



# Corporate Partnerships - It cuts

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A Seminar for Leaders of  
Not-for-profit Organisations

An Initiative of  
Macquarie Bank Financial Services

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# Talking Points

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- ✦ The role of the board and management in developing a sophisticated, integrated sustainability strategy.
- ✦ The ‘real’ meaning of sustainability.
- ✦ Expectations of business, and leveraging the trend towards corporate social responsibility.
- ✦ Achieving ‘institutional readiness’ with corporate partners to maximise mutual objectives.

# Background

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- ✦ Many third sector organisations have replaced volunteers with paid and trained staff to remain relative and competitive during the past decade.
- ✦ There can be a disconnect between paid staff and volunteer board members.
- ✦ Paid staff receive training and increase their knowledge base and professionalism, boards often don't, not many courses are offered for board members of NGO's.

# Continued

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- ❖ Recent corporate scandals have made (volunteer) board members even more cautious.
- ❖ The fact that board members are legally liable for the organisation can lead to an over-emphasis on financial accountability.
- ❖ Reason: the Board is the trustee of public money which has to be protected.

# Collective Responsibility of the Board

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- ✦ Attending board meetings and organisational activities.
  - ✦ Approval of the mission; Participating in the planning process.
  - ✦ Selection of the CEO.
  - ✦ Ensuring legal and financial obligations are being met.
  - ✦ Support and oversight of programmes.
  - ✦ Assistance with fundraising.
  - ✦ Assurance of board effectiveness.
  - ✦ Community relations and advocacy, representing the organisation.

Quoted from p.10, “the book of the board.”

# Issues

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- ◆ Money is at the centre of survival for many NGO's yet many have no long-term income development strategy driving towards sustainability.
- ◆ Income development needs to be part of the strategic plan and requires leadership from the board and CEO as well as adequate resourcing. 'You need to spend money to get money.'
- ◆ Fundraising philosophy states: you either give, get or get off (the board). Many Board Members are uncomfortable about asking third parties to contribute to their organisation.

# The Integrated Income Development Plan

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Most NGO's have a strategic plan but many of these plans do not include fundraising as a key strategy. Considering that \$'s are required to operate just about everything this is surprising.

Components of a fundraising strategy should include:

- ◆ Endowment building.
- ◆ Annual fund (to cover operating costs).
- ◆ Special appeals.
- ◆ Capital fund (repairs/ maintenance/purchase building).

# Endowment

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“Endowment is a fund of money to be held in perpetuity as directed by the donor. The money in this fund is invested in stocks, bonds and other vehicles and an annual income is derived from this investment; the principal remains intact.”[1].

An endowed fund acts as a self-sustaining funding stream, one that may prove crucial to the financial stability of the non-profit organisation.

[1] Achieving Excellence in Fund Raising, Building Endowment, p. 104.

# Sustainable Development

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“Meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

Definition: Brundtland Commission, 1987.

# Terminology

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- ◆ corporate sustainability or
  - ◆ corporate responsibility and
  - ◆ the broader definition of corporate citizenship
  - ◆ corporate social responsibility
  - ◆ triple bottom line reporting now sometimes extended to the fourth bottom line, good governance
  - ◆ corporate philanthropy
  - ◆ **corporate social investment** and last but not least
  - ◆ socially responsible investment

# Corporate Social Investment

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- ✦ The investment a company makes above the business development, legislated employee development and marketing budget for social (including environmental) purposes.
- ✦ Social investment implies the expectation of a return, at a minimum a social return, at a maximum, social and financial returns.

# CSI...

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- ✦ CSI goes further than strategic philanthropy in that it is closely tied to a corporation's competitiveness and ability to generate profits and seeks to enhance a company's ability to do so.
- ✦ Porter and Kramer, one a Harvard Professor and the other an independent consultant, argue that the only way a corporation can really add value to the social sector and justify distribution of pre-tax dollars to social ventures, is when these activities are business case aligned.

# Corporate Contributions

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In the financial year 2000/2001 the business sector provided a total of \$1.4 billion to the community.

- ◆ The most common form of giving was cash (\$926m),
- ◆ followed by services (\$290m),
- ◆ followed by goods (valued at \$236m). [1].

[1] Generosity of business report, ABS 2001.

# Corporate Contributions

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- ✦ activities associated with sport and recreation attracted most of the sponsorship dollars (\$480m) and
- ✦ community and welfare activities received the most donations (\$243m).

# Corporate Contributions

- ✦ \$679m of the total amount contributed by business was in the form of sponsorships which offer a commercial benefit to the company while
- ✦ \$586m were donations and
- ✦ \$182m by way of partnership arrangements.
- ✦ **Small businesses donated the most - \$251 million**
- ✦ Large corporations were the biggest sponsors \$427m.
- ✦ Large business also contributed the highest value in kind to community projects (\$113m).

# Key Issues include

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- ✦ Should Business be involved with social issues at all or whose responsibility is it?
- ✦ Should CSI be **legislated** or remain **voluntary**?
- ✦ Should CSI be separate from business ie corporate foundation “giving back to the community” or integrated into business strategy to enhance competitiveness?

# Business Benefits

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- ✦ Impact business outcomes positively.
- ✦ Affect a company's ability to attract top talent.
- ✦ Positively influence customers and employees.
- ✦ Strengthen the local context business operates within.
- ✦ Companies can achieve better results than individual donors due to resources available to support partners in addition to cash contributions.

# NGO benefits

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✦ \$\$\$\$

✦ In kind support

✦ Business expertise (marketing, financial management, contract negotiation etc) many businesses now offer 'technical assistance' to their third sector partners to strengthen their overall operations.

✦ Volunteers, which can also be a problem as their energy has to be directed towards something that is suitable to both parties.

# Barriers

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- ✦ Confusion about CSR, CSI and all the rest and the implementation process.
- ✦ Lack of professional development and expertise in this area (learning on the job).
- ✦ CSI is still marginalised from the mainstream business decision making process and often too closely aligned with reputation management instead of integrated into main business strategy.
- ✦ Too much preaching to the converted.

# Barriers

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- ✦ Financial analysts still mostly focus on short term profits, CSI focusses on the long-term.
  - ✦ Multi -stakeholder engagement strategies lacking substance.

# Expectations of Business

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- ◆ In general, business is risk adverse and interested in partners with a good reputation re financial management, governance, project delivery etc.
- ◆ Businesses favour third sector partners with employee engagement opportunities.
- ◆ Sustainable corporate social investment strategies are increasingly employee driven, reflecting employee interests/concerns and needs.
- ◆ Looking towards third sector organisations to apply similar standards to their own operations. (stakeholder engagement, sustainability reporting, walk their talk re accountability and transparency).

# Institutional Readiness

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Fundraising, incl. partnerships with corporations, is based on organisational strength and vulnerabilities can undermine efforts. It requires the following basic institutional elements:

- Mission driven strategic plan.
- Programmes that address the mission and vision incl. Explanation of economic benefit, not just description of what is being done.
- An active governing board with members who give and get.
- Professional staff and adequately resourced fundraising team.

# References

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- ✦ The book of the board – effective governance for non-profit Organisations. David Fishel, the federation press, 2003.
- ✦ Good to great – why some companies make the leap and others don't. Jim Collins, random house, 2001.
- ✦ Achieving excellence in fund raising, Hank Rosso, Eugene R. Temple, editor, Jossey Bass, 2003.