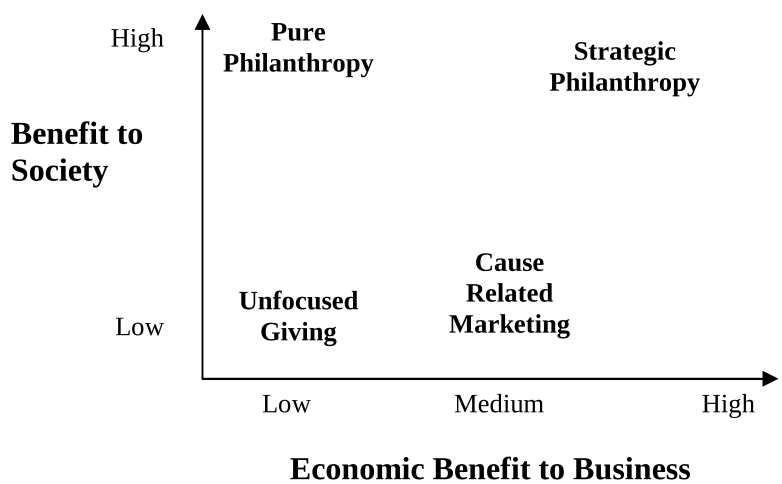
Nonprofit – Business Partnerships

By John Durel

Why do private businesses support nonprofit organizations? What's in it for the business?

In the past two decades there has been an overall decline in the amount of money businesses give to nonprofits, and a shift from pure philanthropy to cause-related marketing. That is, when considering a gift companies have increasingly asked how will this benefit our business. Often the decision rests not with the office handling charitable giving, but with the marketing department.



Pure Philanthropy

In the tradition of Andrew Carnegie and John D. Rockefeller, Sr., today's very wealthy, like Bill Gates and Ted Turner, have begun to practice pure philanthropy. Turner started the ball rolling with a $1 billion pledge to the U.N. in 1997, and a challenge to his fellow entrepreneurs to begin giving. Since 1999 Gates and his wife have put more than $25 billion into a foundation to improve health care in poor nations. According to Business Week (December 2, 2002), America's 50 most generous donors have given or pledged more than $41 billion over the past five years.

Pure philanthropy comes from a desire to make a beneficial, lasting change in society. For people of wealth, there is great satisfaction in having the ability to make a positive difference in the lives of others. One does not have to be a multi-billionaire to practice pure philanthropy. Ordinary folks do it everyday.

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Businesses and corporations may practice pure philanthropy through the creation of a foundation. In some cases, the criteria for making donations are distinct from the financial goals and strategies of the business. In most instances, however, the foundation's guidelines reflect the overall interests of the business. For example, foundation grants are often limited to the geographical regions where the business operates.

Unfocused Giving

Most giving by businesses is haphazard, following the interests or whims of the owners, directors, or employees. Employee matching programs put the decisions in the hands of the employees. Numerous small donations are made to a wide variety of local organizations. There is no overall strategy for making gifts. Hence, the impact of this philanthropy on society is diffuse, and not as great as it might be if giving were concentrated in a single area.

Similarly, the impact on the business' profits is limited to the goodwill generated by the gifts. There is no direct or strategic connection between supporting the nonprofit organization and economic benefit for the business.

Cause Related Marketing

Although pure corporate philanthropy has declined in the past two decades, businesses have increased sponsorship of projects and programs offered by nonprofit organizations. Cause related marketing has increased nearly five-fold in the past decade, to an estimated $828 million in 2002. The primary motivation for the company is to promote it's name and products, with it's logo visible at events and on printed materials. Sometimes companies donate goods and services, and executives have opportunities to speak at events. The companies benefit from association with the cause of the nonprofit organization, and they enable some good to be done for the benefit of society. However, it is clear to all that the real reason companies give in this way is to market their goods. The motivation is publicity, not social impact.

Strategic Philanthropy

Strategic Philanthropy moves beyond cause related marketing to tie a business' success with improvements to society. To be truly *strategic*, the business must see the social impact of its gift as a way to improve its competitive position in its market. That is, by helping to make a meaningful improvement in society, the company also improves its own chances of success in a competitive context.

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Michael Porter and Mark Kramer, in "The Competitive Advantage of Corporate Philanthropy" *Harvard Business Review*, December 2002, discuss this concept in detail from the business' point of view. Nonprofit leaders should read this article. As an example of strategic philanthropy, the authors cite the Cisco Networking Academy. In the late 1990s Cisco, and other companies that produce and manage computer networks, faced a chronic shortage of qualified workers. To address this problem Cisco, working with the U.S. Department of Education and the United Nations, developed a web-based distance-learning program for school students around the world. The academy brings education and job opportunities to poor communities worldwide, increases the ability of Cisco to expand and serve its customers, and over the long term increases the market for Cisco's goods and services as more people become knowledgeable about computers.

Creating a *Strategic* Business-Nonprofit Partnership

To create a partnership, where the benefits to society are significant and lasting, and where the economic benefits to the business are more than publicity and marketing, the nonprofit organization must understand how the business really works. This means that the leaders of the nonprofit should meet with the leaders of the business (not just the marketing director) to first understand the business' competitive context, and then to explore ways in which they can work together.

Possibilities abound. Can the work of the nonprofit organization enhance the company's position with regards to:

- Human resources
- Capital resources
- Physical resources
- Administrative resources
- Information resources
- Technological resources
- Natural resources
- Its suppliers and related industries
- Its customers, their needs and sophistication
- Local policies and business incentives

By talking to the leaders of a business about how such things impact them financially, the leaders of a nonprofit organization can discover new win-win possibilities for strategic partnerships.