is that a given intervention will have the desired result. If there is a lot of agreement and a lot of certainty about an issue, the problems are simple, i.e. a right answer exists. Moving away from certainty and agreement, the issues become political, complicated or even chaotic. Solving problems of the needy or suffering are usually in the zone of complexity or chaos.

Since 2000, professor Ralph Stacey has taken a different course moving away from organizations as systems toward patterns of interpersonal relationships, both good and bad (complex processes of interactions, power relations, ideologies, choices and intentions). What happens is the emergence of uncertainty and unpredictability of human life. Advisor to the University of Québec research team on the utility of the complexity matrix, Professor Stacey had the following comments in 2013 : « I suppose the diagram could be useful depending on just how it would be used. I have more sympathy for instruments like the diagram being used retrospectively to analyse what happened than I am to their use for deciding what to do in the future.» .

The horizontal axis of the extension of Stacey Diagram indicates movement from situations close to certainty to situations far from certainty while the vertical axis indicates movement from situations in which people are close to agreement with each other to

situations in which they are far from agreement with each other as indicated in Figure 5 (Appendix). In conditions close to certainty and agreement, it is possible and useful to use the standard monitoring tools. In intermediate situations ‘close to certainty but there is a high degree of disagreement’ or in conditions ‘close to agreement but some way away from certainty’, innovative monitoring techniques are required (USAID 2013). In condition ‘very far from certainty and agreement’ (chaos, anarchy and misbehaviour), standard monitoring tools and techniques cannot be used. Complex aspects of a situation cannot be known ahead of time. In general, social impacts of charity interventions tend to contain a mix of complicated and complex aspects. These cause-effect relationships emerge only retrospectively.

INTERROGATING THE MONITORING PROCESS

The emergence of complex relationships between agents (the charity) and three key stakeholders (donors, beneficiaries and regulators) are described in Figure 6 (Appendix). Donors provide funds to the charities, or agents. In return, the agents should be accountable to the donors.

The form and degree of accountability may vary, depending on the mission of the organization. In principle, charities must provide services to the needy or suffering. Although they are under no obligation to do so, charities may make themselves accountable to users by, having user representatives on their boards, for example.

Alternatively, charities may solicit user feedback on the level and quality of service provision. As beneficiaries receive services and have the right to be involved in decisions that affect their daily lives, their involvement might provide management with valuable knowledge on service provision effectiveness. Many board and management members express resistance towards having beneficiaries or their representatives on their boards or at general meetings - expertise representativeness issues are offered as an explanation for this resistance (Wellens and Jegers, 2011).

Charities are also forced to comply with government legislation that often involve reports to a special regulator, with the regulator’s power varying from one jurisdiction to the next. In return, charities benefit from tax exemptions. Usually, charities must produce annual reports and other information, as well as being subject to further investigation if the regulator deems it necessary (Note that Canadian regulators only audit one percent of charities each year).

There are many unanswered questions regarding the monitoring process ; one objective is to observe whether the charity’s management (the agent) acts in the best interests of the donors and beneficiaries. The USAID (2013) recommends five approaches for complexity-aware monitoring:

1. Sentinel indicators - indicators are placed at critical points in a system map to monitor the relationship between the project and the context;
2. Stakeholder feedbacks - monitoring approaches are developed to receive data from the field (citizen reports, community scorecards, user surveys);
3. Process monitoring of social impacts - identifies processes relevant for the achievement of results or impacts;
4. Most significant change - consist of collection and analysis of stories from beneficiaries and users describing the most important project outcomes;
5. Outcome harvesting - monitors projects backward via forensic investigation to establish a cause-effect explanation of how and why the project contributed or not to social improvement.

One of the biggest challenges of the future is to measure the social return on investment (SROI) of an agent's interventions (Nicholls 2012) (Millar and Hall 2012). A typical complex impurely altruistic dilemma: a Toronto food bank for sick kids where directors of a board, often co-opted by the agent, must respond to the agent's annual salary of \$350,000. Is he worth that amount, or would the donation money be better spent on food for the needy or suffering?

CONCLUSION

The research paper's first challenge was to encapsulate the ingredients of a theoretical business model despite the opacity of the charity sector. The model gives a better understanding of the complex structures, the processes and the practices of charitable organizations. The paper cast a new light on the interactions among donors, agents, regulators and beneficiaries. A managerial matrix describing the altruistic charity promoter versus the narcissistic charity promoter was also developed to better understand the behaviour and motivations of social promoters.

On the basis of the working paper, the researcher has a plethora of new research avenues:

How do charities create value and what is the social impact of donations?

Who are the principals in a non-profit charitable organization?

Why are the regulators so indulgent with delinquent charities?

Should the state assign forensic accountants a more important role?

How will digital giving transform classic solicitation methods?

The main focus of this paper has been the description of the complex charity business model. One question worth considering at this stage is whether this model can be generalized. One way to test this would be to analyse small and medium-sized charity operations at the local and regional level. Another important follow-up research question relates to the governance of funds: in-depth organizational case studies based on interviews of boards of directors could be an effective alternative method for assessing field interventions and measuring the social impact of donations. A candid question: Should beneficiaries or users be involved in the measurement of the efficiency and effectiveness of a charity's performance?

In the Tragedy of Hamlet, Marcellus says to Horatio: "Something is rotten in the state of Denmark." Is something rotten in charity governance? In the coming decades, poor charity governance could severely undermine confidence in the sector, reducing both charitable giving and charitable activity. Appropriate guidance and efficient monitoring could be strategic tools for the management of North America's \$50 trillion in intergenerational wealth to be transferred by 2050.

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Figure 1
Potential Links Between Charity Stakeholders

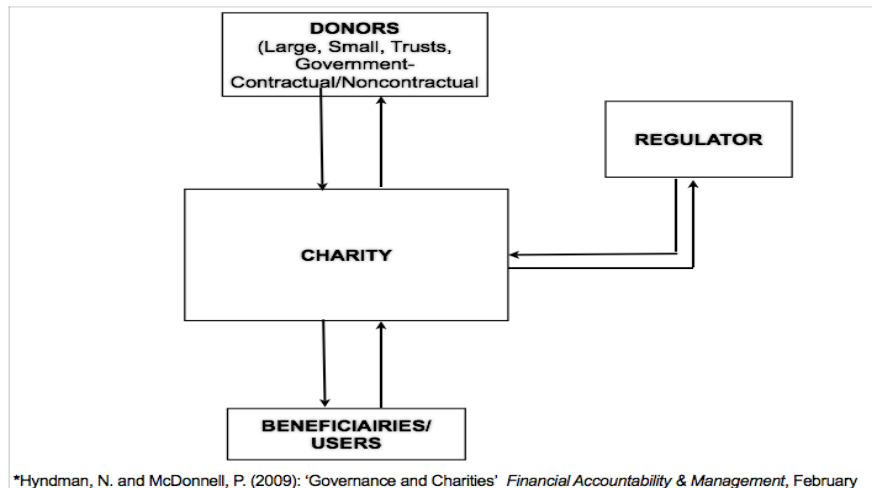


Figure 2
The Agent Behaviour Matrix

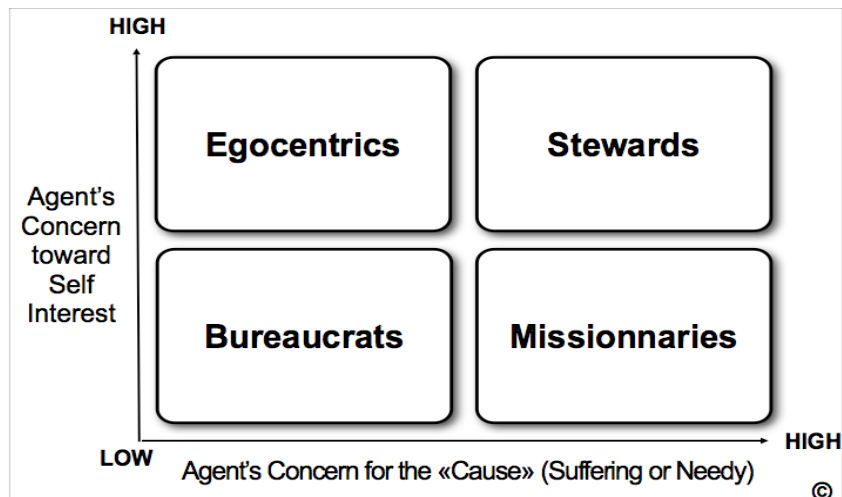


Figure 3
Total Revenue and Expenditures of Canadian Registered Non-Profits

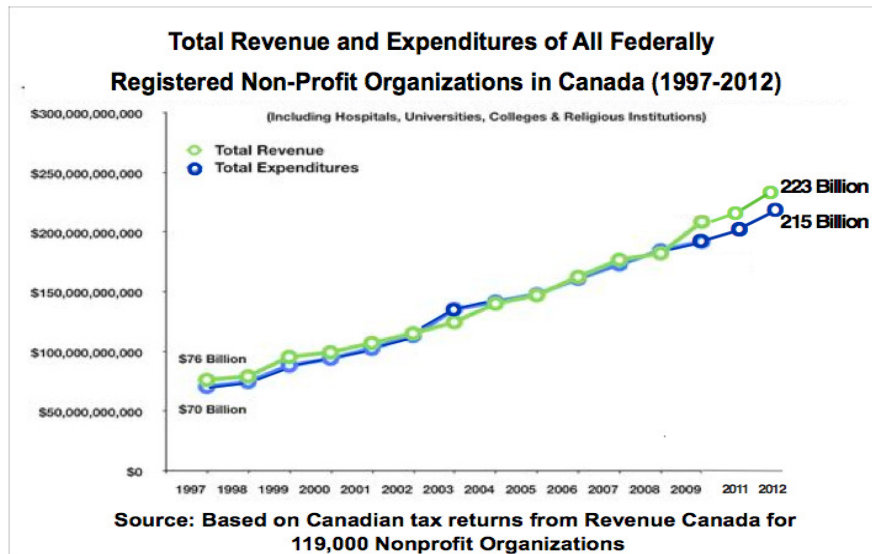


Figure 4
Cracking the Code of a Charity Business Model

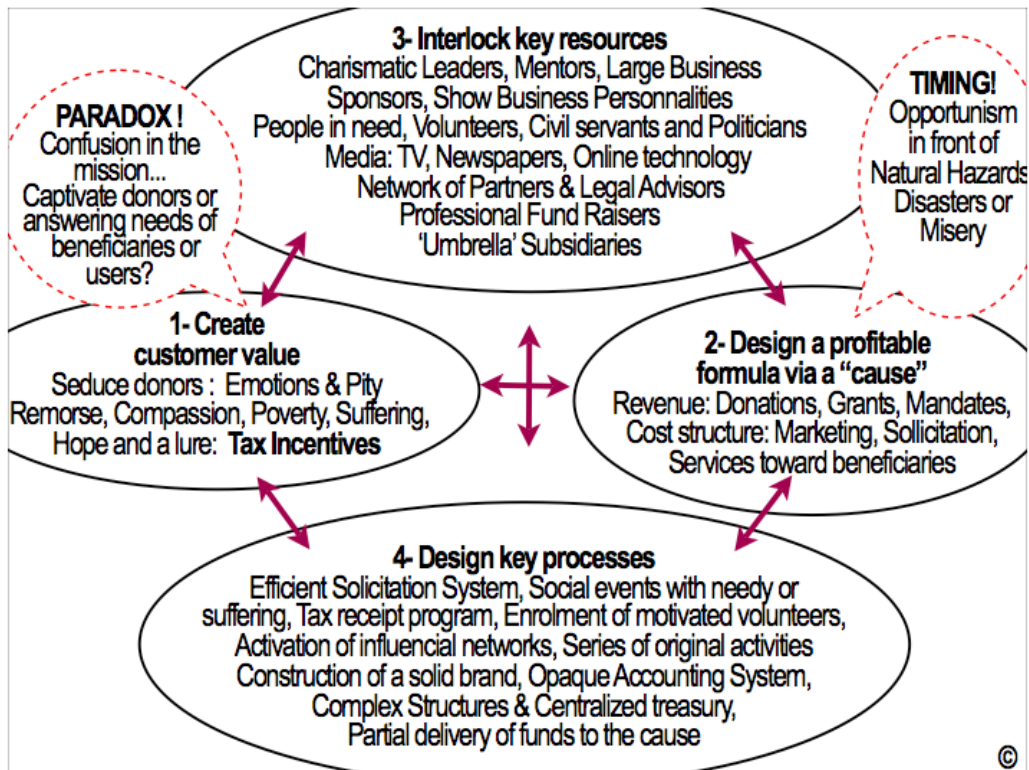


Figure 5
Extension of Stacey's Diagram

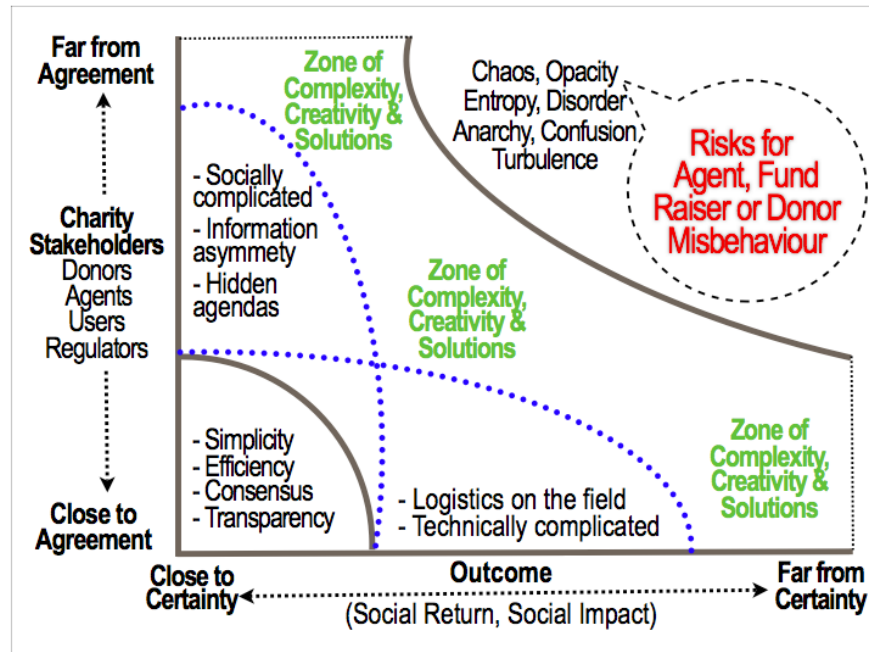


Figure 6
Toward a Complexity-Aware Monitoring Process

