

The Role of Non-Profits in Corporate Responsibility

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Current Trends in Corporate Responsibility

Sustainable development and corporate responsibility have been firmly placed on the agenda of politicians, business leaders and the non-profit sector.

Key elements shaping the agenda of corporate responsibility:

- International opinion shaping events
- The influence of business
- International frameworks

International Issues Defining the Agenda include

- Chronic health problems and obesity
- Human rights, with a particular focus on the right of access to drugs or education
- Corruption
- Climate change
- Terrorism and Security

Well Known Facts about the Influence of Business

...the annual revenue of the five largest corporations is more than double the GDP of the poorest 100 countries in the world

... ..of the world's largest economic entities, 51 are companies and 49 are countries.



Terminology

- Corporate sustainability or
- Corporate responsibility and
- Corporate citizenship
- Corporate social responsibility
- Corporate social opportunity

- Corporate accountability
- The triple bottom line
- Corporate philanthropy
- Corporate social investment
- Socially responsible investment



Sustainability

“Meeting the needs of the present without compromising the ability of future generations to meet their own needs.”¹

Corporate sustainability is a business approach to create long-term shareholder value. Sustainability leaders embrace opportunities and manage risks which derive from economic, environmental and social developments.

1 Definition: Brundtland Commission, 1987.



Sustainable Development

What Does it Mean?

Around 1.7 billion people worldwide—more than a quarter of humanity—have entered the "consumer class," adopting the diets, transportation systems, and lifestyles that were limited to the rich nations of Europe, North America, and Japan during most of the last century.

Private consumption expenditures – the amount spent on goods and services at the household level – have increased fourfold since the 60ties, topping more than \$20 trillion US in 2000.

The 12 percent of the world's people living in North America and Western Europe account for 60 percent of this consumption, while.

The one-third living in South Asia and sub-Saharan Africa account for only 3.2 percent of the World, Worldwatch 2004



Definition of CR

Corporate activity that leads to private wealth at the expense of the common good cannot be deemed socially responsible.

There are many different definitions which have much in common. CR currently does not have an identified industry body and is not regulated.



International Frameworks

- Global Compact
- UN Norms re Human Rights and Business
- Global Reporting Initiative (GRI)

- Dow Jones Sustainability Index
- FTSE4Good
- Equator Principles

Why did CR emerge?

...to adopt useful strategies to bridge the gap left by the lack of government regulations and due to market failure

Whose responsibility is it?

..... Governments?

..... Businesses?

..... Third Sector Organisations?

...the role of Government regulation and how much is enough is one of the key debates of the CR movement.



Corporate Social Investment

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 both, social and economic return.



Forms of corporate engagement

Many corporations engage in planned 'giving' initiatives. Some focus on raising funds from their employees and matching those funds with company dollars, others created business case aligned programmes. The tools of the trade include:

- Matched Giving Programmes
- Corporate Foundations
- Corporate Social Investments
- Cause Related Marketing
- Employee Engagement
- Community Business Partnerships



The Role of the Third Sector

Why is the sector defined by what it is not rather than what it is – social profit organisations?

Are we accounting for the right things?

Are we measuring the right things?

If we want to measure the social profit of a third sector organisation, would the accounts look different?



The Role of the Third Sector

CR goals of companies can often only be full-filled in partnership with the Third Sector and there are many celebrated examples:

- Kelloggs/Optus Kids Help Line
- Cisco Graduate Education at QUT
- Amex & Red Cross & The Body Shop: Bizness Babes program
- Indigenous Enterprise Development program @ Cape York with Westpac
- and many others.

Challenges

1. Corporate Partnerships are very sought after and seen as a very good way to obtain badly needed funds as well as meeting the mission of a non-profit company.
2. Corporate expectations towards Non-Profit organisations are high and can often not be met.
3. Examples include:
 - Employee volunteering,
 - Publicity campaigns and media strategies
 - Development of business plans
 - Professional conduct
2. Corporate partnerships can be very onerous and time intensive for organisations
5. Non-profits have to be institutionally ready to enter into such partnerships.



Institutional Readiness

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

- A 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.
- An integrated income development plan matched with adequate resources.

The Integrated Income Development Plan

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).

GDP

“Gross National Product measures neither the health of our children, the quality of their education, nor the joy of their play. It measures neither our wisdom nor our learning, neither our wit nor our courage...

It measures everything in short, except that which makes life worth living...”

Robert Kennedy, 1968

References

- 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.

Demystifying the Concept of CR

Making a difference by

➤ **Improving social and environmental performance**

➤ **Through**

✓ **Effective partnerships**

✓ **Transparency**

✓ **Realising win/win opportunities**

✓ **Integrated long-term decision making**