Relationship matters:
Not-for-profit community organisations and corporate community investment

October 2008

Report to the Department of Families, Housing, Community Services and Indigenous Affairs

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Executive summary

Corporate community partnerships are able to address, or assist in addressing societal issues and produce outcomes that governments cannot (or cannot do alone), and that businesses and not-for-profit organisations cannot achieve exclusively.

These partnerships are unique in that they often bring together entities with different ideologies. While some not-for-profit organisations and large businesses (the focus of this report) may have different views about how activity should be measured and how profits should be distributed, they share frequently the notion that risk should be embraced to achieve their respective outcomes. This is very different to the philosophy underpinning the government.

This report examines barriers to corporate community partnerships developing further in Australia, examines differences between not-for-profit organisations (NFPs) and corporations, identifies positive and negative factors at play in these partnerships, and focuses also on trends and developments. It looks also at how to best leverage the operations and activities of NFP organisations to enhance interactions with large businesses.

It comes at a time when economic uncertainty has been prompted by a crisis in international credit markets, which is creating uncertainty in business, governments, among NFPs and in the wider community.

The depth of any economic downturn in Australia from 2008 is likely to test the strength of many corporate community partnerships. NFP organisations, business and governments are aware that during past economic downturns in Australia and internationally, investment in the community by corporations has been strained by business financial considerations.

These past developments occurred when corporate community investment and corporate community partnerships were generally at an early and less sophisticated stage of evolution. How these partnerships will be tested during and following the financial crisis that enveloped markets in September 2008, will be watched keenly by those analysing the path of business relations with NFPs.

This report included quantitative survey research with 153 not-for-profit organisations and qualitative research workshops of NFPs in Sydney, Canberra, Perth and Melbourne, as well as individual consultations with senior NFP sector executives. It follows the 2007 publication by the Centre for Corporate Public Affairs and the Business Council of Australia, *Corporate Community Investment in Australia*.

At what stage are corporate community partnerships in Australia?

The direction of corporate community partnerships — supported by most NFPs — is towards an 'integrative' stage of collaboration, in which partners create new services and activities as a result of their collaboration.

Outcomes produced by so-called integrative partnerships include better societal outcomes, and improved delivery of services at a local level. NFP organisations report that many corporate community partnerships operate within this realm.

Some corporate community partnerships in Australia remain at an initial 'philanthropic' stage of development (traditional donor-recipient relationship delivering funds to the NFP and strengthening the reputation of the donor).

The largest number of partnerships sit in the orbit of 'transactional' collaboration, characterised by an exchange of resources via partnership activity, producing mutual reputation and positive outcomes for society. As they develop, these partnerships move towards 'integrative' collaboration.

The trend towards integrative corporate community partnerships reflects the trend in collaborations internationally (especially longer term partnerships), particularly in the United Kingdom, and increasingly in the United States. This report, and the 2007 report on corporate community investment, identified internationally innovative approaches in integrative community partnerships in Australia.

Development of network governance in Australia (pursuit of holistic societal outcomes between all-of-government, NFPs and business to access resources needed or utilise resources differently to generate policy solutions), and the evolution of social enterprise (community initiated and controlled entities using entrepreneurship to contribute to community issues), is also having an impact on how corporate community partnerships evolve and operate.

More secure funding streams and capacity building

This report finds that corporate community partnerships continue to grow rapidly in Australia. About 10 per cent of the income of the NFP organisations contributing to this report is derived from corporations.

Almost all NFPs indicated they partner with business to secure a funding source that is often more reliably available over time than funds available from governments (which remain the prime source of NFP funding).

Three-quarters of NFP organisations partner with business also to get access to specialist corporate skills, and assist build their capacity. Consultations undertaken for this report illustrate the importance of skills-transfer for both NFPs and also business.

About 70 per cent of NFPs — which are primarily 'mission-driven' entities — indicated partnerships with business improves what they do, and about half said also that their projects are more successful than if they did not partner with corporations.

What is driving corporate community partnerships?

Research for this report indicates that among smaller NFPs in particular, with little experience of collaboration with business, there remains some natural and ideological suspicion about the motives of businesses seeking to partner with them.

Most NFPs believe marketing benefits and reputation motivate business primarily to form relationships with NFPs (reputation was rated as the second highest motivation by corporations in the Centre's 2007 report on corporate community investment).

They also rate corporate citizenship obligations as a main driver (rated number one by corporations in the 2007 Centre study), and see meeting stakeholder concerns as another key corporate community partnership driver for business (rated number four by corporations in 2007).

Barriers to and opportunities for more corporate community partnerships

If the benefits of a more integrative approach to corporate community partnerships are to be encouraged and nurtured, then barriers to their development, operation and success need to be understood and removed.

About one-quarter of NFP organisations said business does not understand their objectives. Yet the most successful partnerships are characterised by corporations and NFPs making considerable effort to understand the mission and intent of how each entity operates.

Most NFP organisations believe better overall business sector understanding of NFPs and their complex stakeholder relationships, as well as the longer-term view they must take to mitigating societal issues or achieving community goals (when compared to the shorter-term profit cycles of business), would underpin more successful partnerships.

Building capacity

However, the most critical challenge facing not-for-profit organisations — which they see corporate community partnerships playing a lead role addressing — is building their capacity to achieve their missions.

Most of the work of not-for-profit organisations requires multi-party collaboration with government agencies, other NFPs and businesses.

Many NFPs say they have low operating ratios, and most have staff numbers between one and nine full-time employees. Many rely on volunteers (including from corporate partners and other businesses).

There is high demand among NFPs of all sizes to have access to the skills and capability that corporations can offer, transfer and embed. This includes capability in core management enterprise functions such as human resource development and training, finance, marketing, corporate governance, administration, strategy and leadership development.

Conversely, many large businesses value highly the opportunity for their employees to work with NFP organisations, and the exposure this can provide them to different operating models and community experiences (this is in concert with the findings of our 2007 report into corporate community investment).

As well as building capacity via employee volunteering and skills transfer through collaboration with business, we recommend later in this report development of a Community Corps in partnership with NFPs, business and governments, to practically and innovatively build capacity in the not-for-profit sector, and build business understanding also of NFP organisations.

Capacity-build through employee volunteering

Employee volunteering, a mode of corporate community investment that also engages staff with their employer's corporate responsibility, has the potential to play a greater part in skills transfers to NFP partners and capacity building.

Fifty two per cent of NFPs report that corporate volunteers are already involved in skills transfer and capacity building activities, and 42 per cent say corporate volunteers are involved in their governance (Boards, oversight and management committees).

Orienting more of the 70 per cent of employee volunteering described by not-for-profit organisations as unskilled towards capacity building and skills transfer, would be highly beneficial to NFPs across the nation, and meet the demand of these organisations for assistance to build their capacity to achieve their mission.

Clear view of good and best practice

Related to increasing the capacity of the not-for-profit sector, there remains demand among NFPs and business — especially medium to small entities — for a portal or 'clearing house' of good and best practice in identifying, managing and nurturing corporate community partnerships.

Data collected during research for this report suggests the absence of a central portal results in considerable 'reinvention of the wheel' across the NFP sector in how corporate community partnerships are identified, managed, measured and reported.

There is also a desire in the sector for good and best practice to be accessible and disseminated, primarily as a means to assist non-for-profit organisations to strengthen their performance.

Transparency

A common theme of this report is that while many NFPs benefit from working with business through community partnerships, many believe there remains a deficit in how well business and the wider community understand their goals and operations, and that in some quarters, perceived poor transparency affects negatively the reputation of the wider sector.

Some NFPs have adopted voluntary annual reporting of progress against mission, values, strategy, financial and operational performance, corporate partnerships and government assistance.

We conclude such voluntary reporting, which may be resource intensive, is likely to be beneficial to the reputation of the NFP sector. Such reporting would also go a considerable way to ensuring the operations of NFP organisations are more transparent to potential (and existing) corporate partners.

This report focuses mainly on the experiences of large businesses, however we note that some NFPs suggest also that small and private businesses could improve transparency and reporting.

Regulatory reform

There is also considerable demand among NFP organisations (and we conclude merit) in continued examination of how NFPs are regulated in Australia across nine State, Territory and Australian Government jurisdictions.

Different regulatory regimes pose significant operating cost and administrative burdens for NFPs operating across State and Territory borders, including in joined-up and collaborative arrangements with other NFPs, or with corporations or governments.

We conclude in this report that State and Federal governments accelerate work towards regulatory harmonisation of the not-for-profit sector, with a desirable outcome of such harmonisation freeing up financial and human resources — including management attention — to focus on delivery of NFP missions nationally.

Governments — the main funding source for NFPs contributing to this report — should also examine developing within their jurisdictions, common tender and grant application criteria for NFPs.

The report also canvasses reviewing the legal entity of NFPs relating to directors' liability. It notes that not-for-profit organisations expose directors to the same liabilities as corporations, therefore limiting the number of business executives available to sit on the Boards of NFP organisations.

Chapter 1

Introduction

1.1 Background to project

The Department of Families, Housing, Community Services and Indigenous Affairs (the Department) commissioned the Centre for Corporate Public Affairs (the Centre) to undertake a major study into not-for-profit (NFP) organisations and business community partnerships in late 2007.

This follows two previous reports — *Corporate Community Involvement: Establishing a Business Case* (Centre for Corporate Public Affairs 2000) and *Corporate Community Investment in Australia* (Centre for Corporate Public Affairs 2007) — that were completed by the Centre in conjunction with the Business Council of Australia. These two reports have already been highly influential in the way government, business, and the not-for-profit sector have come to think about the issues around community investment. It would be most constructive for this current report to be considered in conjunction with the 2007 study.

The 2007 report investigated trends in corporate community investment and concluded that business activity continues to increase and deepen.

This form of business engagement with the community was described as ‘corporate community investment’ because it reflects engagement with the community as a core business activity, and the fact that it is accorded strategic importance in the business sector.

The Centre expects this report into not-for-profit and business community partnerships will further inform development of policy in this area. The report will also assist NFP organisations and businesses develop and maintain more effective community partnerships.

1.2 Reference Group

A Reference Group was established to guide the research phase of this report and act as a ‘sounding board’. Three meetings were held with the Reference Group to obtain feedback and guidance on the scope of inquiry, research methodology, trends and recommendations. While the Reference Group provided helpful advice, the findings, conclusions and recommendations are the responsibility of the Centre for Corporate Public Affairs.

The Reference Group comprised:

- Geoff Allen, Chairman, Centre for Corporate Public Affairs
- Mark Anderson, Chief Executive Officer, Fairbridge Western Australia Inc
- Elaine Henry OAM, Chief Executive Officer, The Smith Family
- Mandy Hillson, Senior Manager, Business Engagement in the Community, Prime Minister’s Community Business Partnership, Department of Families, Housing, Community Services and Indigenous Affairs *(on Reference Group until May 2008)*

- Chris Mangin, Chief Executive and Artistic Director, Opera Queensland
- Kym McConnell, Senior Manager, Community and Business Engagement, Community Support Programs Branch, Department of Families, Housing, Community Services and Indigenous Affairs *(on Reference Group from May 2008)*
- Fergus Ryan, Director of Commonwealth Bank of Australia, Australian Foundation Investment Company, and other companies
- John Simpson, Group General Manager, Corporate Affairs, National Australia Bank.

1.3 Project objectives

This research project builds on the findings of the 2007 report into corporate community investment, and explores the not-for-profit sector's experience of, and interaction with, the business sector.

The study seeks to understand how to better facilitate business engagement with not-for-profit organisations, and optimise the contribution of business to the work of the NFP sector. While the report focuses primarily on large business engagement with NFP organisations, the importance of small and medium businesses is also canvassed.

The study:

- examines differences in expectations and comprehension of corporate community investment in the NFP and business sectors
- highlights perceived positive and negative forces on partnership activity
- identifies existing barriers to successful partnerships
- focuses on current trends and future developments.

The study also seeks to understand how to:

- strengthen partnerships and relationships between the NFP and business sectors
- leverage the *modus operandi* of the NFP sector to enhance interactions with large businesses.

1.4 Methodology

The study incorporates research from four sources — literature review, online survey of NFPs, national qualitative research workshops of NFP organisations, and individual consultations with senior NFP executives.

Literature review

The Centre conducted a review of Australian and international research into the not-for-profit sector and business community partnerships. The literature review provides the theoretical foundation for this report, from which definitional issues are clarified. It identifies international trends in business community partnerships and best practice. Sections of the literature reviewed in this report have been made available separately to the Department of Families, Housing, Community Services and Indigenous Affairs.

Online survey

The Centre developed and managed an online survey of Australian not-for-profit organisations to capture the views of a broad range of organisations, particularly those unable to attend the workshops (due to timing, workload, or geographic constraints).

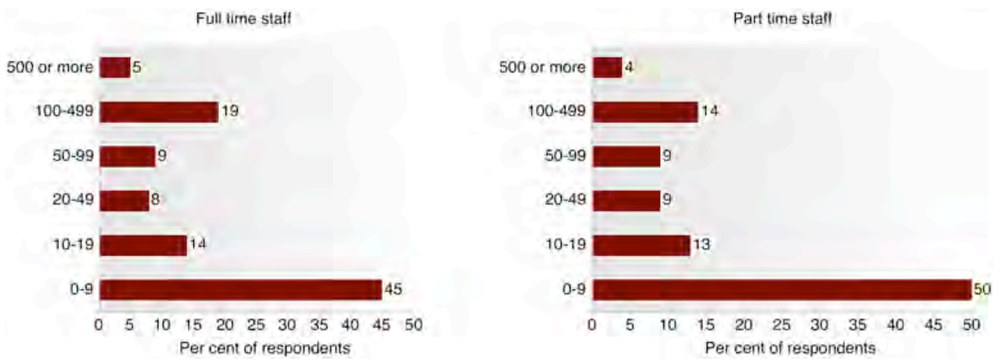
The online survey was open between 26 February and 9 May 2008. To ensure confidentiality and optimise frankness of responses, *Values Bank Research*, an independent market research firm, was commissioned by the Centre for Corporate Public Affairs to host the online survey. Hard copy surveys were also despatched on request.

The survey was distributed to more than 900 not-for-profit organisations. The online survey web-link was also disseminated through the newsletters of *Our Community* and *Pro Bono Australia,* and information about the survey circulated by *Fundraising Australia*. One hundred and fifty three NFP organisations completed the online survey.

Nearly half of 153 not-for-profit organisations that participated in the Centre's survey employ less than 10 full-time (or full time paid equivalent) staff. A further 31 per cent employ between 10 to 99 full-time staff. About 24 per cent of respondents employ more than 100 full-time staff.

Figure 1.1

EMPLOYMENT DEMOGRAPHICS



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008.

The survey population included organisations identified in the Centre's *Corporate Community Investment in Australia* report, not-for-profit organisations that have received Department of Families, Housing, Community Services and Indigenous Affairs funding, and Australian NFP organisations listed on websites, directories and other databases.

Not-for-profit organisations that participated in this research range from those with a local community focus, to national and international NFP organisations operating in Australia.

Following discussions with our government sponsor, the Centre's survey excluded religious organisations (per se), private schools, organisations exclusively or predominantly focused on advocacy, sector peak councils and major sporting bodies not focused principally on community recreation.

Workshops with not-for-profit organisations

The Centre for Corporate Public Affairs convened research workshops in Sydney, Melbourne, Canberra and Perth. The workshops were structured to prompt discussion between not-for-profit organisations of differing size, operating across various sectors, and were facilitated to interrogate issues identified in the literature review.

The discussions and insights from the research workshops are reported and cited in this study.

Individual consultations

The Centre for Corporate Public Affairs consulted also individually with a number of not-for-profit organisations, including relevant peak bodies. These consultations provided further insights into the NFP sector, and allowed us to interrogate findings from the online survey and group workshops in depth.

Further individual consultations were conducted with smaller not-for-profit organisations that were unable to attend a research workshop.

1.5 Defining the not-for-profit sector

Existing literature internationally and in Australia uses a plethora of different terms to refer to the not-for-profit sector.

Commonly used references include 'non-profit', 'civil society', and 'the third sector', and are described as 'community', 'voluntary', 'independent', or 'non-governmental'.

The use of these terms is not consistent, and terms are often used interchangeably, referring to different groupings of organisations.

For clarity, this report uses the term 'NFP organisation' to refer to not-for-profit organisations.

The term 'organisation' is chosen over 'institution' because it is more relevant to the Australian domestic context.

In this report, the terms 'NFP organisation' and 'not-for-profit organisation' are used interchangeably with the phrase 'NFP community organisation'. The focus should be on the term 'not-for-profit'. Box 1.1 examines an internationally accepted definition of a not-for-profit organisation.

Box 1.1

DEFINITION OF A NOT-FOR-PROFIT ORGANISATION

Anheier and Salamon have developed an internationally accepted definition of a not-for-profit organisation. This definition has been adopted by the *United Nations Handbook on Non-profit Institutions in the System of National Accounts*, developed by the United Nations Statistics Division, and the John Hopkins Center for Civil Society Studies.

According to this definition, a NFP organisation:

- has an organised structure
- is institutionally separate from government
- reinvests all profit into the core mission of the organisation
- is self-governing
- has voluntary membership only.

Source: Anheier & Salamon 1998, p. 216; United Nations 2003, pp. 4-5 & 15-20.

1.6 Defining community business partnerships

Internationally, the term 'partnership' refers frequently to NFP-business relationships with the highest level of involvement and integration of resources, though some organisations use the term to describe any kind of NFP-business relationship.

The former Australian Prime Minister's Community Business Partnership defined a community business partnership as:

> A situation 'where one or more businesses and one or more community organisations, having common goals, agree to work together to share and leverage the strengths, resources, talents and knowledge of each other in ways that benefit both business and the community'.
>
> Social Compass 2005, p. 2

Chapter 2 of this report covers the trend in recent years for business and NFP organisations from historical relationships that were often of a financial nature to move towards more dynamic and sophisticated relationships. We focus on the interactions between business and NFPs that are defined as partnerships. However, we recognise that this describes a wide range of relationships on a continuum from funding relationships to full integration.

This report focuses on the experiences of not-for-profit relationships in working with business. We note that in some cases business and NFPs are also partners with government.

1.7 The Australian context

This section examines activities undertaken, sources of income, and employment generated by, the not-for-profit organisations that participated in this study.

It is not within the scope of this report to undertake a comprehensive study of the scale and characteristics of the not-for-profit sector in Australia. Numerous government, academic, and consultancy studies have documented these recently. Box 1.2, however, provides a brief overview of the size and other characteristics of Australia's NFP sector. It incorporates recently released ABS data.

Box 1.2

SIZE OF THE AUSTRALIAN NOT-FOR-PROFIT SECTOR

The Australian Bureau of Statistics released new data on the not-for-profit sector in August 2008. This represents a significant, but not exhaustive, contribution to the collected data on the Australian NFP sector.

There were 40 976 not-for-profit organisations operating in Australia in the 2006-2007 financial year. Culture and recreation organisations accounted for 20 per cent of this total.

The sector employed 884 476 individuals, mainly in social services (which accounted for 27.2 per cent of total employees) and education and research organisations (24.4 per cent). Full-time employees accounted for 40.8 per cent, while part-time and casual employees 33.5 per cent and 25.7 per cent. Significantly, there were 2 434 815 volunteers during the 2006-2007 financial year.

During the 2006-07 financial year, the not-for-profit sector received $74.5 billion in income. Industry value added by these organisations was $35.1 billion, and capital expenditure was $8.5 billion for the same period.

The main source of income for these organisations was funding from federal, state and local government, which accounted for 34.1 per cent, or $25.4 billion, of total income. This funding was primarily received by education and research and social services. It should be noted that 68.1 per cent, or $17.3 billion, of total government funding was volume based, meaning it was granted on a per student or a per client basis.

The *Giving Australia* report (2005) indicated that total business giving to the NFP sector amounted to $3.2 billion in 2004. Community and welfare services attracted the largest share of business giving, receiving 30.5 per cent of total giving. The health sector (including medical research) and sporting and recreational groups receive 18.5 per cent and 17.7 per cent respectively.

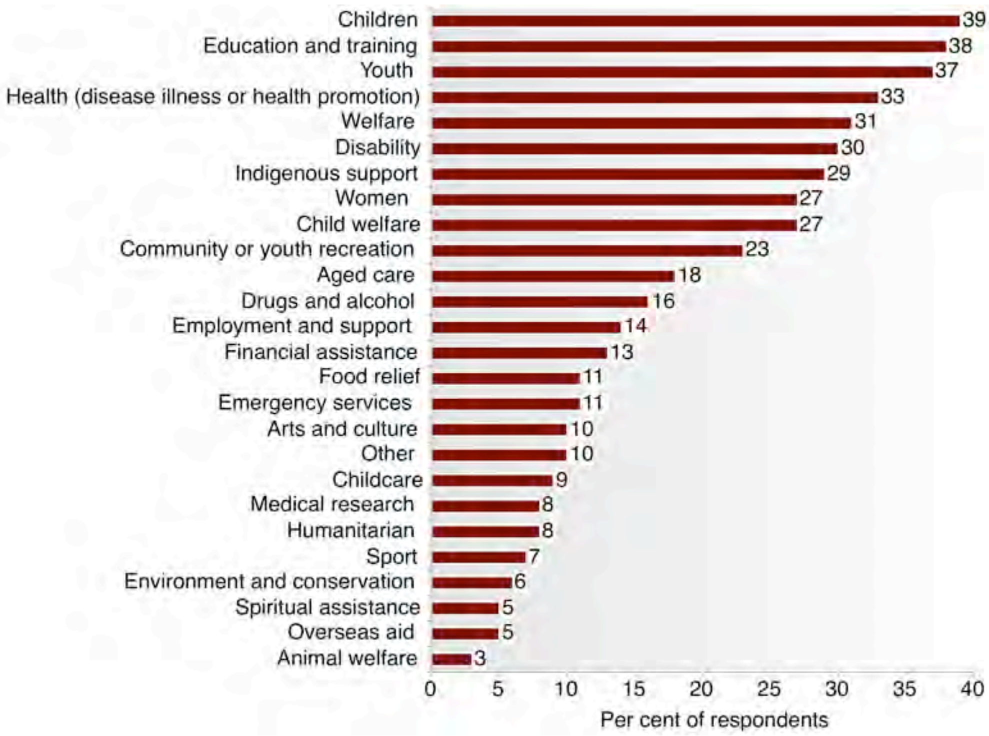
Source: DFCS 2005; Australian Bureau of Statistics 2008.

Figure 1.2 illustrates the range of activities undertaken by the not-for-profit organisations that completed the Centre's online survey. Most respondent NFP organisations work in areas relating to children, education and training, and youth. Interestingly, only 6 per cent focus primarily on environment and conservation — though this is an area that many NFPs in workshop research for this report believe community interest has shifted to markedly.

Figure 1.2

MAJOR NOT-FOR-PROFIT ACTIVITIES

Survey question: Please select the major classification that best characterises your organisation's activities (more than one may apply).



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Survey respondents were asked to nominate areas of principle activity. More than one category may apply.

The survey indicates also that many not-for-profit organisations receive most of their cash income from government sources (see Figure 1.3). Individual giving is also a large component of the NFP funding mix, while the business sector accounts for a much smaller proportion of their funding.

Government provides, on average, almost half of total cash income for respondent not-for-profit organisations. Interestingly, a third of survey respondents receive between 80 and 100 per cent of their cash income from government.

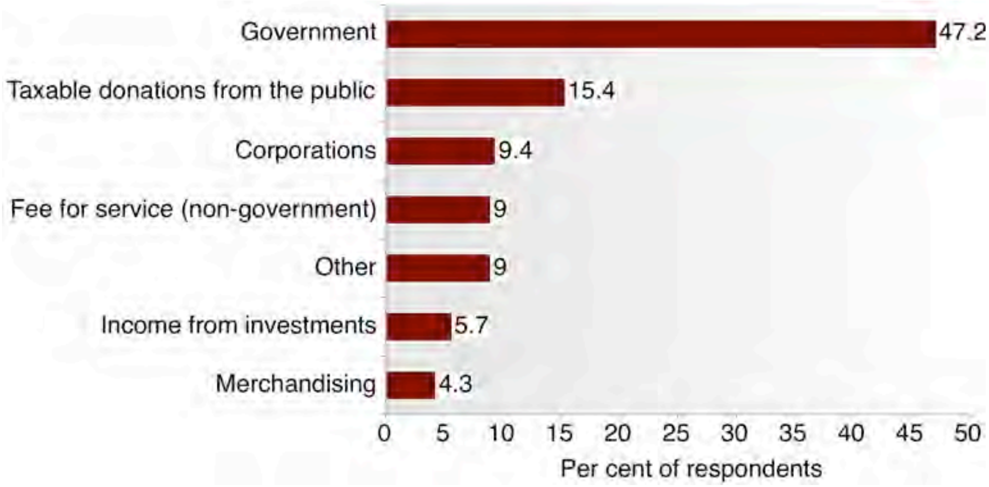
Based on feedback at workshops, it appears that a substantial proportion of this government support is to assist not-for-profit organisations in delivery of government programs and services.

Other sections in this report highlight, however, that significant volunteer hours and contributions in kind flow to the NFP sector from corporations and the wider community.

Figure 1.3

SOURCES OF CASH INCOME (AVERAGE PERCENTAGE OF TOTAL CASH INCOME)

Survey question: Please provide your best estimate of cash income derived from the following sources.

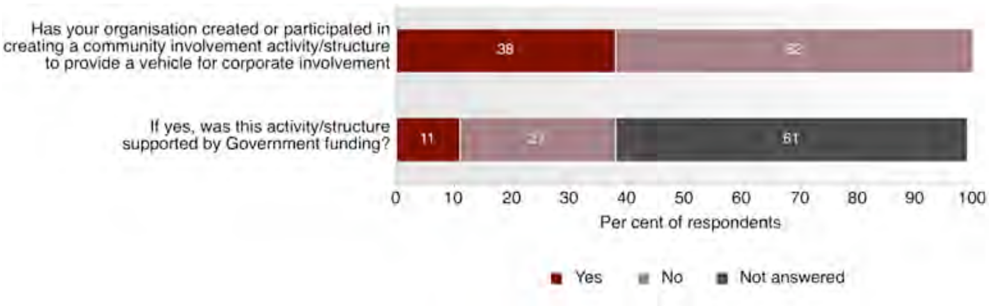


Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Some categories overlap so responses do not sum to 100 per cent.

Figure 1.4 suggests limited government contribution to business community involvement initiatives with participant NFP organisations. Of the 38 per cent of NFP organisations creating a community involvement activity or structure as a vehicle for corporate involvement, only 11 per cent received government funding for such an initiative.

Figure 1.4

GOVERNMENT SUPPORT FOR CORPORATE COMMUNITY INVOLVEMENT INITIATIVES



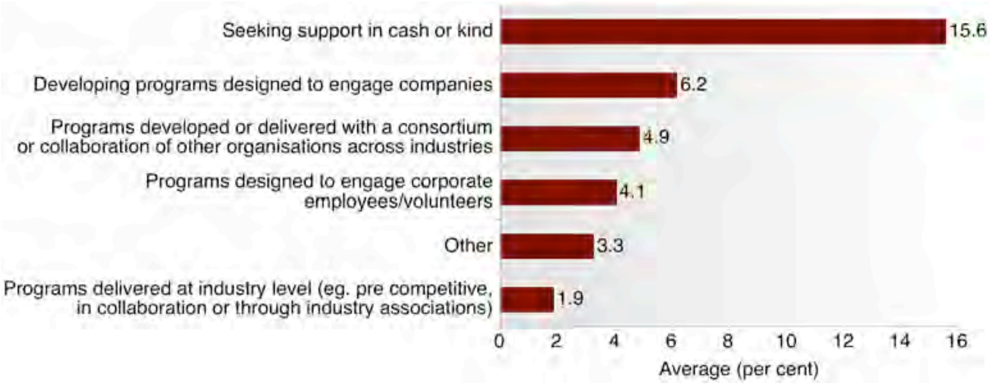
Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008.

Not-for-profit organisations use significant resources to seek further support (in cash or in kind). Figure 1.5 illustrates results from the Centre's survey regarding the resources NFP organisations use to support specific initiatives, as a percentage of the total annual budget.

Figure 1.5

SEEKING FURTHER SUPPORT

Survey question: Of your annual budget, what proportion of resources is used to secure support for the following:



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Some categories overlap so responses do not sum to 100 per cent.

1.8 Chapter summary

- *The terminology 'not-for-profit organisation' or 'NFP organisation' is used interchangeably*

- *Internationally, the term 'partnership' refers frequently to NFP-business relationships with the highest level of involvement and integration of resources, though some organisations use the term to describe any kind of NFP-business relationship*

- *One hundred and fifty-three NFP organisations participated in a quantitative survey for this report. Almost half employ less than 9 FTE staff. Almost one-quarter employed more than 100 FTE staff. The Centre also conducted research workshops with NFP organisations in Perth, Melbourne, Canberra and Sydney and conducted interviews with not-for-profit organisation senior executives*

- *Most respondent NFPs work in areas relating to children, education and training and youth*

- *Government provides, on average, about half of NFP funding for the respondents. Corporations provide 9.4 per cent of funding. NFPs spend 15.6 per cent of their annual budget resources to seek support in cash or kind, and 6.2 per cent of annual budget is spent on programs to engage large companies*

Chapter 2

The context — trends in not-for profit partnerships

This study into the not-for profit sector response to business engagement and partnerships is undertaken in the context of a range of developments that have bearing on the issues and provide a context for it.

These include a range of government initiatives in place or projected around not-for-profit reform, evolving concepts and practices in government broadly described as network governance, new approaches within the sector itself such as social enterprise, and importantly a significant shift in the way business, especially the large company sector, is seeking to engage with community organisations.

2.1 Strategic business investment

As first noted in a report by the Centre for Corporate Public Affairs in 2000 (*Corporate Community Involvement: Establishing a Business Case*) and confirmed in that of 2007 (*Corporate Community Investment in Australia*), there has been a clear trend in the public company and government business enterprise sectors to move from a concept of philanthropy (called by some pejoratively in this context 'cheque over the fence' giving) to a much more strategic approach.

This requires a substantially greater focus on a business case for social contributions, characterised by the language 'corporate social investment', 'community investment', or as a component of 'sustainability'.

This does not deny altruism as a component in the mix of motives and elements in corporate engagement with the not-for-profit organisation, but the link to strategy that is most often now sought in at least the larger public companies is 'enlightened self-interest'.

Corporate respondents to the 2007 study agreed strongly with the propositions that corporate community involvement was what you have to do to meet external expectations, an obligation of business as a citizen, worth doing for external reputation and other benefits, and an integral component of strategy and the business model.

In expending resources on community involvement, only 12 per cent of respondents in the 2007 report said they sought no benefit or philanthropic motive only, whereas 44 per cent said they sought generalised benefit for their companies, and 44 per cent said that a focused business case was required or assumed.

The nature of the business case will vary between industry sectors, locations and individual company circumstances. However there are a number of overarching factors relevant to their relationship with NFP organisations.

At a general level there is the need to establish and maintain positive reputations in an environment of community scepticism or distrust of companies, particularly in relation to industry sectors which have significant impacts on communities, and to benefit individual companies seeking positive differentiation by alignment with social or environmental causes and with relevant stakeholder communities.

Positive benefits are seen to arise from what companies see as enhanced community 'licence to operate', becoming an employer of choice in a competitive labour market, and broadening the perspectives of employees through external community activities.

Enhanced brand awareness through sponsorship, and cause-related marketing provide more direct commercial benefits. Companies are also increasingly finding other points of mutual interest with not-for-profit organisations such as assistance with sustaining biodiversity, financial literacy, technology-enabling for the underprivileged, and training Indigenous labour in remote communities.

There is a qualitative difference in the approach of these strategically oriented public companies vis a vis private and 'closely held' companies. The former are acting as trustees of shareholders funds, while owner managers can more appropriately indulge their personal interests or personal philanthropic agendas with their own surpluses from economic activity. Notwithstanding this, the business value of active community investment is still relevant, regardless of their ownership structure.

The now strongly entrenched and more strategic approach of the corporate sector in Australia has great significance for the way it seeks to relate to NFP organisations.

A decade or so ago it was common for the large bulk of corporate resources going to community activity to be styled 'donations' or for some, 'grant making'. Much of it flowed from donations committees of the Board of Directors, without an overarching policy or strategic framework. It was frequently distributed by one-off, and ad hoc responses to requests from worthy causes, although, on the journey to a more strategic approach, the range of eligible NFP sectors was narrowed, and for some, focused on community areas according to their relevance to corporate interests.

The 2007 study indicated that two thirds of the major companies surveyed contributed less than 20 per cent of their community investment (cash and kind) in response to requests for support, and only 7 per cent contributed 60 per cent or more of their corporate support in this way.

An increasing number of companies are contributing funds under matched giving programs where staff determine the direction of the giving, or via one-off grants or matching programs to support staff who are actively engaged in community activities. The corporate motives include corporate philanthropy, but also to be an employer of choice and encourage a more community engaged and socially aware workforce.

While companies are at different stages of the journey to a more sophisticated business-case oriented approach, many have pretty much arrived and are exhibiting the following major characteristics.

- Clear policies or frameworks are established and agreed by senior management and the Board within which specific plans for community engagement or investment are established. These plans would normally be developed by public affairs departments, or in the case of brand focused sponsorship or cause related marketing, by marketing departments. In some companies foundations have been established to make decisions on these activities, but again normally within a framework of corporate policy. Delegation can be made to business units or managers in geographic locations, depending on circumstances, but again aligned with the overall corporate framework.

- There is a strong trend to fewer, deeper, relationships with NFP organisations. For a variety of reasons companies are seeking closer and more sustained engagement. These include the higher profile that comes with a more concentrated and hence richer contribution, efficiency in resources used, fuller engagement and sense of satisfaction for staff, and a greater capacity to ensure stewardship and accountability for the corporate resources employed by recipient organisations. The more sustained and less ad hoc nature of this engagement helps achieve these goals while giving more certainty and sustained support through business cycles.

- Companies, and in many cases NFP organisations, have sought increasingly to formalise these relationships in partnership agreements, memoranda of understanding or strategic alliances. There is a broad range in the degree of specificity and sophistication in these agreements but they will typically include mutual obligations and what the partners expect of each other, key performance indicators and often prior determinants of success, review periods and timeframes, including anticipated timing of exit arrangements. Some NFP organisations have resisted mutual obligation commitments, in some cases seeing them as onerous or unreasonable, in others expecting simply as a right, the more traditional arms length relationship with financial supporters. As one NFP interviewee said, 'give us the money and let us get on with it'.

- In determining the direction of NFP support from the myriad of opportunities and requests, major businesses are aligning their engagements with their specific company or industry issues and competences. This is best illustrated, as we have noted above, by the engagement of financial companies in financial literacy, technology companies in technology enabling, and mining companies in support for the environment and Indigenous communities.

- This is often closely associated with the linkages companies want to establish with community groups or activist organisations most interested in their industries. Stakeholder relations are seen as an important part of business' community and political licence to operate, and proximity and optimising common interest is critical to breaking down negative stereotypes and dialogue on issues.

- A major theme emerging from the Centre for Corporate Public Affairs 2007 study was the aspiration for many employees to be both engaged in community activities through their employment, and the value they placed on their employer (or potential employer) exhibiting corporate social responsibility.

Each of these characteristics of front of the curve corporate community investment in Australia has relevance to business' relationships with NFP counter-parties and provides an important context for the investigation into their attitudes and experience, which is the central focus of this report.

It should be stressed that these findings reflect the approach of larger companies. Zappala and Cronin (2003) found that 90 per cent of top 100 companies claimed 'partnerships' with NFP organisations, but in other studies, as the sample broadened to include smaller companies, this high level of engagement declined significantly. Commenting on the findings of the Prime Minister's Community Business Partnership Survey (DFCS 2005), Zappala and Lyons (2008) conclude 'organisational size is related to the likelihood of business having a partnership, with 40 per cent of businesses with over 500 employees reporting a partnership compared with 20 per cent employing 10 people — or less'.

They also note that larger NFPs are more likely to engage in partnerships than smaller ones.

> For example, organisations with more than 100 employees are almost two thirds more likely to have partnerships with business, compared with all organisations, and almost four times more likely to have partnerships compared to organisations with no paid staff (Zappala & Lyons 2008, p.25).

Zappala and Lyons (2008, p.27) also note that 'increasingly, not-for-profits are forming partnerships with several businesses'. The Smith Family, for example, has around 70 business partnerships at the national level and around 500 smaller business partnerships in local communities.

Many of the themes discussed in this section are explored further in subsequent chapters of this report.

2.2 Government initiatives

In recognition of the growing importance of the not-for-profit sector, governments have paid close attention in recent years and taken initiatives to facilitate their positive development.

This has occurred internationally. In the US, the trend in government approach to NFPs has been to encourage social enterprise and innovation but with little direct intervention by the state, and with most policy development coming out of social innovation and academic centres and think-tanks.

In the U.K., the Blair and Brown governments have actively provided incentives for social innovation, and it is a specific policy focus, with the Treasury taking an active role to develop the 'Third Sector' as part of overall economic development.

In Australia there are different approaches to understanding and coordinating policy and research to understand and encourage social innovation via the NFP sector. There is a mix of policy development by some leading NFPs, from a small number of academic centres and units, and from collaborations between business and some NFPs.

Over the past decade in Australia, there have been important taxation initiatives to support cultural gifts, enable the spread of years available for tax deductibility to eligible organisations and make minor benefits provisions in taxation legislation friendlier to fundraising.

A further significant initiative was developing 'prescribed private funds' which enabled friends, individuals, and businesses with greater flexibility to start their own trust funds for philanthropic purposes.

The Australian Government has also taken initiatives to support work-place giving, has sponsored research such as the 2005 *Giving Australia Report* and the 2007 study, *Corporate Community Investment in Australia*. Partnerships between business and NFP organisations were encouraged through best practice awards, toolkits for small and medium enterprises, and support for capacity building organisation Nonprofit Australia.

A major initiative has been the matched funding endowment of the Centre For Social Impact, initially a partnership between the business schools of the Universities of New South Wales, Melbourne and Swinburne, but with the intention of including others.

Its purpose is to provide national leadership in research and professional development in NFP management and corporate social engagement.

Initiated as a recommendation of the then Prime Minister's Community Business Partnership, this has been well received across all sectors and enjoys strong bipartisan support, as evidenced by the Deputy Prime Minister, Julia Gillard (2008), who said:

> [This is] a Centre which can bring together research, teaching and cross-sector partnerships to create positive social impact at the intersections between government, business and community life. I am confident that the centre will be a great source of answers and of practical initiatives.

In Australia, the role of government in fostering business community partnerships is greatest at the federal level, with government generally seeing itself playing a large role fostering development of the NFP sector, and seeing business having a part in this. There are also various State Government initiatives, though these are uncoordinated nationally.

The Rudd Government has continued this in its early days, including initiating developments within the framework of its 'Social Inclusion' agenda.

In February 2008 the Prime Minister announced formation of a Social Inclusion Committee of Cabinet, chaired by himself, with the Deputy Prime Minister as Deputy Chair, and including Senator Ursula Stephens, Parliamentary Secretary for Social Inclusion and The Voluntary Sector. The Government also appointed an Australian Social Inclusion Board to advise it on new ways to deal with social disadvantage.

Parallel initiatives have been pursued by the Australian Government to explore aspects of the NFP sector and issues affecting it. These include a reference to the Productivity Commission to consider what tools might be available to measure the contribution of the NFP sector, and the inclusion of the sector for consideration in its broad review of the taxation system. The Senate Economics Committee is also inquiring into disclosure regimes and regulation of the sector.

The Australian Government also committed itself to a 'National Compact' with the NFP sector although its nature and scope is under review and subject to input from a broad consultation with stakeholders.

State governments have also shown a deeper interest in the sector in recent years.

The Victorian government has sponsored two reviews, one led by Professor Allan Fels AO, to advise on 'Stronger Community Organisations', and a 'Review of Not-For-Profit Regulation' by the State Services Authority.

In response to these reports the Premier of Victoria announced a twenty-five point action plan, which includes reducing regulatory burdens and supporting inter-governmental collaboration and reform, assisting fundraising, simplifying service agreements and grant processes, and supporting innovation, capacity building and dialogue with the various levels of government.

Amongst other state government initiatives is the creation by the South Australian Government of the Australian Centre for Social Innovation to explore and facilitate innovative and collaborative approaches to community issues.

The National Reform Agenda being driven through the Council of Australian Governments (COAG) will address co-ordination and interaction between levels of Government and the complexity and fragmentation of service delivery.

2.3 Network governance

A major but still embryonic trend in public policy and public administration, reflecting developing collaboration, has been called 'network governance'.

Network governance requires changing relationships within government to break policy silos and 'join up' to pursue holistic outcomes, and between government, business and NFP sectors to access the range of resources necessary, or utilise resources differently, to generate policy solutions (Barraket 2008; Allen Consulting Group 2006).

The focus in academic and public policy debate around network governance has been at the local level associated, for example, with economic development, public security and social concerns.

However, the concepts are being applied also to broader issues where government, NFPs and businesses have a common interest and contribution to make by working together.

Some government agencies are supporting these integrated approaches here and in other parts of the world, using the language of social inclusion and network governance to describe aspects of these new forms of community engagement.

A leading academic in this field notes:

> …The new narrative of interdependence has, as its institutional twin, a new model of co-ordination in which diverse ties and flows of action define an emergent structure. This "network governance paradigm" suggests a possible breakthrough in public administration and organisational theory by providing a means to tackle problems in a multi-dimensional and locally flexible way. It forges a new path between bureaucratic centralism and privatisation and as such may be regarded as the merging model of public organisation for the twenty first century (Considine 2005, p.2).

There are several reasons for the enhanced role of non-government actors, namely:

- the prevalence of 'wicked problems' that require multiple programs, agencies and layers of government, but are also difficult for governments to resolve on their own
- appreciation that resolution of issues can benefit from the experience and knowledge of actively engaged business and NFP stakeholders who will also be more actively committed to achieving desired outcomes. As the former Secretary of the Prime Minister's Department said, '…we need to empower people permanently so that they feel responsible for community facilities and services by being involved in both their planning and delivery, which can then foster closer relations at the community level that will endure' (Keating 2004, p.139)
- more sophisticated and informed NFP organisations, business organisations and communities, who believe they have a contribution to make through co-operation and demand greater direct involvement with matters that affect them. The current Secretary of the Prime Minister's Department concurs, '…engaged citizens demand choice and services that are tailored to their needs. They are not satisfied with the delivery of undifferentiated products by out of touch government bureaucracies' (Moran 2005).

There are numerous examples of this shift from command and control management of issues to delegation and working with business and communities. Classic examples are local community development, addressing social concerns in areas of chronic under-privilege, and local safety committees organised by the Victorian police. But this works also for broader spheres, such as providing education and training opportunities for disadvantaged children and youth, and collaboration in public health and the environment.

This study explores the challenges of collaboration from the NFP perspective. As The Smith Family comments:

> Collaboration is not something that organisations can or should enter into lightly — it demands the cultivation of new resources and skill-sets, including the creation of an organisational culture that is open to the challenges posed by new approaches to budgeting and control, trust and accountability (The Smith Family 2007, p.10).

Both sides of the business-community relationship as well as governments (as they shape policies and administer programs), should learn from the experience of the NFP sector articulated in this report.

2.4 Social enterprise

Strategic partnerships across the sectors, including government, are a common characteristic of the developed phenomenon frequently termed as 'social enterprise'.

Achieving an agreed and clear definition of social enterprise is a work in progress, but encompasses community initiated and controlled organisations that provide entrepreneurial and innovative contributions to community issues and interests. Activities vary greatly but are focused on community needs that arise in the face of state and market failure (Barraket 2008).

They will normally embody the multiple resources and direct engagement of the three sectors, and frequently include investing in their own business activities that generate income, provide social participation, and meet other community objectives such as employment and education for the underprivileged.

In the US in particular, some of the outcomes of social enterprise are embraced as 'social innovation', and such innovation is pursued with vigour in many business-NFP relationships.

Social enterprise and social innovation that can be an outcome of it, is distinctive also because most frequently, it occurs outside the realm of the government.

By its very nature, the risk that social enterprise carries is co-opted by its underwriters — and in Australia and nations such as the US. This rarely is government.

Corporations — privately held and listed publicly — and most NFPs manage financial if not commercial risk daily. This common thread, married in a partnership that supports or furthers a social enterprise, can therefore produce societal and organisational outcomes in very different manners than relationships driven by governments.

While the development of social enterprises is widely supported in each of the three sectors (though not well understood), these deep tripartite relationships and shift towards business models have generated criticism from more conservative observers and NFP leaders as letting governments off the hook and 'simply a capitulation by not-for-profits to the dominant logic of market capitalism' (Barraket 2008, p.136).

As this report will show, while there is a high and increasing level of support and many NFP organisations are keen to pursue partnerships, some in the NFP sector are suspicious and critical. As Zappala and Lyons (2008, p.18) note:

> There are still many in the not-for-profit sector, especially in the community services and environment movement, wary of forming closer alliances with business. They argue that many of the social and environmental problems they confront are the result of government policies enthusiastically advocated by business and the product of the thoughtless pursuit of profit at any cost.

They also cite concerns we explore later about the pursuit of efficiency distorting the mission of organisations, and what they perceive to be an unequal balance of power between businesses and their NFP partners (Zappala & Lyons 2008).

Despite some deeply ingrained hostility by some NFPs to business, and its motivations to pursue partnerships with NFPs, the trend to closer and more sustained relationships appears to have traction.

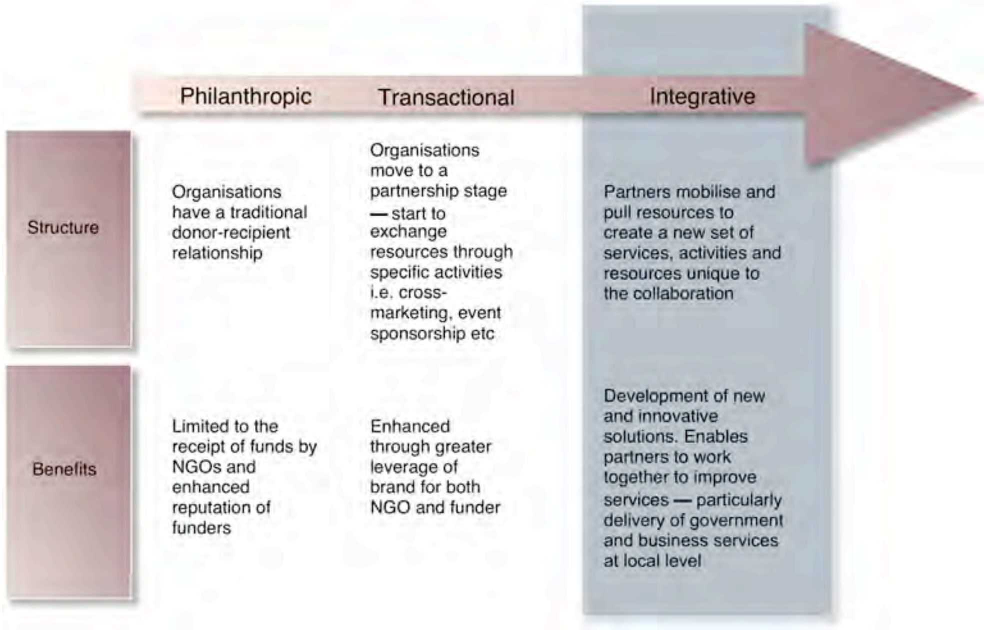
Barraket (2008, p.3) notes that recent societal expectations and policy trends 'that favour collaboration and partnership have driven the mergence of new not-for-profit and cross-sectoral networks which seek to maximise the collaborative advantage in order to respond effectively to the needs of community, place and characteristic …In the face of these pressures, we are seeing in Australia, as in other countries, a range of responses from the sector. These include; new approaches to mobilising resources, through commercial activity; the formation of new partnerships within and across sectors; and the establishment of new forms of "hybrid" organisations that combine the logic of business with a not-for profit mission'.

2.5 The trend to collaboration

The deepening of these trends and their convergence in pursuit of a more vibrant and inclusive society will lead to increasing collaboration along the continuum from philanthropic to integrative, with the various characteristics depicted in Figure 2.1.

Figure 2.1

THREE STAGES OF BUSINESS AND COMMUNITY COLLABORATION



Source: Austin 2002.

Our research for this report suggests most NFP and business relationships are in the philanthropic to transactional stage, with some significant collaborations being integrative.

New approaches, thinking and cultural change in business and NFPs — and new policy frameworks for governments — will be required to move even more relationships to the integrative stage, where we believe social innovation can be maximised.

2.6 Chapter summary

- *The corporate sector is moving its corporate community investment from philanthropy to a far more strategic approach embedded in business strategy. The motivations for this are corporate citizenship, meeting community expectations and enlightened self-interest*
- *Clear policies, frameworks and strategy are driving corporate community investment in and engagement with not-for-profit organisations*
- *Larger NFP organisations are more likely to engage in corporate community partnerships than smaller NFPs*

- *The role of governments internationally, in how they approach nurturing partnerships between NFPs and business, differs. At the national level in Australia, the role is one of fostering development*
- *Network governance — government, NFP and business joint pursuit of holistic outcomes — is embryonic in Australia but gathering pace*
- *Social enterprise — initiatives that are community driven and controlled to achieve societal outcomes, including social innovation — is growing. Business and many NFPs, but not governments, share characteristics of taking and managing commercial risk, which can create new corporate community partnership opportunities to develop social innovation via social enterprise*
- *The trend in corporate community partnerships is towards 'integrative' collaboration, where business and the NFP mobilise resources, new services and activities to develop innovative solutions to local and broader community issues. Some partnerships in Australia are at this stage, but many remain in a 'philanthropic' stage (donor and recipient relationship). More still are in the 'transactional' stage characterised by partnerships (but including sponsorships), where the main outcomes produced include better brand exposure for NFPs and business, and also some societal impact*
- *Many NFP organisations — especially larger entities — would prefer to engage in integrative collaborations*

Chapter 3

Ideology and motivation of the sectors

3.1 The not-for-profit and business viewpoints

Business views of not-for-profit sector

As discussed in Chapter 2, previous research by the Centre (Centre for Corporate Public Affairs 2007) illustrates a desire by business to form closer and deeper relationships with NFP organisations.

Many business leaders and NFPs believe that their partnerships are able to deliver some outcomes that cannot be produced by their organisations alone, and that cannot be generated by governments.

Community trust in business is significantly lower than NFP organisations, and there is an expectation in the community that business will work more closely with NFP organisations than in the past as one element of corporate social responsibility.

The business sector increasingly views not-for-profit organisations as key stakeholders, either directly, or as proxies for community interests.

Best practice stakeholder engagement for business includes effective stakeholder engagement plans to ensure the views of relevant not-for-profit organisations are considered by the business, particularly its community investment activities and issues relevant to activist or advocacy NFP organisations.

Historically, many advocacy-oriented not-for-profit organisations have identified and targeted businesses associated with particular social or environmental problems for criticism and action.

In addition, there has tended to be a perception that the profit motive of business is antithetical to the values and interests of social activists and vice versa. This explains much of the past antagonism between the NFP and business sectors. For this reason, some businesses have viewed NFP organisations as a potential threat, or as competitors (Abzug & Webb 1999).

As noted previously, in recent years this dynamic has begun to shift towards less scepticism, and more willingness to viewing business and NFP organisations as partners rather than rivals.

The Centre has noted this shift in past research it has conducted for government and peak business groups (summarised in Section 2.1). Many businesses have realised that the issues and concerns NFP organisations bring to their attention often need to be addressed for their own interests, and for those of the community.

Partnerships with NFPs are seen increasingly as vehicles through which businesses can address their community aspirations and relationship goals, and win community support.

Anheier and Salamon (1998) highlight some of the benefits that NFP organisations bring to partnerships including:

- sharing their experience and expertise in order to improve the quality of the business' policy on a specific issue
- acting as a liaison between the business and the community in which it operates
- representing the public interest in business decision making processes
- demonstrating transparency and accountability
- strengthening public perception of the business through association.

These are illustrated in the following example of mining-giant Rio Tinto's partnerships.

Box 3.1

CASE STUDY — RIO TINTO'S COMMUNITY PARTNERSHIPS

Rio Tinto engages in a variety of local partnerships around its operations. It seeks to build these partnerships on the basis of mutual respect, active partnership and long-term commitment.

Community consultations and active participation are the foundation for the partnerships. The community consultations strive for openness and transparency, and aim to:

- reflect local convention and protocols, as well as taking into account the views of marginal, inadequately represented or vulnerable groups
- keep communities fully informed about the activities of the company
- be two-way discussions that cover community issues and priorities, as well as the needs of the company
- keep a full record of all formal and informal meetings.

Rio Tinto also commissions baseline and social impact assessments by academic institutions and NGOs in order to understand the impact of Rio Tinto on local communities, and identify ways in which the company can build local skills and knowledge.

Source: Rio Tinto 2008.

Research suggests also the business sector often does not clearly understand a number of common characteristics of the not-for-profit sector. This creates challenges when establishing and maintaining a relationship with a NFP organisation.

Common challenges that business are perceived not to grasp fully include:

- central importance of the NFP core mission prioritised above economic or financial concerns
- unrealistic expectations by corporations of how quickly the partnership can achieve a socially stated goal
- tension between the NFP sector's long-term social world outlook and the perceived short-term three to five year economic outlook of corporations
- implications of constant NFP funding and resource shortage
- NFP difficulty in quantifying program success

- multiplicity of internal and external NFP stakeholders and need for continual consensus building in voluntarist organisations
- undervaluing NFP contribution, leading to expectations that they should continue to look to increase value-add in a partnership (Berger et al. 2004).

Not-for-profit views of the business sector

While it is by no means universal, not-for-profit organisations increasingly view business as an important partner in the community and supporting NFP programs and services.

Many NFP organisations participating in research for this report are of the view that often, corporate/community partnerships are able to generate outcomes and address issues that governments cannot; or that they can contribute significantly to outcomes that governments or NFPs cannot achieve alone.

Our research indicates also that while government funding remains a higher proportion of income for NFPs than income from business — including via corporate/community partnerships — the nature of funding from corporations via partnerships can be more sustainable than that from governments.

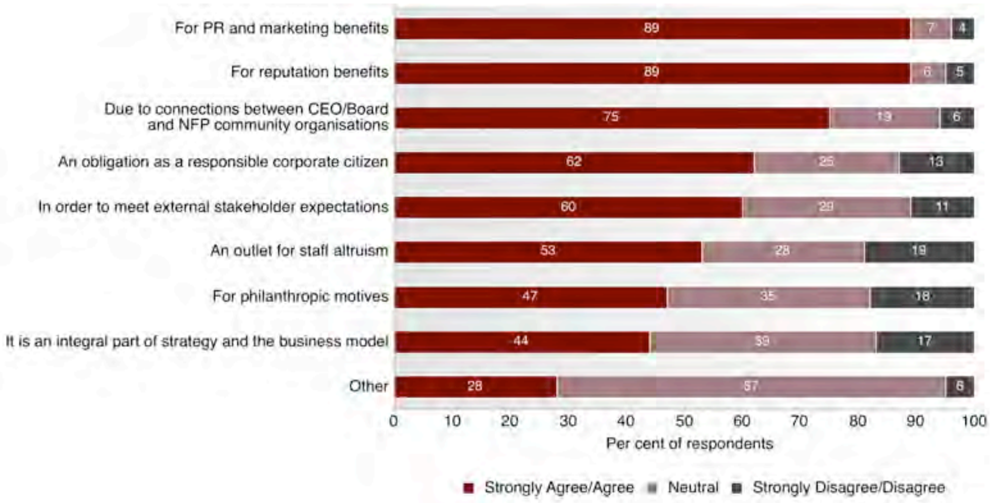
Importantly, unlike many funding sources from governments, funding for some NFPs through partnerships with business can be for longer periods and allow the NFP to plan better to sustain its operations and achieve its outcomes. This can be very different to the sometimes short-term funding from government.

Most not-for-profit organisations participating in the Centre's survey for this report believe that the business sector forms close relationships with NFP organisations for public relations reputation and marketing purposes, philanthropic motives, or because of business strategy and business model.

Figure 3.1

BUSINESS RELATIONSHIPS WITH NFP ORGANISATIONS

Survey question: What do you believe are the main reasons why businesses form closer relationships and work with NFP community organisations?



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Note: The response categories 'strongly agree'/'agree' and 'strongly disagree'/'disagree' are combined in this graph. Responses in the 'other' category include motivation based on tax benefits, as well as staff attraction and retention.

The survey differs in some degree with the Centre's 2007 survey of Australian businesses. The 2007 results from business indicated that more than 90 per cent of companies consider community activities (and partnerships with community organisations) are (inter alia) directed at building reputation, community trust and support.

About 90 per cent also see it related to employee engagement, and as integral to strategy and the business model (Centre for Corporate Public Affairs 2007).

During our qualitative research for this report, NFP organisations participating in workshop discussions added business employee attraction, retention and engagement, as prime motivators for business seeking partnerships with NFP organisations.

One workshop participant commented on the change of focus they have seen with their corporate partners:

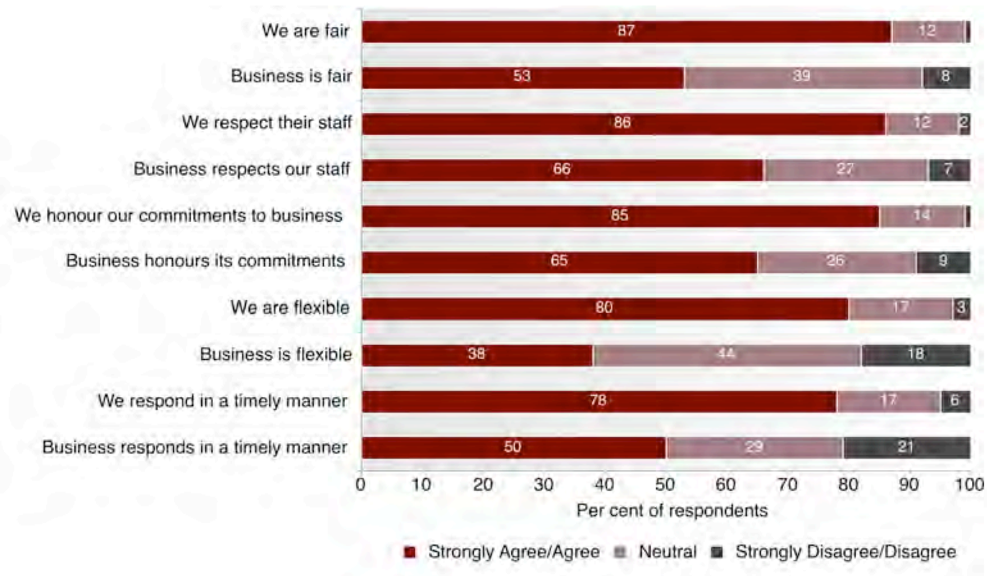
> We have seen a change from our corporate partners from public engagement to internal engagement. Rather than talking publicly about their partnerships, it is more important to demonstrate these internally to employees, suppliers and even customers.

Our survey results highlight some gaps in how not-for-profit organisations view their performance in terms of fairness, respect, flexibility, timeliness and treatment of staff when working in partnerships, compared to their perceptions of business views on their performance and attitudes (see Figure 3.2). The biggest gaps in perceptions relate to fairness and flexibility.

Figure 3.2

WORKING CULTURE — NFP SECTOR EXPERIENCE WORKING WITH BUSINESS

Survey question: We find when working with businesses that:



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Note: The response categories 'strongly agree'/'agree' and 'strongly disagree'/'disagree' are combined in this graph

Workshop participants, including former business executives and employees who now work in senior roles in not-for-profit organisations, reinforced the view that for business community partnerships to become more integrative (See Figure 2.1), business needs to be more flexible, fair and responsive in their relationships with NFP organisations.

A number of not-for-profit workshop participants, particularly those from smaller and place-based (local) organisations, perceive that NFP organisations are seen by some larger organisations as 'junior' partners.

One workshop participant noted:

> Business mostly thinks it has most to teach NFP organisations, that we are poorly led and administered, and would not know a balance sheet if we saw one — a bit much when our operating ratio is 4 per cent and that of most of our corporate partners is 8-11 per cent.

Based on our research, it appears the longer a corporation has been involved in NFP partnerships, the more even the level of mutual respect and 'power balance' between the NFP and the corporation.

It is true also that many small to medium NFPs are managed in a similar way to small and medium enterprises (SMEs), who can also view their relationships with larger corporations as 'junior' to a bigger, 'senior' entity.

A central characteristic of good transactional and integrative corporate/community partnerships is a determination for each party to understand the operations of the other, including culture.

The need to strengthen understanding between NFP organisations and business was a common theme in all consultations for this report.

Looking for common ground

It is common for not-for-profit organisations to identify businesses that have the resources and motivation to address relevant social or environmental problems, and approach them as potential partners.

Most not-for-profit organisations that completed the Centre's survey indicated NFP organisations and businesses (and especially larger corporations), often sought a 'sweet spot' with each other — an area of activity or commonality where the interests of the corporation and the interests of the NFP intersect. Other studies (including the Centre's 2007 report) indicate this is an objective that is clearly shared by companies.

Sometimes finding such an intersection can be counter intuitive to the historical suspicion that some NFP organisations have of companies, and vice-versa, challenging traditional ideology or entrenched views.

However, seeking an intersection of common interest was identified by many NFP organisations as the necessary foundation of good corporate/community partnerships.

Box 3.2 provides an example of a smaller NFP and its success working with businesses with a common interest in technology-enablement.

Box 3.2

CASE STUDY — AUSTRALIAN SENIORS COMPUTER CLUBS ASSOCIATION

The Australian Seniors Computer Clubs Association, a national peak association, relies on support from companies such as Telstra and Microsoft to deliver activities that promote information technology for seniors.

Microsoft, through its own partnership with Donortec (a not-for-profit organisation that provides technical solutions to other not-for-profits) provides software for ASCCA's activities, while Telstra provides grants and training material. The grants allow ASCCA to run training courses for their members, introducing them to new technology in ways that solve everyday problems.

As with electronic banking, technology enabling supports citizen well being as well as access to commercial services, and can limit pressure for regulatory intervention.

Source: Australian Seniors Computer Clubs Association 2008.

Within a partnership, NFP organisations can often assist design and implement altruistic yet practical programs that address the heart of an agreed problem more effectively than the business could do alone, and because government is not involved, or has not been successful in addressing or solving an issue.

There also appears to be a trend for partnerships to form between some previously antagonistic NFP organisations and business. If successful, such partnerships allow the NFP to use its expertise, once devoted to simply critiquing a business, to developing supportive programs within, and monitor compliance by, a business operating in an area of NFP concern.

An increasing number of NFP organisations see how collaboration with business can be helpful — and in some cases essential — to achieving their objectives.

In turn business, through increased proximity and seeking common ground with NFP organisations, can break down negative stereotypes of corporations and garner reputational benefits. In industries that attract negative community sentiment, this can be a useful way of differentiating a business from its competitors.

Box 3.3

CASE STUDY — WORLD WILDLIFE FUND AND INTEGRATED TREE CROPPING LTD

Partnerships between entities that are traditionally seen as opposed to each other may be mutually beneficial. For example, Integrated Tree Cropping Ltd is one of Australia's largest hardwood plantation forestry managers and timber processors — on initial inspection an unlikely partner for the environmental NFP, World Wildlife Fund.

Nevertheless, World Wildlife Fund Australia and Integrated Tree Cropping Ltd partner to encourage organisations to support forest and plantation management through responsible choice of timber and paper products (for example, through the Forest Stewardship Council). Partnerships like this enable both parties to overcome common misunderstandings and work together on common areas of interest.

NFP organisations with public credibility potentially have the ability to cause damage to corporate brands and reputation. Companies — like Integrated Tree Cropping Ltd — understand that it is beneficial to its business to engage with NFP organisations to resolve issues and work together to achieve mutual interests.

Source: World Wildlife Fund Australia 2008; Integrated Tree Cropping Limited 2008.

Establishment of 'common ground', mutual understanding and common goals in moving corporate/community partnerships toward the integrative stage is discussed further in Chapter 4 — Determinants of successful NFP-business partnerships.

3.2 Business motivations

As noted in the previous section, there is often an intersection between the interests of not-for-profit organisations and of corporations, and corporations too often seek this crossover.

For instance, corporations such as resource companies operating in rural locations engage in partnerships with the local community with the explicit intention of making the locations more liveable to attract employees to the operation, or to reduce tensions caused by disruption and any unwelcome impact.

A consequence or outcome of such community investment is creation also of social capital and infrastructure, though this may not be the corporation's primary goal.

NFP organisations in our research agreed that such motivations do not undermine a partnership, as long as the outcomes desired by the business are understood by the NFP organisation.

Also, business motivations for engaging in relationships with the NFP sector are becoming more complex.

As noted in reference to large companies, sponsorship and community investment is now more intimately intertwined with the core strategies of the business, and thus are held to more rigorous cost-benefit and reputation evaluations.

According to one NFP organisation participating in our research:

> Corporates are less interested in project sponsorship and more inclined to support the achievement of social outcomes.

NFP organisations also see that corporations are more focused on reputation and community licence to operate when *assessing* partnerships with them.

While corporations are seeking mutual NFP-business benefits via their corporate community investment, our research suggests some remain unsure about where they can effectively, ethically and practically focus their corporate community investment.

Indeed, with the guidance of proactive NFP organisations, an increasing number of corporations are looking to NFP partners to help clarify particular needs to be addressed, as well as providing effective delivery mechanisms for this investment.

But while there is demand in the corporate sector for appropriate community investment opportunities with NFP organisations, there remains uncertainty in some NFP organisations about which individual corporations are most appropriate for community investment partnerships, and how to access them.

Some NFP organisations noted the amount of initial work and time that needs to be allocated by both parties at commencement of partnerships to understand the operational drivers and realities within each entity. This is seen as critical to maximise cooperation and limit misunderstandings.

Workshop participants in general felt that a better understanding between not-for-profit organisations and larger corporate partners in particular would be of immense value to each partner in a corporate community investment relationship.

> This is not about being warm and fuzzy, but I think if we non-profits and the relationship manager from the company can get together with the CEO in particular and agree what we have in common, our differences melt away easier. This is just good management practice, which no one can argue with I would suspect.

Operating overheads

It is well documented that a bias exists in awarding funding toward not-for-profit organisations that budget for and report low overhead and administrative costs.

Some US authors have highlighted the negative aspects of this practice and suggest that while under-reporting overheads will allow a NFP organisation to appear cost efficient, in the long-term it will result in internal inefficiency in the sector (Frederick &Rooney 2007; Pollack et al. 2004).

During our qualitative research, participant NFP organisations reported pressure in some partnerships when corporations want the NFP to deliver complex services and outcomes at less cost, using the previous year as a benchmark.

The issue with this is that the previous year cost may have been:

- unrealistic — the NFP may have been under pressure from limited funding sources to deliver a service at less than the quoted cost, simply to obtain funding to continue
- realistic the previous year, but unrealistic in other years — due to market demand, success breeding more demand, or funding reductions presenting new cost pressures
- overall costs — like those in business — have risen. But unlike themselves, governments and some businesses expect NFP organisations to absorb inflation increases.

The way these challenges are addressed can influence the success and longevity of a corporation's relationship with an NFP.

While there is little data on the issue of under-reporting in Australia, it is said to exist and with negative consequences. Accordingly we suggest that this issue needs to be investigated further in the Australian context.

Reputation

Reputation is highly important to not-for-profit organisations, as well as a driver for community investment by corporations. Some NFP brands and reputations are among the strongest in Australia.

One NFP leader in our research said: 'Many corporates wrongly assume they come to the NGO with more to contribute to the relationship, yet in many cases, big brands like [ours] have greater brand equity, reputation, profile etc than the corporate'.

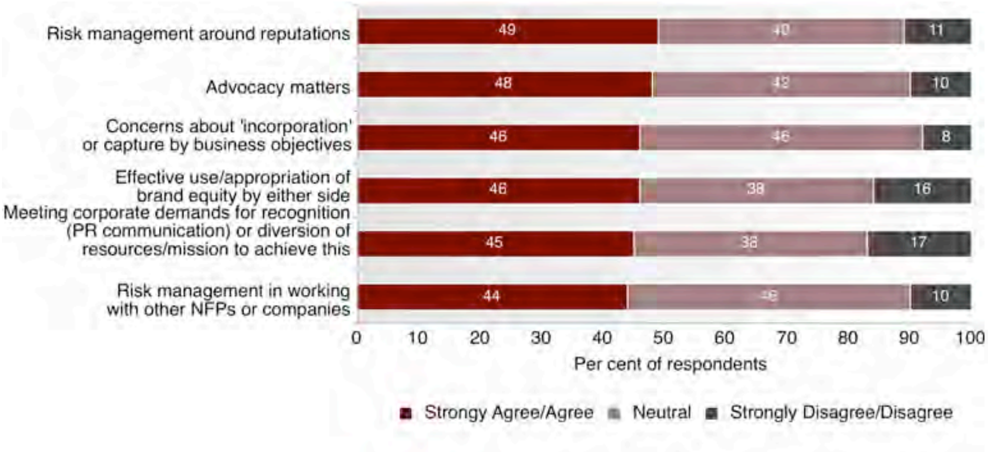
It is not surprising that NFPs with strong brands and established reputations in the community are themselves guarded about retaining their operational and fundraising value and appeal when choosing their corporate partners.

Figure 3.3 illustrates the significance of reputation issues for NFP organisations when working within a community business partnership. The results indicate also that NFP organisations rarely have issues around agreement with their corporate partners about reputation, advocacy, 'incorporation', brand usage, recognition or risk management.

Figure 3.3

REPUTATION AND POLICY ISSUES

Survey question: We find when working with business that we rarely have issues around agreement on:



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Note: The response categories 'strongly agree'/'agree' and 'strongly disagree'/'disagree' are combined in this graph.

The Centre's 2007 report on corporate community investment in Australia concluded that companies also place considerable emphasis on assessing the reputation of potential community partners. An issue closely related to the question of shared values is discussed in Section 3.2.

Organisational reputation is also a consideration for many NFPs when they contemplate a corporate partnership.

One NFP representative stated:

> We do have a list of companies that our governance group has determined we cannot and should not partner with because of their ethical and reputational standing.

Another NFP senior executive stated:

> We have a reputation and a brand that is important to us, and we will not compromise that if we believe a partnership with a corporation will not enhance our reputation, our brand and what we do.

Also, various constituents within individual NFP organisations will often have different values and attitudes to relationships and reputational impacts with businesses. This is a complex issue that many NFP leaders say they manage.

However, NFP organisations overwhelmingly welcome corporate support, and rejection of support on reputational grounds appears rare. This is reinforced by the previously discussed survey findings (see Figure 3.3) that indicate NFPs rarely have issues around agreement about reputation when working with business.

Despite a significant and growing trend towards NFP-business engagement, some not-for-profit organisations working to alleviate certain societal issues say they face difficulties attracting corporate partners.

These difficulties may arise from the lack of perceived reputational benefits for corporate partners associated with that issue, perceptions of corporations that the issue does not intersect with their business interests or strategy or what some research workshop participants termed as the ‘unglamorous nature’ of such issues.

In particular, NFP organisations in the mental health, alcohol and drugs rehabilitation, domestic violence, sexual abuse, correctional services rehabilitation and intellectual disabilities areas reported they find it difficult to attract corporate support. One NFP executive commented:

> It is much easier to get corporate support for depression and stress — the softer end of mental health — rather than schizophrenia.

While this is not universal, and NFP organisations such as Mission Australia, Anglicare, The Smith Family and St Vincent de Paul Society have numerous, robust corporate community partnerships, some smaller NFP organisations in the human services area say they struggle in their relationships with business partners.

Not-for-profit organisations in the arts sector appear to have mixed success, although significant engagement exists where there are hospitality and entertainment opportunities with high profile entities.

Community recreation organisations also provide marketing opportunities, particularly those involving children in communities. Pressure on business to limit their environmental impact, and employee concerns about climate change have made it easier for environmental NFP organisations to attract corporate interest.

Not surprisingly, some NFP organisations reported the current focus of corporations on the environment has made it harder for them (particularly for some working in the human services sector) to attract funding.

Comments from workshop participants on corporate interest in environmental issues and human service partnerships included:

> The environment is top of mind.

> Many NFP organisations are affected by the ‘green distraction’.

Some NFPs cited childrens’ charities and animal causes as being ‘so attractive’ to business interests that they are now crowded fields, whereas issues such as senior citizen welfare or mental illness are disadvantaged.

> It is not easy to get funding for programs working with a demographic where people do use drugs and there is higher rates of domestic violence.

> It is very hard to sell prevention, for there are no numbers to measure the work that we do. This is very intangible, and does not translate into a return on money.

Arts partnerships

According to the survey underpinning significant analysis for this report, 10 per cent of NFP respondents indicated they were arts or cultural organisations. As noted in Section 1.6 of this report, of the 40 976 NFP organisations in Australia (ABS 2008) 20 per cent cited they were culture and recreation entities.

The arts sector has traditionally enjoyed a unique dynamic in partnerships with business. Up until the 1980s, large, national arts organisations such as Opera Australia, the Australian Ballet and some city-based gallery and theatre arts entities were major beneficiaries of corporate support.

As corporate community investment evolved from philanthropic to transactional, and more recently to integrative (see Chapter 2 of this report on trends in business/community relationships), larger arts organisations that had previously enjoyed good levels of corporate support, found themselves in a far more competitive environment.

Corporate focus on engaging more widely with the community, the competitive and cost pressures of a more open and competitive economy in Australia from the early to mid-1980s, and government policy, increased competition within the arts sector for corporate community involvement

These developments also broadened the total market for corporate community investment. Arts organisations were only one item on the menu for corporate involvement and support.

Also, by the late 1990s, not only were there more national arts and cultural organisations, but there were also thousands of State-based and local entities seeking business corporate support.

Whereas in the 1960s and 1970s it may have sometimes been the case that major corporate arts sponsorships were the decision and deign of senior executives (and sometimes said also, of their spouses), in the 21st century, arts NFPs compete with NFPs that are seeking outcomes related directly to corporate strategy.

One NFP representative in the research workshops for this report stated:

> In the past I think that the arts were perceived as a must have for the CEO and the Board of many large companies — a way of making an impression on the Prime Minister, Ministers and community leaders. Now, for most companies, the arts are only a nice to have when times are good. If you are an energy company today, your focus is not the Opera, but the environment. For the smartest companies, the arts may not be about winning projects or selling airfares or shampoo, but they are about engaging company staff, and saying to the world 'we are a balanced citizen, and care about our business and the wider community'.

Our work with multi-national corporations, and with one of our sibling organisations in the US, the Boston College Center for Corporate Citizenship, suggests increasingly that corporate community investment in the arts is seen by many corporations as being beyond obvious intersections between a company's interests in the community (for instance, a bank and financial literacy).

Support for and engagement with the arts is viewed by many company stakeholders (including employees) as a benchmark of the enterprise's wider corporate citizenship, including being an entity that embraces total community wellbeing beyond sectional interest.

Companies in Australia such as SingTel Optus (partnership with the Australian Brandenburg Orchestra), Australia Post (partnership with Opera Australia), Emirates (Sydney Symphony Orchestra), Qantas (Australian Youth Orchestra), Audi (Sydney Theatre Company) and Bank SA (Art Gallery of South Australia) have corporate community partnerships with arts organisations because this is in concert with core business strategy to be a good corporate citizen.

Consultations for this research suggest some arts NFPs indicate that while there are elements of ‘partnership’ in their relationship with corporations, a significant component of their relationship is viewed by those companies in terms of ‘sponsorship and hospitality’ and at the early stages of a transactional relationship.

One workshop participant from an arts NFP stated:

> The language is partnership. But what our corporate partners want is brand affiliation with us. Their stakeholders of importance are customers — especially corporate customers and media. We would both like to engage their employees, but this is harder. Our workplace is a stage or gallery. This can work, but in small groups only. And this seems too much work for our corporate partner.

Another comment from a NFP in the arts sector:

> We are up against it with other not-for-profits. What we offer is teamwork, engagement, passion. I think we need to position this better. Our own general manager sees this. Our Board? No. Our partners? They see themselves as ‘sponsors’. Sponsors engage to sell. We engage to build, strengthen and enhance. I am not sure how we bridge the disconnect yet.

Research for this report focused primarily on engagement of larger arts NFPs with larger businesses.

Based on our consultations only, it appears that arts NFPs are curious indeed about how to better engage corporations, and to move if they can, from a ‘sponsorship’ mode to one of deeper corporate community partnership to relationships that are more integrative than transactional.

We note that considerable discourse about this has occurred through the lens of ‘funding.’ We suggest, however, that perhaps further analysis is necessary on how arts NFPs and business can engage across the wider platform of corporate community partnerships to forge integrative relationships

Box 3.4

CASE STUDY — BLACK SWAN THEATRE COMPANY’S BUSINESS ARTS PARTNERSHIPS

Black Swan Theatre Company in WA relies on government, business and individual support to present theatre productions, tour regional Western Australia and run workshops (including for school groups). The theatre company has a number of business partnerships with organisations such as Rio Tinto, RAC, Wesfarmers, Australia Post and Siemens among others. Major partnerships are typically formed on a three-year basis and include branding and marketing opportunities, access to the theatre company’s corporate and client networks, and includes staff engagement opportunities. For example, Rio Tinto, as a principal partner, has used the recent production of feminist farce *The Female of the Species* to create a social event for female Rio Tinto employees and women from the industry. At the event, Rio Tinto showcased the diversity of careers and opportunities for women at Rio Tinto, and announced a major policy change benefiting the Company’s female employees. Over 200 women attended the event, and a wait list of over 100 was established.

Source: Black Swan Theatre Company 2008.

3.3 Chapter summary

- *Many NFP organisations posit that corporate community partnerships are able to generate outcomes and address issues that governments cannot; or that they can contribute significantly to outcomes that governments or NFPs cannot achieve alone*
- *Most not-for-profit organisations contributing to this report believe that the business sector forms close relationships with NFP organisations for public relations, reputation and marketing purposes, philanthropic motives, or because of business strategy*
- *Based on their experience working with corporations, most NFPs contributing to this report believe they are fairer, more flexible and respond more timely than businesses*
- *The longer a NFP organisation has been working in a partnership with a corporation, the better the perception of the power balance between the two entities*
- *Partnerships can be especially successful when partners seek a 'sweet spot' with each other — an area of activity or commonality where the interests of the corporation and the interests of the NFP intersect*
- *An increasing number of NFP organisations see how collaboration with business can be helpful — and in some cases essential — to achieving their objectives*
- *Reputation considerations of the NFP organisation and the corporation are key considerations for both parties when identifying and examining potential partners*
- *Arts NFPs are seeking more elements of transactional and integrative collaboration in their corporate community partnerships with business*

Chapter 4

Determinants of successful NFP-business partnerships

As noted in previous chapters of this report, many NFPs and corporations entering partnerships believe they can deliver outcomes that other institutions or collaborations in the community cannot deliver.

Network governance (see section 2.3) that includes NFPs and business has the potential to produce certain societal outcomes.

But these are certain issues and societal outcomes that NFPs — and companies — say they are best placed to address and produce positive outcomes via corporate community partnership (or are positioned to make unique contributions to societal issues).

4.1 Benefits of community business partnerships

During workshop group discussions, NFP organisations identified the following benefits of community business partnerships:

- *access to donors* — the corporate sector houses individual high net-worth donors. Corporate partnerships raise the profile of NFP organisations and encourage individuals disposed to philanthropy to make significant donations
- *capacity building* — for the NFP organisation itself, and skills transfer as part of program service delivery
- *enabling* — association with a corporate partner may open previous unattainable avenues to new sponsors and communities
- *funding* — diversifying funding sources reduces risk and the impact of sudden or unexpected funding withdrawals
- *funding sustainability* — the 'pragmatism of needing to get funds' means NFP organisations seek long-term partnerships so they can spend less time looking for funds, and more time achieving the core goals of their organisation. Long-term corporate funding also enables NFP organisations to pursue broader activities and increase the scope of their service delivery. Longer-term community partnerships for many NFPs offer also more reliable and sustained funding streams than are available from government
- *better public awareness* — of the NFP organisation and its cause
- *reputation* — NFP organisations are increasingly seeing themselves as 'trusted brands' that can benefit from working with the corporate sector.

Not-for-profit executives identified the following obstacles to achieving successful community business partnerships:

- *alignment* — with ethics and values has changed over recent years and has become increasingly important. NFP organisations do not want to endanger their own reputation by either real or perceived inappropriate practices by a corporate partner
- *capacity constraints* — NFP organisations may be unable to meet business needs for accountability (reporting, requests for placement of volunteers, governance requests)
- *cultural gaps* — corporations not understanding fully the modus operandi and motivations of NFP organisations, and NFP organisations not appreciating business' need for funding accountability and employee engagement as part of corporate community partnerships
- *corporate social responsibility* — is increasingly drawing the corporations towards partnerships with NFPs. However, there can be misunderstandings by the corporation as to what a potential partnership involves.

4.2 Characteristics of successful partnerships

Our analysis confirms the view that a successful corporate community partnership exists where there is a clear alignment between organisational cultures and imperatives of the corporation and the NFP organisation to achieve the best possible outcome for a public issue (discussed in the previous chapter).

This view was confirmed by NFP organisations providing input for this research report. Sharing a common goal or cause is one of the most fundamental elements of partnership success, according to most NFPs participating in this report.

Other characteristics of success identified by NFPs and our analysis are canvassed in the following pages.

Partner selection

Choosing the right partner depends on the extent to which the characteristics and nature of a not-for-profit organisation and business align to create mutual benefits.

Our observation and those of Knights (2004) are that businesses tend to choose their not-for-profit partners based on their credibility, activity orientation, regional presence, leadership opportunities and alignment with corporate strategy.

Corporations at the front of the curve seek to understand a prospective not-for-profit partner's internal operations, quality of services and programs, strength and skills of management, ability to self-evaluate and measure performance, ability to achieve core objectives, and willingness to be held accountable for services and programs (Scaife 2006).

The Centre's 2007 study drew particular attention to NFP 'fit' with issues of business concern in a corporate community partnership (for example, resource companies with environmental groups) or capability (for example, telecommunications with telephone help lines).

As also noted, reputation considerations influence partner selection for not-for-profit organisations and corporations. In the NFP realm, Oxfam, for instance, reports that it maintains a manifest of high, medium and low risk industry sectors it considers when investigating and examining partnerships with companies.

International literature confirms our findings on the challenging aspects of partnerships. Seitanidi and Ryan (2007) suggest these include the need to address challenges such as:

- attention placed on the outcomes of the relationship — which may overshadow the importance of the process of the project for NFP organisations and interaction between partners
- lack of symmetry between partners — power dynamics of the relationship may favour one partner
- perceptions of the motivation driving each relationship — the public can be sceptical about NFP-business relationships, and may not trust the messages communicated about the partnership.

Elements of successful partnerships

Research from Boston College's Center for Corporate Citizenship (2005) and Levine (2004) provides an overview of common elements of successful corporate community partnerships.

These include:

- *clearly articulated and shared mission* — with recognised short and long term goals
- *commitment* — of time and funding, removing the distraction of ad hoc fundraising for the NFP organisation
- *compatible strategy and values* — between the NFP organisation and business
- *continual measurement and evaluation* — of programs, as well as the partnership itself
- *decision-making* — in the best interest of the partnership and to the best interests of each partner
- *good governance and transparency* — particularly relating to financial matters
- *identity and integration* — of the partnership, allowing each partner to separate their individual reputation and brand, while integrating the mechanics of the partnership into the structure of the business and NFP organisation
- *joint decision-making and power-sharing* — possibly including placing corporate executives on the Board of the NFP organisation
- *ongoing learning, adaptability and flexibility* — allowing programs to evolve and the partnership to grow organically
- *open communications* — establishing mutual trust, as well as anticipating and preventing problems

- *recognition* — of the various strengths brought to the partnership by each organisation, for example the sector and program expertise of the NFP organisation, and the measurement and reporting expertise of the business
- *suitable programs* — that fit with the available resources, organisational size, and location
- *value creation* — programs associated with the partnerships create value and benefits integral to the partnership itself.

The Centre's 2007 report on *Corporate Community Investment in Australia* highlighted successful partnerships that include many of the factors listed above.

These included long-term partnerships such as Conservation Volunteers Australia and BHP Billiton, Inspire Foundation and Bristol-Myers Squibb, and The Smith Family and Colgate-Palmolive.

Sustainability (length of relationships) appears to be a characteristic of what is required between the sectors for best practice partnerships.

Not-for-profit organisations and businesses increasingly talk the language of partnerships and of the characteristics of integrative collaboration, describing relationships that are deeper and longer than in the past.

According to three NFPs participating in this research:

> We are looking for longevity with our corporate partners. We want opportunities to create stronger relationships year after year.
>
> Companies are increasingly looking long-term. A sustainable partnership needs to be able to survive changes in managers.
>
> Our multi-faceted partnerships (including cash and in kind support, pro-bono and volunteering support) works well….whereby both the corporate and the NGO contribute a range of inputs and engagement opportunities that result in genuine mutual benefit.

We found that partnership requires a substantial level of interaction and engagement between two or more organisations, and involves shared objectives and a collaborative mentality. One NFP commented:

> Sometimes there is just great synergy and it makes sense [to work with business].

Another stated:

> We draw on our corporate partnerships all the time. We leverage our partnerships to find more opportunities.

Alignment of values

In the group workshops held to assist this report, an alignment of values between a business and a not-for-profit organisation was also considered essential to a successful partnership.

Such alignment is reinforced by the following workshop comments:

> We have a long history of working with corporates. In the past, partnerships meant sponsorship and was PR-driven. It is a lot more sophisticated now, with a focus on common values.
>
> We didn't talk mutual obligation previously. Now there's a lot more emphasis on mutual goals and values.

Such is the importance of values alignment that many NFP organisations indicated they compile a list of businesses and other organisations that are 'off-limits' for the purposes of partnerships because of their perceived values, and create lists of organisations aligned positively with their values that should either be considered or pursued for partnership.

Not-for-profit organisations without formal guidelines indicated they evaluate partnerships and other fundraising agreements on a case-by-case basis. Most NFP organisations indicated they have refused funds and in kind contributions from certain companies and industries because they believed there was not a 'values match'.

A comment from a workshop participant reflects this:

> We deal with ethics issues daily, and have an ethics policy. There are some difficult issues. For example, the actions of some firms have caused the problems that we're now working on.

As noted earlier, some NFP organisations use less obvious or counter-intuitive partnerships to their advantage.

> We have a cheeky way of marketing ourselves and are able to work with some companies that are not obvious partners.

Mutual understanding within partnerships

Partnerships between not-for-profit organisations and businesses bring two fundamentally different types of organisations together.

As with any type of relationship, the NFP-business partnership is vulnerable to differences in goals, objectives, values, cultures, strategies, management styles and operating approaches (Berger et al. 2004). Operational differences between some not-for-profits and businesses result in different management styles, processes and procedures competing within partnerships.

These differences may be 'positively capitalised upon and learned from', allowing the partnership to continue in a productive way (Stott 2007, p.10).

Many NFPs suggest that much desired longevity of partnership arrangements and concerted efforts by business are underpinned also by both partners to discuss openly and understand individual objectives.

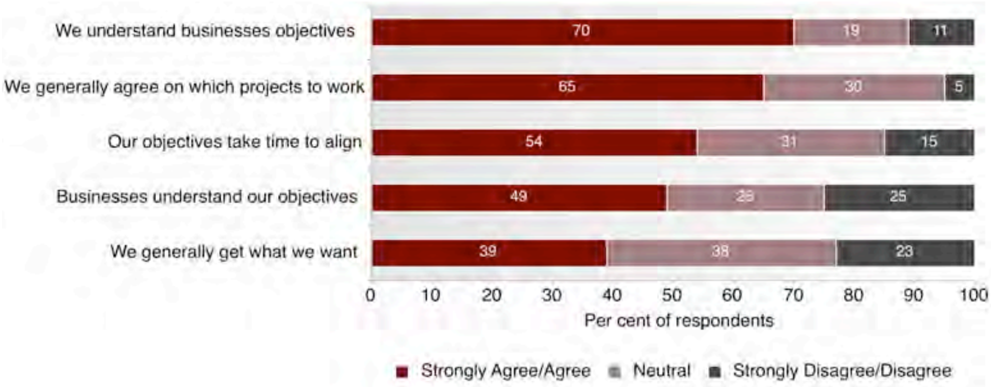
Our survey results indicate 77 per cent of not-for-profit organisations believe they work well with business (see Figure 4.2). Only 2 per cent said they did not work well with business (21 per cent were 'neutral').

Sixty-five per cent of respondents stated NFP organisations and business generally agree about projects on which they can work as part of their partnership. And 70 per cent say they understand the objectives of the businesses with which they work — a contrast to the 49 per cent who say corporations understand *their* objectives. These results are illustrated in Figure 4.1.

Figure 4.1

NFP SECTOR EXPERIENCE WORKING WITH BUSINESS

Survey question: We find when working with business that:



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Note: The response categories ‘strongly agree’/‘agree’ and ‘strongly disagree’/’disagree’ are combined in this graph.

Not-for-profit organisations were less certain about the ability of business and NFPs to understand the language and share the values of the other. Comments from workshop research participants included:

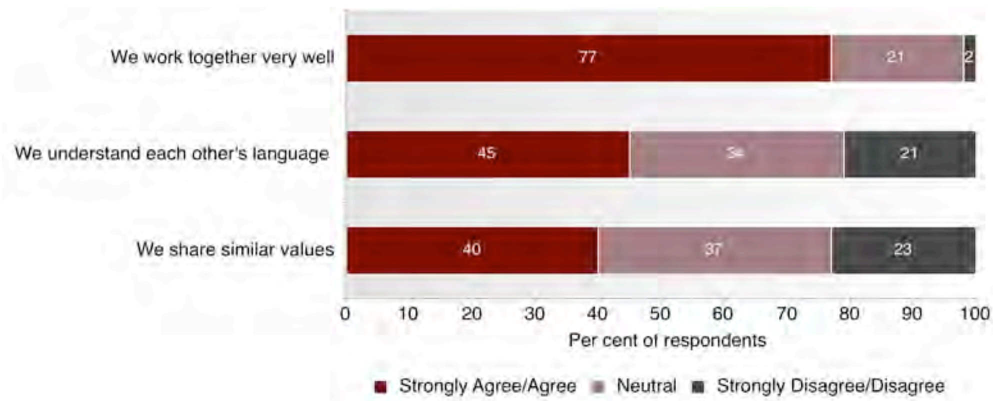
> There is a need to understand language.
>
> Things like cross-sector partnerships are not well understood. We need to get new language and thinking.

From our survey, 45 per cent of not-for-profit organisations stated the sectors understand each other’s language and say the sectors share similar values (37 per cent were ‘neutral’ on this issue). These findings are illustrated in Figure 4.2.

Figure 4.2

MUTUAL UNDERSTANDING — NFP SECTOR EXPERIENCE WORKING WITH BUSINESS

Survey question: We find when working with business that:



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Note: The response categories ‘strongly agree’/‘agree’ and ‘strongly disagree’/’disagree’ are combined in this graph.

Our workshop discussions also illuminated a view held by some NFPs that despite each sector working together well, NFPs are as efficient and adroit as their private enterprise partners.

> I have worked in the corporate and NFP sector. They are very different, but the biggest difference is that businesses believe they are less bureaucratic and quicker to produce outcomes than NFP organisations. This is often not the case.

Another comment:

> Our operating ratio is much lower than most of our corporate partners – but they talk like we are the basket case and need help with all of our operational areas so they can get maximum value for money from us. We always need help but we are efficient – very efficient.

Our consultations for this report reinforced that some NFP organisations operate in a 'crisis-driven' or reactive demand mode, especially in certain social welfare and human services arenas, where demands can be urgent and resources stretched.

Several large and small NFP organisations (but not all) working in human-crisis environments indicated it is often difficult to engender business partner understanding of how longer-term NFP planning and strategy can be affected by this crisis driven modus operandi.

Risk management

In recognition of the differences between the not-for-profit and business sectors both parties in a corporate community partnership commit to a risk management assessment of the partnership.

Where they are applied, NFPs say risk assessments of reputation, employee engagement, stakeholder impact and management protocols — either as part of partnership investigations or before partnership management modus operandi is agreed — help to deliver success in partnerships.

According to many NFP organisations, thoughtful anticipation of these issues assists them to approach the management and modus operandi of partnerships based on protocols for a relationship, rather than by relying on interpretation.

According to one seasoned senior NFP executive:

> Rather than rely on anxiety and guesses on each side about issues and problems and if we understand each other, I have found that setting protocols so issues or perceived problems can be raised takes about 80 per cent of effort from a corporate/community partnership.

Managing the daily aspects of NFP-business partnerships is only one aspect of risk management in such relationships. Our research concludes the longer a NFP and corporation have been engaged in a corporate community partnership, the lower NFP organisations perceive partnership risk.

Many not-for-profit organisations note they still experience the 'vagaries' of business budget processes, and perceptions that corporate business partnership funding is 'the first to go' when corporations need to reduce operating outlays.

Our observations over many years, and NFP observations also, suggest deeper and longer running partnership agreements help insulate NFP organisations from this short-term 'stop-start' vulnerability.

Box 4.1 provides a brief overview of partnership risk management strategy.

Box 4.1

NFP-BUSINESS PARTNERSHIP RISK MANAGEMENT STRATEGY

Risk management should be incorporated into the design and implementation of NFP-business community partnership agreements.

Typical steps in risk management can be adopted in a partnership situation, including:

- assessment and categorisation of the risks of the partnership (including presence of inconsistent organisational cultures, lack of resources, and addressing sensitive issues)
- evaluation of the probability and consequences of risks
- prioritisation and identification of main focus of risk management
- management of the risks through control strategies
- monitoring and reviewing of the results.

Source: Mundy n.d.

Exclusivity of partnership arrangements

Some not-for-profit organisations claim some corporate partners often ‘push’ them into an exclusive partnership, when they would instead prefer to spread corporate association and funding across multiple partnerships. Administering multiple corporate partnerships, however, does require considerable management attention and organisational capacity by the NFP.

Exclusivity does not appear to be a major limiting factor for not-for-profit organisations entering partnerships, or pursuing them.

Most NFP organisations interviewed for this research indicate they understand the reasons businesses seek partnership exclusivity, overall or within specific industries, including for competitive marketing or branding reasons.

Some not-for-profit organisations find it advantageous to offer market exclusivity, for example, by partnering with a single corporation only within an industry sector — for instance, with only one financial services company, or a single corporation in the retail sector.

In recent years, some not-for-profit organisations (for example, Australian Business Community Network and Landcare) have sought multi-corporate support under a non-exclusive partnership model, befitting their business and operating model. This maximises their reach, funding and impact.

As noted by some NFPs — particularly large national organisations — this is also critical to assisting in maintaining the scale of their organisations.

There are other examples of non-competitive programs within certain business sectors that focus on a collective interest, such as the Pilbara Industry’s Community Council in Western Australia, which is an industry initiative aimed at better coordinating the resource sector’s community activities around Indigenous employment and training and the sustainability of towns in the Pilbara region. The program brings together resource businesses, government and community organisations.

Some not-for-profit organisations participating in this report would prefer the corporate sector to take a more co-operative approach with other businesses to allow multi-partnering with NFP organisations in the same sector when possible, and when competitive considerations allow.

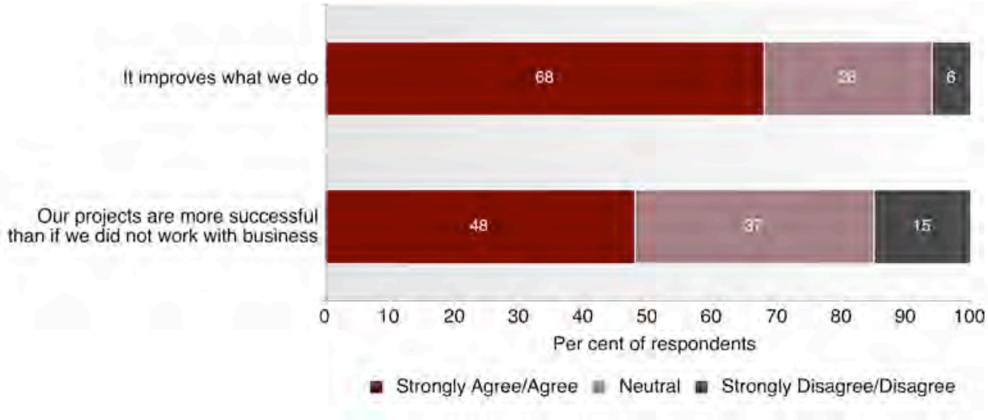
4.3 Advantages of partnering between sectors

NFP organisations see considerable value and success in partnerships with business. Almost 70 per cent of respondent NFP organisations to our quantitative survey find that working with business improves what they do (see Figure 4.3). Forty-eight per cent stated that projects are more successful when partnering with business.

Figure 4.3

OUTCOMES OF NFP-BUSINESS PARTNERSHIPS

Survey question: We find when working with business that:



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Note: The response categories 'strongly agree'/'agree' and 'strongly disagree'/'disagree' are combined in this graph.

Advantages of partnerships

NFPs participating in our research identified advantages flowing from corporate community partnerships that have a significant impact on their operations.

These benefits include:

- access to increased resources and funding, including to build capacity
- opportunity to further the core mission of NFP organisations by improving the engagement of the corporate sector — with that mission
- heightened public exposure, which may improve the ability of NFP organisations to attract additional funding from new areas in the future
- exposure to corporate expertise in internal reporting and external accountability, further building NFP capability
- exposure to corporate management, leadership and communication skills
- opportunity to benchmark not-for-profit methods and structures against those of business, leading to improvements in efficiency.

In response to the question of what is working well for NFPs in their partnerships with business, one NFP leader nominated technical support and capacity building:

> …in many cases corporates have commercial expertise that doesn't exist in NFPs or exists at the same level as NFPs. This exchange delivers a range of mutual benefits and has added great value and cost savings to our organisation.

Another benefit noted was:

> ...corporates providing NGOs with non-traditional means of support, such as to their stakeholder channels [including customer base for disaster relief fundraising].

Box 4.2 provides an example of partnership benefits that Landcare Australia offers its business partners.

Box 4.2

CASE STUDY — LANDCARE AUSTRALIA

Landcare Australia is a national network of community groups that focus on efforts to conserve and improve their local environment. The organisation facilitates partnerships between local communities and all levels of government, as well as corporations and SMEs. Landcare Australia ranks its business partners Diamond, Platinum, Gold, Silver and Bronze.

Landcare Australia understands the motivations and difficulties of partnership formation and continuity, and as such, outlines clear benefits and incentives to prospective partners. These benefits include:

- access to the Landcare Australia brand for corporate sales advantages
- opportunity for staff, team and morale-building exercises
- special deals as a Landcare partner
- facilitate brand loyalty
- increase triple bottom line (social, environmental and financial) performance
- network with government and other business
- share the benefit of Landcare Australia's 83 per cent brand recognition
- link to more than 4000 community Landcare Australia groups
- cost-effective community investment options.

Landcare Australia offers a variety of partnership experiences. These include:

- funding 'on-ground' Landcare activity
- volunteering for employees
- providing in kind resources.

Source: Landcare Australia 2008.

The benefits of partnerships with business is well-understood by NFPs, with funding, capability transfer and reputation leverage most highly valued.

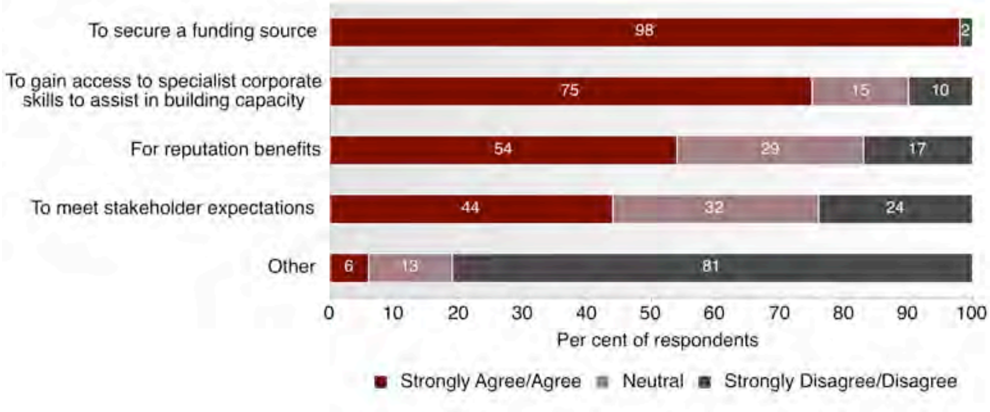
Figure 4.4 illustrates that 98 per cent of survey respondents indicated not-for-profit organisations work with the business sector to secure a funding source.

Interestingly, 54 per cent of NFP organisations agree they partner with corporations for reputation benefits, which is also one of the top three motivators for corporations pursuing community partnerships (Centre for Corporate Public Affairs 2007).

Figure 4.4

WHY DO NFP ORGANISATIONS WORK WITH THE BUSINESS SECTOR?

Survey question: What do you believe are the main reasons why NFP community organisations work with the business sector?



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Note: The response categories 'strongly agree'/'agree' and 'strongly disagree'/'disagree' are combined in this graph.

4.4 Strengthening business awareness of NFPs

Consensus among surveyed organisations in the not-for-profit sector suggests better communication with the business sector about NFP organisations and their role is desirable and sought by NFPs.

Many NFP organisations emphasised that this is the key to institutionalising partnerships, and ensuring long-term, sustainable funding.

Not-for-profit organisations interviewed say they spend considerable time 'educating' large enterprises about the NFP sector.

This includes efforts to engage corporations about what they can expect from partnerships, and how to work on issues and in areas where both partners may benefit.

As noted earlier, NFPs say the longer a corporate and NFP had been involved in a corporate community partnership, the deeper the understanding both entities have of their objectives and priorities.

The desire of many NFP organisations for business to better understand the sector is indicated in the following comments from our NFP workshops:

> We as a sector have a responsibility to educate the corporate world about what CSR is and what it costs.
>
> More and more effective communication between the sectors is required.
>
> Education is clearly the way to go. It's the personal relationships that make the difference. A not-for-profit organisation needs to find a champion within the company that will take its cause to the top.
>
> The NFP sector is in a position to educate the corporate sector about the best way to report on intangible issues, and what other corporations are doing.

> For some reason, corporations with all their resources and know-how just cannot seem to get their heads around NFP organisations, and often expect an NFP to operate in the same way as a large business.

Suggestions proffered by NFPs to improve understanding between the sectors include:

> We spend a lot of time educating business (about how NFPs operate). This is an area for policy remedy — perhaps something the Business Council of Australia, the Australian Chamber of Commerce and Industry or the Government could take on — to explain how the not-for-profit sector operates.
>
> Businesses who have experience working with and within the NFP sector tend not to share this knowledge with other businesses. A mentoring program between businesses could overcome this.
>
> As NFP organisations, we seem to spend an inordinate amount of time educating businesses about how NFP organisations operate. This educative role needs to be institutionalised somehow so we can focus more on delivering partnerships.

Figure 4.1 illustrates that almost half of survey respondents agree business understands their objectives, 54 per cent say it takes time for mutual obligations to align.

Two-way mentoring between business and NFP executives could improve information sharing about corporate community partnerships and how NFPs operate differently from business in particular.

Box 4.3 provides a case study on Social Ventures and its role bringing together business and not-for-profit executives. The Australian Business Community Network has also had two-way mentoring success with senior business executives and heads/ senior managers of schools. This serves also as a good model of strengthening cross-sectoral understanding.

Box 4.3

CASE STUDY — SOCIAL VENTURES AUSTRALIA

Social Ventures Australia is an independent non-profit organisation that aligns the interests of philanthropists with the needs of social entrepreneurs to address Australia's community challenges. The organisation supports non-profit ventures in five focus areas (Young People, Indigenous Community Building, Ageing, Employment, and Environment) by providing them with funding, mentoring and organisational tools.

The organisation matches social entrepreneurs or managers with corporate executives willing to provide strategic advice and guidance on business-related issues.

For example, the organisation matched the Director of Centacare Wilcannia-Forbes (a NFP offering social welfare services in rural and remote communities of NSW) with a strategy Director at AMP. Through informal conversations every two weeks, the two professionals got to know each other and better understand Centacare’s challenges.

Source: Social Ventures Australia 2008.

Kramer and Kania (2006) suggest several steps NFP organisations can take to enhance effective partnerships with business. These have resonated with the findings of our research in the Australian context. These steps include:

- *seeking partners, not villains* — NFP organisations often have considerable experience developing lists of companies that may have caused a particular social problem, to apply public pressure on those enterprises to change. By focusing instead on companies that have the resources to help solve the problem, a NFP can develop a different and expanded list of potential corporate partners
- *helping business set affirmative goals* — many companies are looking for ways to demonstrate their corporate responsibility by developing affirmative approaches to solving social problems. But they often lack the ability to understand the issues fully and to frame ambitious but realistic goals. NFP organisations often have a deeper understanding of the social problem, which enables them to help companies devise more comprehensive strategies and set more ambitious and attainable goals
- *asking business for more than money* — it is relatively easy for a NFP organisation to target a company for a grant or a donation. It is much more difficult for a NFP organisation to understand the full complement of resources that a company can bring to bear on solving a social problem
- *sharing the halo with business* — many NFP organisations are cautious about aligning themselves too closely with business partners because it may put their reputation at risk. NFP organisations need to overcome that fear, because the benefits that can accrue from doing so far outweigh the risks. NFP organisations can look smart, creative, and efficient by tapping business capabilities, and companies can enhance their reputations by taking affirmative steps to solve social problems. It is a win-win situation but only if NFP organisations and businesses are willing to share with one another the halo effect that comes with success.

Movement of staff between the not-for-profit and business sectors

The movement of staff between the not-for-profit and business sectors is a concrete and very physical vehicle to strengthen mutual understanding.

Larger organisations reported their staff are often ‘poached’ by businesses to work within their CSR units. But there is also a trend of corporate sector employees to shift to NFP organisations.

Individuals often move from the business world to the NFP sector seeking better work-life balance, or searching for more rewarding or engaging causes and issues on which to work.

There appears to be an even higher level of exchange between the NFP sector and government, particularly in Canberra. Some NFP organisations there reported they compete directly with the public service for staff. And although there is staff movement between government and NFP organisations, this is not perceived to translate always into government better understanding NFPs.

The release of corporate staff for fixed term secondments in NFP organisations, and active engagement of management volunteers in their governance, is sometimes motivated by leaders in business and government wanting to expose their staff to wider work and life experiences.

4.5 Decision-making within partnerships

Forty six per cent of not-for-profit organisations responding to our survey have significant, long–term agreements with business partners.

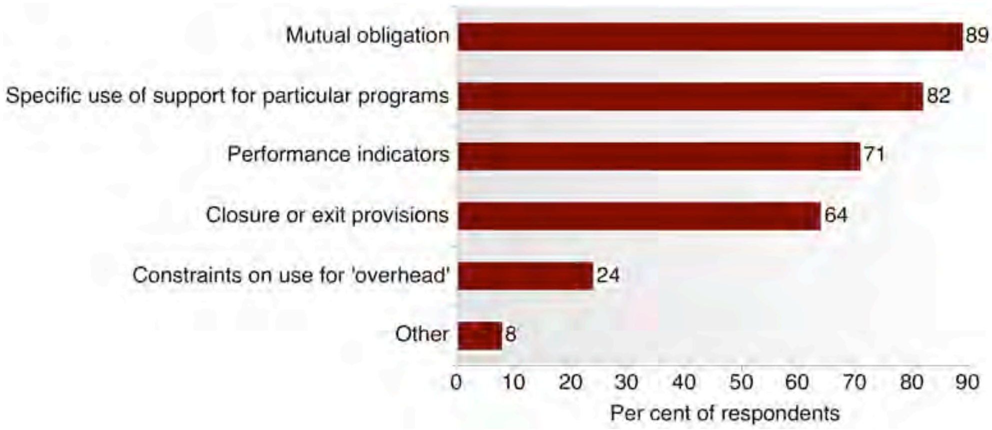
Figure 4.5 illustrates that of these NFPs, 89 per cent say they involve mutual obligation, and 82 per cent say agreements tie the use of support to specific programs.

The survey results also revealed the frequency with which these agreements are reviewed. Forty-three per cent of NFP-business agreements are reviewed annually. A further 36 per cent are reviewed against specific project milestones. These figures suggest there is considerable accountability and assessment activity within partnerships.

Figure 4.5

FACTORS INCLUDED IN NFP-BUSINESS AGREEMENTS (OF THOSE NFPS WITH AGREEMENTS)

Survey question: [If your organisation has significant, long-term agreements with business partners], what is usually included in these agreements?



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Note: Respondents selected as many answers as were applicable.

While there is some criticism of companies by NFP organisations for undervaluing support for basic infrastructure, less than a quarter of partnerships constrain the use of partnership resources for operating costs or ‘overhead’ (see Figure 4.5).

Figure 4.5 indicates also significant relationship maturity in how partnerships may end, with 64 per cent of NFP organisations reporting exit provisions were a feature of partnership agreements (although we note upfront understanding does not always lead to successful closure).

The Centre’s report on Corporate Community Investment in Australia (2007) also highlighted the trend to develop partnership agreements or contracts that optimise the value for both parties.

Mining giant Rio Tinto was an early mover developing sophisticated relationships with NFP partners.

The objectives it developed are included in the comprehensive and formal contracts it signs with its NFP partners. These include:

- 'both parties (the company and NFP) are committed to mutual benefit that can be articulated and understood by both parties
- neither will be in a dependency relationship to the other as a result of the partnership
- both parties are able to demonstrate the relevance of the partnership to their own stakeholders, and society at large
- both parties recognise the strategic importance of the partnership beyond the immediate program's objectives and deliverables, to the longer-term importance of sustainability, reputation, and social cohesion
- both parties are committed to transparency and accountability in all aspects of the partnership, having the highest regard for individual rights and ethical, social, legal and environmental imperatives
- both parties are committed to a set of principles for the relationship, including respect, recognition and regards
- both parties are committed to establishing a mutually agreeable exit strategy' (Centre for Corporate Public Affairs 2007, p.117).

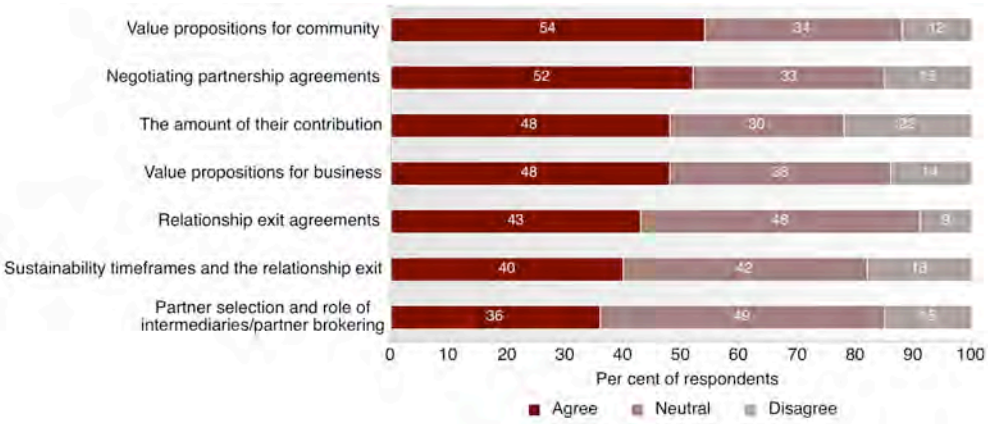
Our research for this report reinforces the view that partnership agreements are becoming more sophisticated.

Our survey results (see Figure 4.6) indicate that more than half — 52 per cent — of respondent NFP organisations rarely have issues negotiating partnership agreements with business (15 per cent of survey respondents say this is an issue for them). More than half report also that they have no issues agreeing to the community value proposition with their business partner, suggesting the 'sweet spot' referred to in Chapter 2 is being identified in most partnership agreements.

Figure 4.6

DECISION-MAKING IN BUSINESS COMMUNITY PARTNERSHIPS

Survey question: We find when working with business that we rarely have issues in agreeing on:



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Note: The response categories 'strongly agree'/'agree' and 'strongly disagree'/'disagree' are combined in this graph.

Box 4.4 provides the example of the Heart Foundation's corporate relations guidelines, governing its business sponsorship and alliance relationships.

Box 4.4

HEART FOUNDATION CORPORATE RELATIONS GUIDELINES

The National Heart Foundation of Australia's summary of its corporate guidelines can be found on its website. These guidelines have been developed 'to guide the initiation, implementation and maintenance of successful relationships' between the Foundation and business partners. All partnerships require an agreement that takes into account the requirements contained in the guidelines.

The guidelines include:

- definition of commercial relationships (and what is associated with this) and mission-related relationships
- principles for management of commercial relationships that 'emphasise that the Heart Foundation must benefit from any proposed commercial relationship, should not be exposed to risk through the relationship, and must protect its charitable status'. These principles also ensure that the Foundation only enters into relationships with organisations 'whose products and positions are consistent and compatible with Heart Foundation policy'
- checklist for assessing potential relationships
- information on use of brand names, certification, and specific programs (such as the 'Tick' Food Program).

The guidelines also state that the following issues will be taken into account when assessing a proposed relationship:

- 'Proposed use of the Heart Foundation name and logo
- Endorsement – this does not generally occur
- Non-exclusivity of relationships where possible and commercially feasible
- Appropriate recognition of commercial sponsors of fundraising events
- Clarification of any licence fees and royalties
- Potential for inclusion of education messages with referral to Heartline and Heart Foundation website
- Mechanisms for protection of confidential information
- Management of the parties' intellectual property'

Source: Heart Foundation 2008.

4.6 Chapter summary

- *NFPs and businesses in corporate community partnerships believe they can deliver societal outcomes that other institutions or collaborations cannot deliver, or that they can make a unique contribution that neither party, or other entities, can deliver alone*

- *Most NFPs work with business mainly to secure a funding source (98 per cent), to gain access to skills for capacity building (68 per cent) and for reputation benefits (54 per cent)*

- *Partnerships most frequently succeed where there is an alignment of values between the NFP organisation and the corporation; when there is a clearly articulated vision and shared mission; agreed measurement and evaluation; good governance and transparency; joint decision-making; open communications; and where there is value being created*

- *Almost 80 per cent of NFP organisations involved in corporate community partnerships said they work well with business. Almost 70 per cent say their partnerships with business improves what they do. Half of NFPs agree their projects are more successful than if they did not work with business*

- *NFPs want business to better understand how their sector operates, and the complex relationships they need to manage with stakeholders. Good business understanding is seen by many NFP organisations as the anchor to a successful corporate community partnership*

Chapter 5

Nature of partnership activities

5.1 Sources of business support

There is a wide variety of levels of engagement in partnerships. Historically, arms-length philanthropy and provision of one-off or sequential funding has been the basis of most relationships.

As noted in Chapter 2 of this report, in recent years this has evolved into more dynamic and sophisticated partnerships into a transactional stage.

This research concludes that businesses and not-for-profit organisations are working towards an integrative stage, where each party is seeking to create deeper relationships embracing collaborative research, address specific community needs, collaborate to ensure skills to deliver community benefits (such as education, welfare and community capacity building), innovate, and work directly in partnerships.

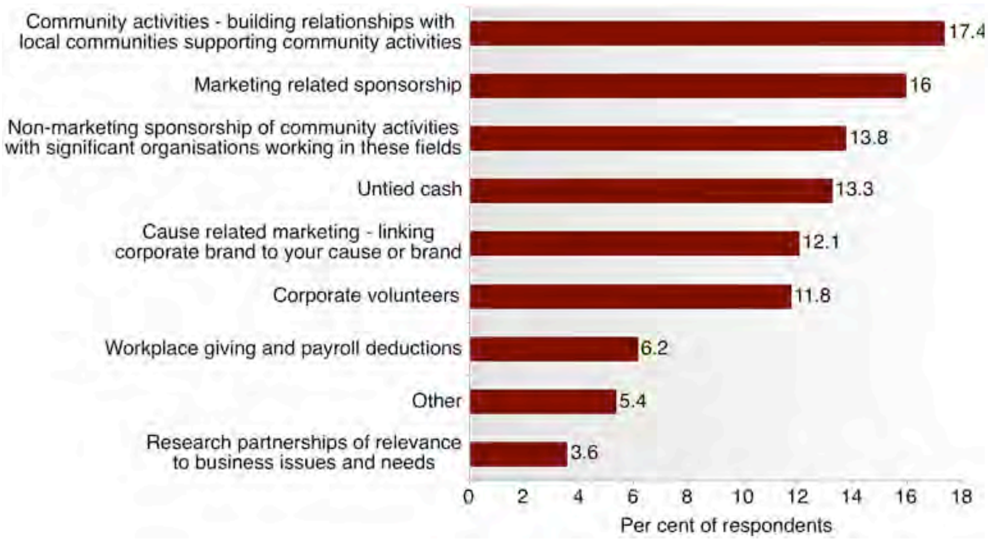
These closer, deeper relationships involve business volunteers working with not-for-profits, including business executives involved in management and governance. Not-for-profit organisations are increasingly involved in business community consultation committees and bodies.

The survey indicated that more than 17 per cent of NFP respondents say the main source of support from the business sector is support for community activities, followed by marketing-related sponsorships.

Figure 5.1

SOURCES OF BUSINESS SUPPORT

Survey question: Of your overall corporate support, please provide your best estimate of cash and kind received from the following:



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Note: Figures are expressed as a percentage of total corporate support. 'Other' includes in kind donations. Some categories overlap so responses do not sum to 100 per cent.

Corporate marketing sponsorships remain vitally important to some NFP organisations, especially those who sustain research or provision of services via public donations.

Organisations such as MS Australia, for instance, place significant importance on corporate sponsorships associated with cause-related marketing, or other marketing arrangements. These relationships are often philanthropic to transactional in their nature, but necessarily so given the structure and modus operandi of the relevant NFPs.

5.2 Volunteering

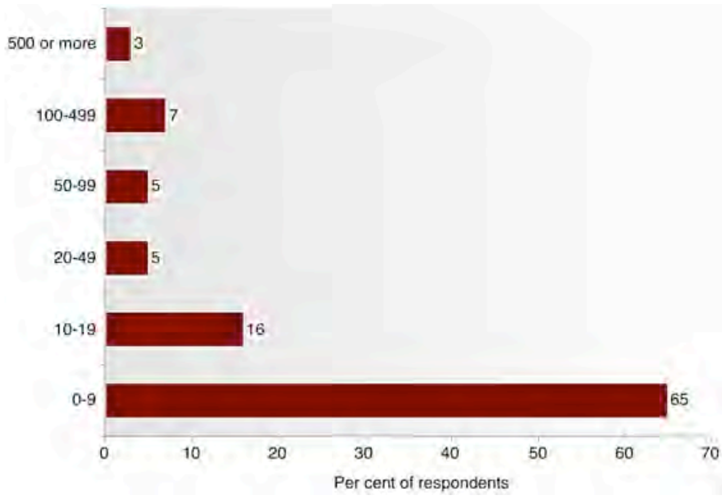
NFP organisations participating in this report, and corporations in previous research report that there has been an increase in business volunteering programs in recent years, where businesses allocate time for their employees to contribute their labour in various ways to assist not-for-profit organisations.

This includes a wide spectrum of volunteer contributions such as manual labour, skilled labour (i.e. accounting or legal support) and senior leadership mentoring.

The Centre's online survey indicates that half of NFP respondents host corporate volunteers. Of these, 65 per cent have up to nine corporate volunteers involved in their organisation (see Figure 5.2). Ten per cent of respondent NFPs work with between 100 to more than 500 volunteers.

Figure 5.2

NFP ORGANISATIONS AND THE NUMBER OF CORPORATE VOLUNTEERS



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008.

Box 5.1 illustrates some employee volunteering trends in Australia.

Box 5.1

EMPLOYEE VOLUNTEERING IN AUSTRALIA

Volunteering Australia estimates 6.3 million people in Australia volunteer 836 million hours of their time each year. This includes individual and corporate volunteering.

The 2006 *Corporate Volunteering Survey* by Volunteering Australia and Australia Cares indicates that most corporate volunteer programs have been established since 2003. The survey found almost a third of companies have a full-time person dedicated to employee volunteer programs. Many companies have a policy to provide paid work time for employee volunteering — 40 per cent of business respondents provide one day a year, 21 per cent provide two to three days, and 6 per cent provide a week.

According to Volunteering Australia, more employees participate in volunteering programs than any other CSR activity.

Source: Volunteering Australia 2006.

As a core component of NFP-business partnerships, not-for-profit organisations that participated in the Centre's online survey say they have a positive view towards corporate volunteers (see Figure 5.3).

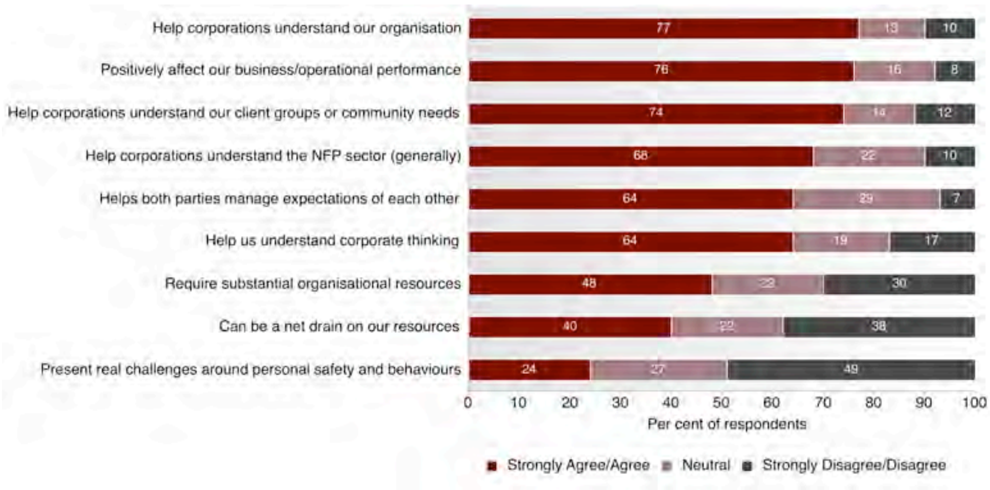
Seventy-seven per cent stated corporate volunteers help corporations understand NFP organisations, and 76 per cent stated these volunteers positively affect their business and operational performance. One NFP commented:

> We want business staff to have a connection to our organisation.

Figure 5.3

ATTITUDES TOWARDS CORPORATE VOLUNTEERS

Survey question: Corporate volunteers:



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Note: The response categories 'strongly agree'/'agree' and 'strongly disagree'/'disagree' are combined in this graph.

NFP organisations participating in our research also believe that business volunteering can also assist develop 'ambassadors' for NFPs in the business sector.

From the business perspective, employee volunteer programs are desirable because they are seen to increase job satisfaction and retention, improve morale and team cohesion and facilitate a skills-transfer to the not-for-profit organisation.

This is in addition to the value of obtaining wider community understanding and experience.

Employee-volunteering programs are increasingly an important factor in attracting potential employees because of the social responsibility reputation of participating companies, and because they are seen as an opportunity to develop skills (Cavallaro 2007).

As corporate volunteering with NFPs grows, however, the capacity of NFPs to host and create volunteering opportunities that are meaningful and of value to them, and their corporate volunteers, will be a challenge for some organisations.

Our discussions with NFPs suggest that employee volunteering programs can be challenging when businesses know little about the capacity or *modus operandi* of a NFP organisation, or when the organisation has limited ability to take and manage large numbers of volunteers. This is especially so with smaller NFP organisations.

According to one participant:

> The idea of workplace volunteering sounds good, but if you are a smaller NFP and have to find things for large groups of volunteers to do frequently, it can be a challenge, and can distract from core operations ...I guess we need to be more firm with our corporate partners. But in a way, we cannot risk losing their financial contributions.

One Australian author noted, ‘occasionally the (volunteer) programs are driven by what is in the best interests of the company at the expense of those of the not-for-profits’ (Cavallaro 2006).

About one-quarter of not-for-profit organisations participating in our survey indicated corporate volunteers present a challenge in terms of personal safety and behaviour, 48 per cent stated they require substantial organisational resources.

NFPs were fairly evenly split (see Figure 5.3) as to whether corporate volunteering was a drain on their resources.

These challenges of corporate volunteering was of some importance in research with NFP organisations. There was a broad consensus during workshop consultations that NFP organisations need to be open about their capacity to host corporate volunteers, and if necessary, request assistance — including funds — to be able to host and manage meaningful programs — especially those sought, inter alia, for the benefit of companies and their employees.

A number of NFPs reported they are familiar with ‘last-minute’ phone calls from corporations requesting volunteer opportunities for large numbers of employees in the coming next week. ‘I wish we could just say no,’ said a senior executive from one NFP, ‘but they sign the cheques, so we scramble to try and find something for them to do’.

It is apparent that expectations of some businesses about the desirability to place large numbers of corporate volunteers for short placements in NFP organisations need to be aligned better with NFP capacity to manage such arrangements. As in other areas of the relationship, dialogue to clearly and openly communicate business need, and NFP need and capacity, is fundamental to mutually satisfactory volunteer arrangements.

Some innovative approaches are being employed by some NFPs in their partnerships with business to ensure corporate volunteering is mutually beneficial and sustainable.

Our research reveals some NFPs are now charging businesses for access to their corporate volunteering services (for example, on a fee for service basis).

This innovation positions NFPs to meet the demand from business for meaningful corporate volunteering experiences for employees, and provide resources and infrastructure that some NFPs require to host and utilise corporate volunteers.

Another development is that some not-for-profit organisations only offer volunteering opportunities to their business partners (for example, those that have made longer-term commitments to the NFP and that will fund additional capacity to provide volunteer opportunities).

Many NFPs continue also to establish training programs for prospective volunteers to maximise the value and depth of the volunteering experience for the NFP and the corporate employee. Fifty-eight per cent of not-for-profit organisations in the online survey say they have training or educative programs for volunteers in place. These include orientation programs, induction training, in-service training, mentoring, and manuals.

Box 5.2 illustrates how Conservation Volunteers, a not-for-profit organisation focusing on employee participation as a key component of its business partnerships, manages some of its corporate volunteering.

Box 5.2

CASE STUDY — CONSERVATION VOLUNTEERS AND BUSINESS PARTNERSHIPS

Conservation Volunteers attracts and manages a force of volunteers to work on practical conservation projects across Australia. It has built successful corporate partnerships with BHP Billiton, Toyota, Shell, Commonwealth Bank, Rio Tinto, Vodafone, NAB, Boral and many other national, state and regional businesses.

Its corporate partnerships are based on three key principles:

- real outcomes — measured and appropriate
- flexibility — direct involvement in the area most relevant to corporate partner
- participation — options ranging from volunteer opportunities to payroll giving.

Examples of partnership activities include:

Toyota Australia and Conservation Volunteers work together on a national program to attract volunteers to environmental projects across Australia. The partnership includes an online service that matches volunteers with priority local environmental projects, and administering an active volunteering certificate. Toyota provides technical skills and expertise, employee volunteers, and financial and promotional support.

Shell partnered with Conservation Volunteers in 2001 to create the Shell Coastal Volunteers program, which focuses on rehabilitation of Australia's coastal environment. Shell provides substantial funding and encourages its employees to participate through an internal leadership program and an internal fellowship program. As well as a focus on conservation projects around Australia, the program has now extended to include training for coastal community groups.

Boral Living Green is a partnership between Boral and Conservation Volunteers Australia that supports environmental conservation and preservation of Australia's heritage. Living Green brings Boral employees, their families and other stakeholders together to create, enhance and celebrate green places in the communities in which Boral operate, with local community groups and volunteers. Many Boral operations also involve employees in tree planting, weeding and clean up projects on their own sites.

Source: Conservation Volunteers 2008.

The nature of volunteering

Research for this report confirms other studies that indicate most corporate volunteers participate in unskilled volunteer activities, including packing Christmas hampers, reading books to people, cleaning up local environments, soliciting money during fundraising drives, painting or helping to renovate facilities (see Figure 5.4).

Our qualitative research suggests NFP organisations prefer corporate volunteers with specific skills to assist their operations. A significantly higher value is placed on skills matched to the capacity and skills needs of the not-for-profit organisation and placements that build organisational capacity.

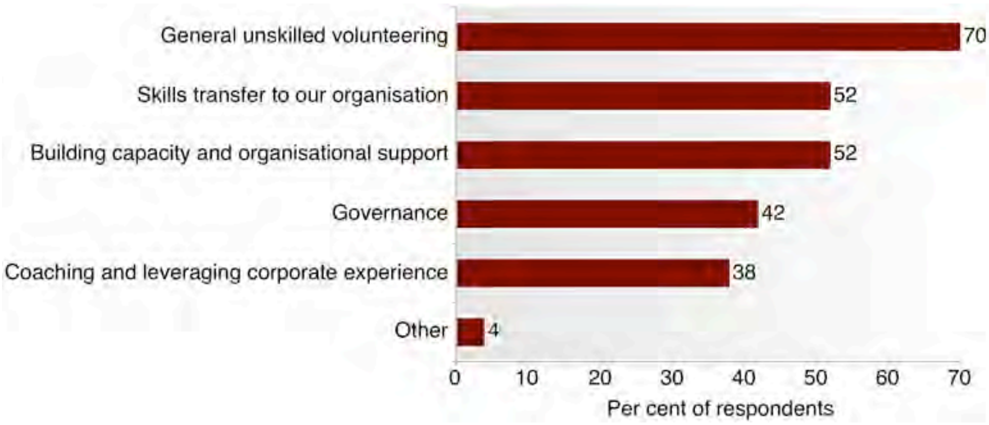
Concurring with the Centre's wider work in corporate community investment, the survey indicates that while most volunteering is in activities described as 'unskilled', half (52 per cent) of volunteer interaction is skills-based, involving skills transfer between the business and the NFP. Fifty-two percent of survey participants also have corporate volunteers involved in capacity building.

Skill-based volunteering typically utilises individual or collective business expertise to support the work of a not-for-profit organisation. It involves applying or transferring individual or organisational skills, such as strategic planning, marketing, information technology management, human resources, leadership mentoring, and leadership support. There are also opportunities for skills transfer via the provision of placements within the corporation for NFP executives.

Figure 5.4

TYPE OF VOLUNTEER INVOLVEMENT FOR NFP ORGANISATIONS WITH VOLUNTEERS

Survey question: Corporate volunteers are involved in the following activities:



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Note: Respondents selected as many answers as were applicable.

Feedback from our not-for-profit consultations is that some NFP organisations prefer companies to combine volunteer days of a large number of corporate employees into fewer, longer placements, rather than have large numbers of employees for one to two days per year.

However, this is preferred only when the modus operandi or organisational need is relevant and appropriate to fewer, longer volunteer placements.

One not-for-profit executive stated, 'I can't use 30 people for one day. I'd rather one person for 30 days'.

The following case study is an example of longer-term skills-based secondments, funded by business. Companies such as Westpac also offer long-term employee volunteers to organisations such as Cape York Partnerships.

Box 5.3

CASE STUDY — ENGINEERS WITHOUT BORDERS AND VOLUNTEER PLACEMENTS

Engineers Without Borders 'works with disadvantaged communities to improve their quality of life through education and the implementation of sustainable engineering projects'. It relies heavily on volunteers who work on projects in Australia and throughout the world.

Engineers Without Borders recently participated in Vodafone Australia's World of Difference program. The program allows individuals to nominate a registered charity or NFP organisation with deductible gift recipient status where they would like to work for a year. The NFP is involved in the application process and must agree to the placement.

Engineers Without Borders accepted a volunteer working as a Project Director for 12 months. His role was to help develop new projects in Australia and assist in placing volunteers in overseas locations. Vodafone pays the salary for a year and provides a laptop and mobile phone. It also allows Engineers Without Borders to claim expenses such as insurance, work-related travel or other work expenses that the volunteer requires during the year.

The Vodafone Australia Foundation has funded about 15 placements in organisations such as KidsSafe, Northern Queensland Conservation Council, The Oakfree Foundation and Wildlife Victoria.

Source: Engineers Without Borders Australia 2008; Vodafone Foundation 2008.

Pro-bono contributions

While obtaining substantial benefits and value from the pro bono contributions of professional service firms (accounting, management consulting, and law) not-for-profit organisations have mixed views on this mode of corporate labour contribution.

While one NFP organisation said it derived great benefit from the pro bono work of professional service firms, another said:

> Seeking pro bono help is not always ideal because you are not treated as a paying customer and you are often at the lower end of their priority.

Most NFP organisations in our workshop consultations agreed that as part of any pro bono arrangement, service-level agreements were desirable to make it clear what services a professional service firm will deliver, and when.

Pro bono arrangements have long been a mode of corporate community partnership, though they do not readily provide for skills transfer. However, many arrangements remain valued by NFPs, and are valued also by contributing companies.

Good practice in volunteering

The following case study provides principles for good practice in corporate volunteer programs.

Box 5.4

CASE STUDY — BEST PRACTICE EMPLOYEE VOLUNTEER PROGRAM

The US-based Points of Light Foundation has developed a set of 'principles of excellence' for employee volunteer programs. These principles are a guide for NFP organisations looking to engage with employee volunteers. The principles state that business should:

- acknowledge that employee volunteer programs can contribute towards business goals. Some of the most successful volunteer programs stem from companies integrating community involvement into wider business objectives, and where community programs stress giving back to shareholders as well as the community
- commit to establish, support and promote an employee volunteer program that encourages involvement of every employee, and treat it like any other business function:
  - employee volunteer program should be carefully designed with goals, a strategy, a work plan and a promotional plan
  - the program should be employee driven with input from senior managers
  - the program should be managed to bring value to the organisation
  - the program should be evaluated to determine the outcomes it brings to the company
- target community service efforts at serious social problems in the community:
  - in doing so the program should develop partnerships with local businesses and community groups to achieve this objective
  - should engage in increasing its not-for-profit partners skills and resource capacities to work towards their missions.

Source: Points of Light 2008.

For the purposes of this report, our assessment of volunteering is:

- workplace volunteering is increasing, as is demand for placement of corporate volunteers
- many NFP organisations face management and organisational capacity challenges accommodating corporate demand for workplace volunteering opportunities
- some corporations (e.g. National Australia Bank) and many NFP organisations are investigating a shift in workplace volunteering focus from unskilled to skilled placements
- many NFP organisations (though this depends on the nature of operations) indicate they would prefer a skilled-based focus in their volunteering relationship with their corporate partners, though other NFP organisations are content with relationships in which they have access to large numbers of volunteers for activities such as community fundraising, or low-level manual labour
- some NFP organisations are levying charges to corporations to accommodate and manage unskilled workplace volunteers in particular, so they can sustain and capture maximum value from corporate volunteering.

5.3 Commercial and employment drivers

Most not-for-profit organisations have a combination of funding arrangements in place, including from business, governments and the community. As illustrated in Figure 5.1, a large share of the business contribution to not-for-profit organisations involves marketing-related and non-marketing sponsorships.

Beyond marketing activity, which is not corporate community investment, many corporations pursue more cause-related marketing with NFP organisations, with funding an important, but not the only, component. Cause-related marketing and workplace giving are part of such arrangements.

Cause-related marketing is an important source of revenue and brand positioning activity for some not-for-profit organisations and corporations, and especially some organisations categorised as national charities and corporations with a retail component of their operations (Centre for Corporate Public Affairs 2007).

The not-for-profit organisations most involved in this acknowledge that cause-related marketing is not corporate community investment by corporations, and while raising funds, is a marketing and commercial sales-associated activity.

Workplace giving programs that allow employees to donate to NFP organisations (many of them charitable organisations) through automated payroll deduction is a form of community investment by corporations and has increased in recent years.

As highlighted in our *Corporate Community Investment in Australia* report (Centre for Corporate Public Affairs 2007) and noted in earlier discussions about partnerships, employee engagement is a growing driver of corporate community investment.

As some companies aspire to become employers of choice in their sector, they find that being corporately responsible, and partnering with community organisations as part of their approach to CSR is an important factor in recruitment.

It is also considered good practice for businesses to consult their employees to determine which community organisations they wish to support via payroll giving. Recipient organisations must usually have DGR (deductible gift recipient) status.

Some companies choose to match (dollar-for-dollar) funding provided through workplace giving programs. Research with Australian business (ACOSS 2007) indicated 30 per cent of respondents had a workplace-giving program in place.

Of this group, only 4 per cent had a matching program (where the corporation matched to some level each dollar of giving by employees). However, our work with larger companies suggests a majority of companies match employee contributions at least dollar for dollar.

Our consultations with not-for-profit organisations found some (mostly larger NFP organisations) have relationships with workplace giving advisory or brokering organisations. Australian Charities Fund, Charities Aid Foundation and United Way are some organisations that assist corporations establish and manage their workplace giving programs, including liaising with community organisations.

Other corporations manage their own workplace giving arrangements with NFPs or seek assistance to establish such arrangements with small, specialist consultancies.

Workplace giving programs are acknowledged widely to be valuable sources of ongoing funding for many community organisations.

The role of brokers and agents as part of corporate community partnerships can be found in Section 6.3 of this report.

Box 5.5 provides an example of the Australian Red Cross Society's approach to funding apropos business partnerships.

Box 5.5

CASE STUDY — PARTNERING WITH THE AUSTRALIAN RED CROSS

The Australian Red Cross Society works with companies via partnership, sponsorship, cause-related marketing and philanthropic donations. Its partnerships are based on mutual exchange, and provide business with an opportunity to be aligned with a high profile NFP brand, access to Red Cross' stakeholders, and staff engagement opportunities.

The Society describes its business partnerships as:

> 'In partnering with corporations, trusts and foundations and other organisations, Australian Red Cross does not adopt an 'open-palm' philosophy but instead seeks to engage all partners in long-term, strategic and mutually beneficial relationships. We are focused on developing partnerships of involvement and commitment. Together with our valued partners, we pool resources and ideas to deliver a range of innovative and vital programs that directly benefit vulnerable communities both here and abroad.
>
> Australian Red Cross' partnerships are non-prescriptive. We take a flexible and individualised approach to each partnership to best reflect the interests and priorities of all stakeholders and to encourage innovation. Our valued relationships with key partners are multi-faceted and include a range of elements including workplace giving, pro-bono support, in-kind goods and services, financial support, knowledge sharing and employee volunteering.'

Its partnership levels are:

- National Humanity Partners: >$200,000 annually
- National Community Partners: >$100,000 annually
- National Unity Partners: >$50,000 annually
- National Loyalty Partners: >$20,000 annually

As an example of corporate partnering, Coles has been a Humanity Partner since 2006. In the past year, Coles provided $250,000 to the Red Cross' Good Start Breakfast Club from the sale of Easter hot cross buns. Coles also sold about $235,000 of Red Cross merchandise.

Source: Australian Red Cross Society 2008,

5.4 Capacity building

One of the biggest challenges, along with sustainability of funding for NFPs is the demand within their organisations to work to complete their mission, while at the same time continually building their capacity to operate efficiently, innovate, develop their employees and compete for resources and staff.

Capacity building is a component of many NFP-business partnerships (52 per cent, see Figure 5.4 on volunteering).

Capacity building is the process, often over a long period, that strengthens and improves the ability of all parts of an organisation — including external relations, internal infrastructure, finances, management and staff — to most effectively fulfil its core mission.

The not-for-profit sector faces the constant challenge of adapting to operating circumstances with limited resources including, most frequently, restricted access to funding and revenue streams. A very real concern is that failure to adapt and strengthen will mean a failure to deliver the core mission for the public good.

In contrast to the business sector, which is driven primarily by the need to return value to shareholders, not-for-profit organisations are driven primarily by a set of voluntary and not-for-profit missions and values.

Our research confirms that many not-for-profit organisations rely on fundraising and charitable contributions for capital, necessitating that staff time not spent on developing and implementing the core mission is expended on fundraising and attracting donors, and corporate and/or government support.

This means that partnerships with business, or with other NFPs, are an attractive means of extending and building organisational capital, providing avenues to skills, resources and knowledge that may not have been available otherwise.

In this way, partnerships with business enable NFP organisations to learn from the operations, management and structure of business or to benchmark or assess its own capacity, while collaboration with other NFP organisations can benefit sector capacity building.

Not-for-profit organisations may also pursue other ways to build their capacity, including hiring external consultants or partnering with the government to secure resources.

Box 5.6 examines characteristics necessary for effective capacity building in the not-for-profit sector.

Box 5.6

CHARACTERISTICS FOR EFFECTIVE CAPACITY BUILDING IN THE NFP SECTOR

Characteristics for effective capacity building in the not-for-profit sector include:

- *aspirations* — the core mission and values of the NFP which guides its long-term direction
- *strategy* — a purposeful set of programs and projects that further the core mission
- *organisational skills* — the ability of the NFP to measure performance, manage limited resources and build external relations
- *human resources* — the collective abilities of the board, management, staff and volunteers
- *systems and infrastructure* — the internal communication, management, and administration methods as well as the physical technological assets of the NFP
- *organisational structure* — the legal structure of the NFP, organisational hierarchy and individual job descriptions
- *culture* — the norms and practices of the NFP that impact upon and determine all staff and program performance.

Source: McKinsey 2001, p. 33-34.

Not-for-profit organisations may find it hard to engage in their own capacity building because it can be 'difficult, time-consuming, and expensive in the short run' (Venture Philanthropy Partners 2001, p.27). Some not-for-profit organisation founders or managers may also tend to concentrate on their mission and strive for success in the shorter term instead of investing in capacity.

Other obstacles to capacity building often faced by NFP organisations include:

- scepticism over the relevance of business practices to NFP organisations
- dysfunctional funding environment that benefits support for tangible products instead of general administrative costs
- lack of a shared conceptual capacity building framework that can be applied widely across the sector
- difficulty in attributing increased social impact to particular capacity building initiatives (Venture Philanthropy Partners 2001).

5.5 Collaborative models

The focus of this report is on relationships and collaboration with NFP organisations and companies.

Unlike the United States, but in common with the United Kingdom, many Australian not-for-profit organisations find themselves partnering frequently with corporations and governments and their agencies to achieve their goals and mission.

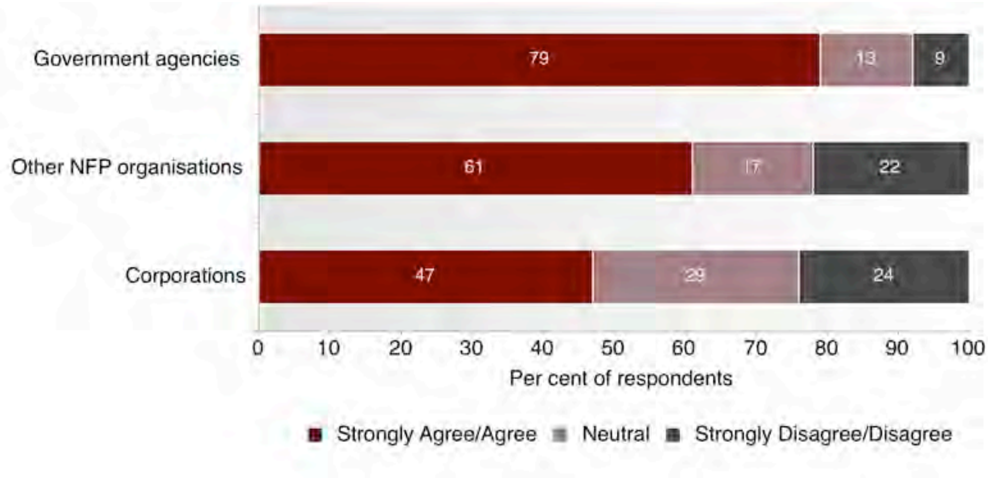
Indeed, more Australian NFP organisations participating in our quantitative survey indicated they partner with government agencies and other NFP organisations to achieve their goals and mission, rather than with corporations, reflecting, we posit, the mixed nature of the Australian economy and the role of the state in Australia in areas such as health, education, human services, the arts and community services.

Almost 80 percent of survey respondents (see Figure 5.5) indicated they partner with government agencies to achieve their goals and missions. Sixty-one percent of NFPs partner with other not-for-profit organisations, and almost half indicate they partner with business.

Figure 5.5

PARTNERS OF NFP ORGANISATIONS

Survey question: Most of our work requires multi-party collaboration between us and...



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Note: The response categories 'strongly agree'/'agree' and 'strongly disagree'/'disagree' are combined in this graph.

The propensity of NFPs to collaborate with government is consistent with developments in network governance canvassed in section 2.3 of this report.

These collaborations require active relationship management, assessment and accountability as NFPs as they seek support and partnership benefits to achieve their missions.

Our workshop consultations highlighted that to manage collaborations, NFP executives require well honed negotiation skills, and the ability to operate across numerous and sometimes ambiguous organisational environments and hierarchies.

A case study of the Fairbridge not-for-profit organisation (Box 5.7) illustrates the nature of collaborative partnerships between NFPs and business, government and other like-minded NFPs.

Box 5.7

CASE STUDY — STRATEGIC PARTNERSHIPS AT FAIRBRIDGE

Fairbridge is a NFP organisation in Western Australia that focuses on young people, including those with a disability, are at risk, or unemployed. Its programs range from provision of loans, leadership skills, accommodation, education, training, and employment.

Fairbridge's approach to partnerships focuses on 'bringing about long-term, sustainable change in both business and in the lives of young people and the community'. The organisation works with business, State and Australian Governments, and like-minded community organisations.

One of its major corporate partnerships is with Alcoa, which has a significant presence in the area where Fairbridge Village is situated. The relationship with Alcoa extends over 40 years, although only formalised as a partnership in 1996. Alcoa has supported Fairbridge's redevelopment, Pathways Program (education and training programs), Sustainability Fund, and Landcare Traineeships (a 12-month traineeship in environmental conservation which includes formal training from Fairbridge and on-the-job training within landcare areas of Alcoa and Fairbridge). Keys to success include establishment of guiding principles for the partnership, developing a partnership framework and clear outcomes, ensuring shared values, and continually working to ensure a good relationship.

Fairbridge staff also sit on a number of government and non-government committees and boards to provide input on policies to improve the scope and quality of youth services in WA. Fairbridge also works with over 185 youth organisations in WA to support their work with youth. It also partners with universities to provide opportunities for students to attend Fairbridge Village, as well as ensure opportunities for youth participating in Fairbridge programs to access universities.

Source: Fairbridge 2008; Alcoa 2008.

A following example of Microsoft's community investment programs indicate also the nature of collaborative partnerships across business, government and not-for-profit sectors. These include funding, capacity-building and skills development elements, and sponsorship. These partnerships exhibit characteristics of integrative business and community collaboration.

Box 5.8

CASE STUDY — MICROSOFT PARTNER PROGRAM

Through the international Microsoft Unlimited Potential–Community Technology Skills Program, Microsoft partners with not-for-profit organisations and governments to promote workforce development and IT skills training programs.

Microsoft is active in all states and territories in Australia, and has contributed $20 million in community investment support to 14 000 Australian businesses since 2000. The company, in partnership with state governments in Australia, has also invested $10 million in high technology centres to foster education, defence, justice, healthcare, and e-government projects.

In the Northern Territory, Microsoft works with local community groups and the Department of Employment, Education and Training to deliver programs to support innovative teaching, professional development, and technology learning for remote teachers. Programs include:

- **innovative schools grants** — seven schools received small research grants of up to $2500 for teachers to research how technology supports authentic learning or stimulates new ways of thinking in their classroom practice.
- **peer coaching** — the company and the Puget Sound Centre have developed a peer coaching program, focusing on the use of IT in education and training teachers. It aims to create a sustainable professional development model, embed IT best practice in teaching and learning and develop professional learning communities.
- **technology workshops for remote teachers** — remote teachers receive financial support to attend workshops in Darwin, Katherine and Alice Springs.
- **Marvin** — Microsoft sponsored a software package called Marvin in the outback. Students used the software to create unique stories from their own culture, with animated characters that spoke their language, in order to enhance literacy skills.

Source: Microsoft 2008.

5.6 Social enterprise

As noted in Chapter 2 of this report, there is no settled definition of social enterprise but it has been described as a ‘means by which people come together and use market-based ventures to achieve agreed social ends, with a focus on community rather than individual profit’ (Adelaide Central Mission 2002).

Another leading observer noted ‘Social enterprise is a means for non-profit agencies to maximise their mission-related performance through the development of new ventures or by reorganising existing activities to improve operational efficiency...The term also reflects the importance of social partnerships between non-profit organisations, business and government in addressing societal problems’ (Simons 2000).

Social enterprise is at an interesting stage of development in Australia, with governments supporting the concept and with corporations such as AMP keen to support social enterprise incubation, and bolster especially the efforts of individual social entrepreneurs.

In the UK, encouraging social enterprises to develop, prosper and deliver, as contractors, public services such as cleaning, community transport, catering, laundry services and skills training is public policy, under the stewardship of the UK equivalent of The Treasury.

The Australian Government in the late 1990s to 2007 sought actively to contract-out some previously publicly managed labour market skills development and some job placement programs to NFPs, some of which were managed under a social enterprise model by various organisations, which tendered successfully to manage these functions.

As noted earlier in this report, some NFPs and the private sector share a modus operandi under which they pursue and manage considerable risk at an enterprise level, which is a characteristic not shared commonly with the contemporary role of government in Australia.

Social enterprise pursued by organisations established specifically to use market-based ventures to generate profits to be reinvested for social and community purposes, often requires outlooks and management structures that may differ markedly from NFP organisations established and structured *not* to use the market to generate revenues and profit for reinvestment.

Social enterprise may be harnessed by 'traditional' NFPs as a means of achieving mission and creating additional revenue streams. However, social enterprises involve taking and managing risks within market-based economies, which may perhaps not be compatible to cultures existing in all NFPs, whose source of funds and modus operandi may be risk adverse deliberately.

NFPs investigating and examining social enterprises was a common theme in our NFP group workshops.

The motivations for examining and pursuing deliberately social enterprise varied from pursuing care mission by tackling a problem or issue in a different manner, seeking new revenue streams, or searching for social innovation as an outcome.

Many not-for-profit organisations regard social enterprise as a growth area for the NFP sector, especially allowing a social enterprise to operate as a revenue-raising adjunct.

As noted in Chapter 2, despite some exciting innovations and solid achievements, there is still some equivocation about social enterprise in more conservative NFP organisations.

The growth of social enterprise within the NFP sector poses a special financial policy challenge, as increased fundraising and revenue streams may affect tax-deductibility status.

Box 5.9

SOCIAL ENTERPRISE CASE STUDY — FIFTEEN FOUNDATION AND FIFTEEN MELBOURNE

The Fifteen Foundation is a social enterprise supporting young adults. The organisation creates training positions and work experience opportunities in the restaurant industry for disadvantaged young people, enabling individuals to constructively build their own lives and careers.

The Fifteen Restaurant in Melbourne is the latest in a series of international restaurants affiliated with the Fifteen Foundation, located in London, Amsterdam and Cornwall. Each restaurant operates individually, focusing on the needs of youth in the area. Funds from the restaurant, that seeks to provide high-end dining, are reinvested into the apprenticeship schemes. About 20 apprentices are employed each year.

Once a location for a new restaurant has been chosen, a charity is established to enable all profits to be channelled back into the local community. For example, Fifteen London profits go to the Fifteen Foundation, and Fifteen Cornwall profits go to the Cornwall Foundation of Promise. This reinvestment into the community is intended to facilitate the long-term sustainable development of local youth, and support local businesses via local produce and product sourcing.

Source: Fifteen Foundation 2008.

5.7 Chapter summary

- *The main source of support from the business sector for NFP organisations is for community activities and marketing-related sponsorships*
- *Half of NFP respondents host corporate volunteers. Of these, 65 per cent have up to nine corporate volunteers involved in their organisation*
- *Almost 80 per cent of NFP organisations say corporate volunteers help companies understand their organisations, and three-quarters say they affect positively the performance of their operations*
- *Seventy per cent of NFPs engage unskilled corporate volunteers. Fifty two per cent said they also host volunteers who transfer skills to their organisation (capacity building)*
- *Some NFP organisations are charging corporations fees (including their corporate partners) to host corporate volunteers as a means of covering infrastructure costs, and to ensure the volunteering experience is of maximum value to the NFP organisation and the corporate volunteer*
- *Many NFP organisations said significant value would be created if more corporate volunteering was skilled-based. This would boost capacity building*
- *Capacity building is one of the most pressing issues facing NFP organisations in Australia*
- *Capacity building in Australia's NFP organisations is most commonly achieved via collaboration with other NFPs, partnerships with one or more business entities, partnering with government, or by hiring external expertise*

- *Most NFP organisation collaboration in Australia requires collaboration with government agencies (79 per cent of NFPs), other NFPs (61 per cent) and with corporations (47 per cent)*

- *NFPs are exploring social enterprise as another avenue towards achieving their missions, finding new streams of revenue, and, or, generating social innovation that can achieve wider societal outcomes for the NFP and business*

Chapter 6
Partnership management

6.1 Governance

Not-for-profit organisations frequently have similar management structures, as complex as business organisations of comparable size due to overlapping, and the often times conflicting, needs of multiple internal and external stakeholders.

Anheier terms this 'the law of non-profit complexity', a factor contributing to some business impressions of the NFP sector as inefficient and backward (Anheier 2000).

Figure 3.2 illustrated how NFPs say that when working with business, they see themselves as fairer, more flexible and more responsive than their business partners. However, as other analysis in this report has concluded, NFPs see their relationship with business as beneficial and generally positive.

The not-for-profit sector faces many of the same issues as the business sector, including motivating employees, ensuring the quality of goods and services, risks associated with financing and new programs, collaboration with sector and institutional partners, and creating a successful Internet presence (Young 2003).

Our consultations indicate mixed experiences of business seeking to assist NFP organisations bolster their governance capacity. While some NFP organisations have attracted a great deal of assistance from business to strengthen their governance procedures and structures, others have attracted none.

Many smaller not-for-profit organisations say they require further governance capacity building from business to allow them to operate more effectively.

There is a strong view among many not-for-profit organisations participating in workshops for this report that the corporate sector believes their sector is characterised by weak governance performance.

As two senior NFP executives stated in the workshops for the report:

> We do need help with governance, but sometimes, the businesspeople we hope can assist us seem to park their brain at the door. They keep operating in the context of the corporation, not taking into account the size, budget, staff resources and mission of the NFP.

> We need active directors from business. Some people are great. But others seem to want to be associated with us, but not do the heavy lifting.

The demand and desire for corporations generally, and as part of corporate community partnerships, to play a role in the governance of NFPs is common across the NFP sector.

Research for this report concludes demand for contributions to governance of NFPs is greatest among small to medium NFPs, which comprise the lion's share of NFP numbers in Australia (based on employment demographics, see Figure 1.1).

6.2 Leadership and the not-for-profit Board

Most medium and all large not-for-profit organisations responding to the Centre's survey have at least one corporate representative on their Board. One NFP executive stated:

> If the NFP organisation has a recognised Board, this gives an element of comfort to business.

Many not-for-profit organisations say they benefit especially from having a corporate CEO on the Board. These benefits are contingent on Board members having the requisite understanding of the NFP sector to contribute effectively. As one workshop participant noted:

> Members of the Board need a good understanding of the NFP organisation. They need to spend some time within the organisation.

Box 6.1 provides an example of a corporation supporting NFP boards and providing other executive level support to assist NFPs build capacity.

Box 6.1

CASE STUDY — MACQUARIE GROUP FOUNDATION

The Macquarie Group Foundation is active across a range of areas, including art, education, environment, health, sport, staff, and welfare. It promotes staff engagement and participation with the non-profit sector through staff donations, fundraising, volunteering, workplace giving and other grants. As well the Foundation encourages its staff to take an active role assisting NFP management, including:

- **staff participation support** — Macquarie staff work for not-for-profit organisations in an executive capacity, serving as board members, providing strategic advice, or taking on a management role. In recognition of their service, the Macquarie Group Foundation makes $10 000 grants to the community organisations they serve in this manner.
- **Macquarie Board Register and executive level support** — the Macquarie Group Foundation has developed a Board Register of senior executives who are prepared to serve on not-for-profit boards. The Register enables the Macquarie Group Foundation to nominate a range of candidates when it receives requests from community organisations to fill board vacancies.

Source: Macquarie Group Foundation 2008.

A prominent business manager on the Board of a not-for-profit organisation presents other opportunities for the NFP to pursue, including the NFP offering potential sponsors and partners the opportunity to network with prominent Board members. Comments from our NFP workshop participants included:

> The Board plays a very important role in fundraising. Directors need to work on behalf of the organisation.

> People are appointed to the Board because they have a circle of influence. We need more business leaders on our Boards.

> We are currently reshaping our Board. We want people to be able to think strategically. It is all about the individual relationships.

Corporate involvement as part (of partnership arrangements) on an NFP Board is integrative, though the nuance around how involvement is positioned, and the positioning of such contributions may require some caution in NFPs where there has not previously been a culture of corporate participation on the Board by a partner.

In some cases where balancing a business's involvement in and influence over a NFP organisation is managed poorly, such involvement has appeared heavy-handed. This was described by a workshop participant as a 'Big Brother mentality'.

Good practice suggests not-for-profit organisations should have detailed job descriptions and requirements for their volunteer Boards, including the desirability of corporate Board members.

Finally, workshop participants noted that there is a significant lack of women on NFP Boards, mirroring the typical Board construct in the for-profit sector.

6.3 The role of brokers in partnerships

Partnership brokers may facilitate and guide the partnership process by interpreting one party to another or negotiating agreements. A broker's specific technical expertise and familiarity with the local or sectoral culture may also be useful when developing a community business partnership.

The number of brokers in Australia is testament to the role they play, particularly in supporting smaller NFPs that need to 'outsource' due to capacity constraints, or to seek counsel, connections and expertise.

Brokers often play an important role in 'matching' NFPs and business, using their expertise to establish aligned relationships.

Successful partnership brokers follow the principles of interest-based negotiation to:

- build trust between the partners
- reveal underlying interests
- widen the options for solutions
- achieve agreement between the partners that satisfy interests and adds value to organisations (PBAS 2007).

Brokers are also helpful to corporations that have recently entered the community investment arena, and for smaller businesses that require external assistance. As one NFP commented:

> Brokers are more important for NFP organisations that don't have the relevant internal resource.
>
> They play a role in getting NFPs started…but they are not conducive to building sustainable partnerships.

The number of brokers in the corporate community partnership area, working with corporations and NFPs, suggests demand remains strong for the services of brokers.

As noted earlier in this section, brokers play various roles in partnerships — during identification and establishment; monitoring and relationship assessment; fundraising and donor identification.

Smaller and medium NFPs participating in discussions for this research often employ the services of brokers for all of the roles listed above.

Not-for-profit organisations participating in the online survey held mixed feelings about whether brokers playing a role selecting potential partners was an issue for their business partners. Thirty-six per cent of respondents agreed the use of a broker rarely caused an issue with their partners, with 49 per cent of respondents indicating a neutral response (see Figure 4.6).

Figure 6.1 highlights the motivations of not-for-profit organisations engaging with brokers. The results indicate 42 per cent of respondent not-for-profit organisations use broker organisations or other intermediaries to secure funding.

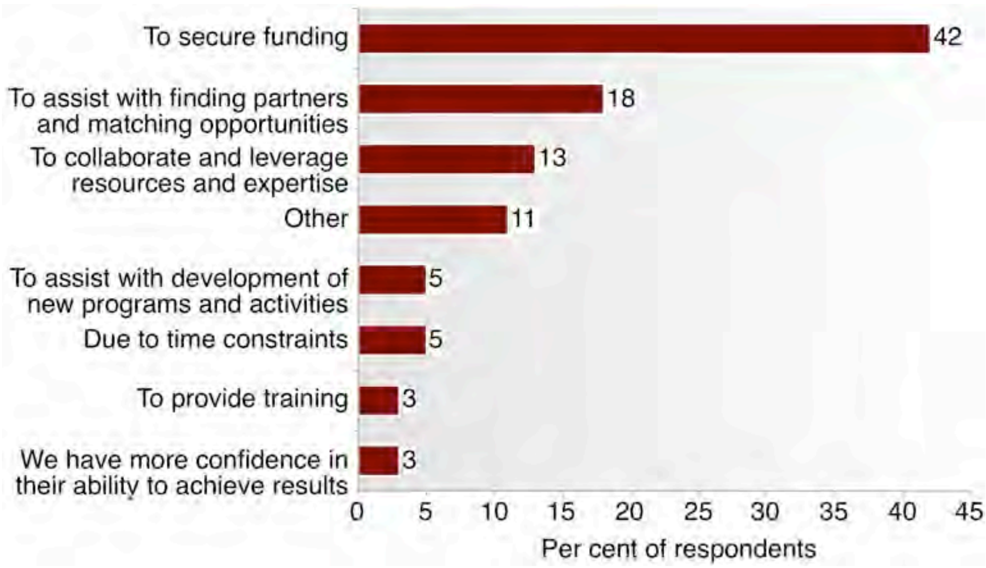
Significantly, only 3 per cent of NFP organisations stated that they have more confidence in achieving results if a broker is involved.

This result may reflect that 42 per cent of NFPs indicate that fundraising — a time-intensive and resource-exacting activity — is the main reason their organisation works with brokers, effectively outsourcing an activity that if conducted in-house would distract too much from core mission, but which if they had the resources, they could conduct effectively.

Figure 6.1

MOTIVATIONS OF NFP ORGANISATIONS TO WORK WITH BROKERS

Survey question: What is the main reason that your organisation works with intermediaries/brokers?



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008.

The Centre's experience in other studies and our experience with major companies suggest the matching role of brokers, and assistance with, for example, program design for workplace giving, have been regarded favourably by companies and NFPs.

6.4 Competition for corporate community partnerships

Not-for-profit organisations, businesses and the government operate in the same market, often providing similar goods or services to address community needs. This is known as cross-sectoral competition.

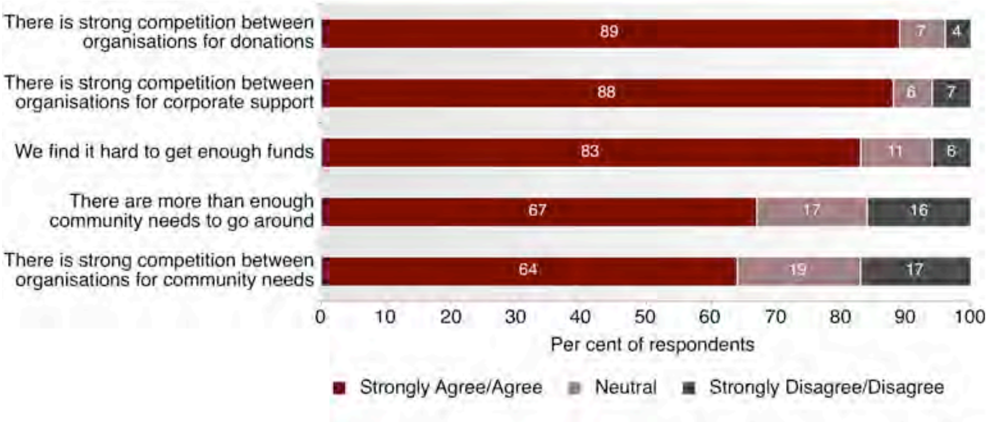
Competition exists also within each sector, including between not-for-profit organisations that appear to be offering services and solutions to meet similar community needs.

Most respondents to our online survey note strong competition within the not-for-profit sector for donations (89 per cent) and corporate support (88 per cent). Not surprisingly, most respondents agreed also that it is difficult for NFP organisations to secure sufficient funds (83 per cent). These results are displayed in Figure 6.2.

Figure 6.2

ATTITUDE TOWARDS NFP SECTOR COMPETITION

Survey question: When thinking about the NFP sector…



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Note: The response categories 'strongly agree'/'agree' and 'strongly disagree'/'disagree' are combined in this graph.

As noted earlier, not-for-profit organisations that appeal to individuals, or whose mission is more aligned with business interests, will naturally tend to be more attractive options as community partners in this competitive environment.

An alternative approach for NFPs that find it difficult to cement corporate partnerships has been to seek collaboration with NFP colleagues, either on a single-project or on a broader strategic basis. However, organisations cite that competition for funding and resources can also create barriers to this.

Additional challenges for such collaborations are similar to those not-for-profit organisations face when partnering with businesses, including gaining public trust for initiatives, avoidance of brand damage, and the challenges associated with project management.

Our analysis for this report confirms other research findings that the number and extent of collaborative activities can increase when an NFP is 'older, has a larger budget size, receives government funding, and has more board linkages with other nonprofits' (Guo & Acar 2005).

Discussions about collaborations between NFPs to achieve common goals and shared missions leads often to discourse about rationalisation or consolidation in the NFP sector.

Some NFPs posited during our research that consolidation among NFPs with similar or the same mission may:

- mitigate duplication of services in some markets
- reduce competition for funds in local areas where duplication of effort among some NFPs is perceived to be highest
- provide administrative and operational synergies that could free up resources to promote efficiencies in merged or consolidated organisations.

Our considered view of consolidation or mergers in the NFP sector is that these issues are matters for individual NFPs.

We note, however, that discussions around a social compact and development of network governance arrangements including NFPs, governments and business could lead to consideration of frameworks or network governance arrangements that may encourage yet further collaboration between many NFPs.

The rise of the NFP 'marketing enterprise'

Some NFP organisations have chosen to respond to competition from other NFPs by developing competitive strategies and increasing marketing activities, to position themselves as a niche organisation (Abdy & Barclay 2001).

They may also use branding techniques to differentiate themselves, develop trust among stakeholders, develop awareness for their cause, and build loyalty among supporters (Stride 2006).

Some of Australia's NFPs are also some of the nations most high profile and trusted brands — Oxfam, Australian Red Cross, The Smith Family, the RSPCA, and The Cancer Council.

Larger NFPs especially place considerable emphasis and make significant investment in their brand equity. Such brand equity is advantageous in raising funds, and as noted earlier in this report, raises visibility and organisational reputation and can influence corporate partnership selection.

The reputation and brand equity held by some of Australia's NFPs, also as noted earlier, is a key consideration for some not-for-profit organisations when they are considering the reputation of prospective corporate partners.

6.5 Chapter summary

- *Many smaller not-for-profit organisations say they require further governance capacity building assistance from business to allow them to operate more effectively*
- *Many not-for-profit organisations say they benefit especially from having a corporate CEO on the Board. These benefits are contingent on corporate Board members having the requisite understanding of the NFP sector to contribute effectively*
- *42 per cent of not-for-profit organisations use brokers or other intermediaries to secure funding. Only 3 per cent of NFP organisations stated they have more confidence in achieving results if a broker is involved*
- *Most NFPs indicate there is strong competition among NFPs for donations and corporate support*
- *Some NFP organisations believe there is duplication in the services and efforts of many NFPs, and argue for consolidation in the NFP sector to better focus resources and effort*
- *Some larger NFP organisations in particular invest considerable equity in their brands. This is used to strengthen their position in the competitive market for donor support and corporate partnerships*

Chapter 7

Accountability and regulatory environment

7.1 Accountability

NFPs in partnerships with corporations tend to understand and embrace the accountability that corporate executives have to stakeholders and the wise investment of their funds.

The Centre's work with corporations on corporate community investment (Centre for Corporate Public Affairs 2007) indicates accountability — and especially fiscal accountability — is an important feature of successful relationships between NFP organisations and business, especially public companies.

The more each partner is seen to be accountable, the more trust and authority will be placed in the partnership.

One NFP leader put their view about accountability forcefully:

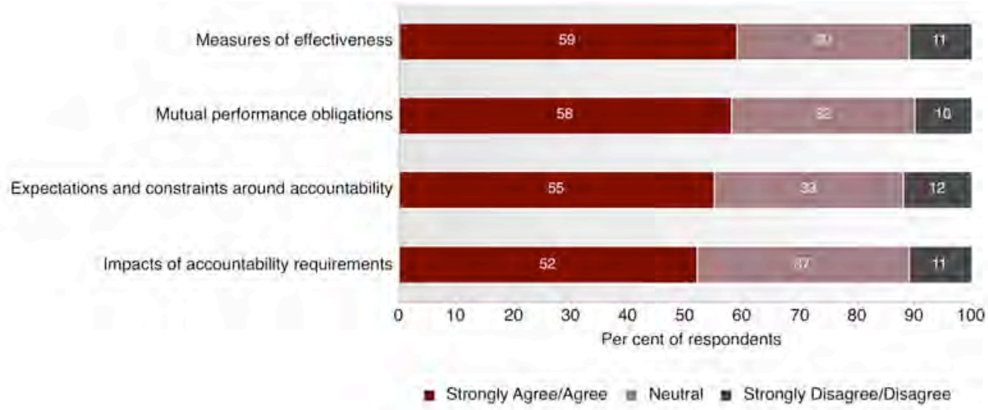
> NFPs need not only to recognise but actually support the fact that successful partnerships require dedicated and ongoing resourcing and servicing. They need to accept that money from corporates comes with strings attached and that there is an obligation for the NFP to perform in terms of the agreement they made when the money was sought and secured…In many NFPs there is not a culture within the services areas of taking responsibility for ensuring the fulfilment of program deliverables following corporate investment in the program. NFP accountability should span all parts of its business including service delivery areas — program KPIs should include specific targets regarding the achievement of contractual deliverables to the corporate funder.

Respondents to our survey indicate that NFP organisations rarely experience problems with accountability, measures of effectiveness of programs and mutual performance obligations with their partners (see Figure 7.1).

Figure 7.1

ACCOUNTABILITY — NFP SECTOR ISSUES WHEN WORKING WITH BUSINESS

Survey question: We find when working with business that we rarely have issues around agreement on:



Source: Centre for Corporate Public Affairs, Survey of NFP organisations 2008. Note: The response categories 'strongly agree'/'agree' and 'strongly disagree'/'disagree' are combined in this graph.

Our research with NFPs and corporations suggest entities from both sectors agree the not-for-profit sector is becoming more accountable — including by ensuring the qualifications of the board representatives are appropriate and adequate. As one participant noted:

> Accountability grows on itself. Organisations are, at a minimum, expected to report whatever they did the year before better.

However, there are still many challenges. Not-for-profit organisations are perceived to advance the public good in various areas, but it is sometimes difficult to measure or quantify outcomes in relation to the intangible aspects of common good being pursued. Accordingly, it is frequently difficult also to demonstrate accountability to partner organisations and other stakeholders, including members, supporters and employees.

Box 7.1 summarises some of the factors influencing accountability in the not-for-profit sector, many relating to the voluntary nature of Boards and difficulties around measurement.

Box 7.1

FACTORS INFLUENCING NFP SECTOR ACCOUNTABILITY

The most pressing factors influencing accountability in the not-for-profit sector are:

- complexities of legal structures and definitions under which a NFP organisation may fall, which remains unclear in terms of consistent and appropriate reporting standards
- difficulties attracting Board members with appropriate financial, legal or management expertise and detailed knowledge of the sector
- the voluntary nature of not-for-profit boards and responsibility to multiple internal and external stakeholders impedes good governance
- Board members nominated by an interest group may have a conflict of interest between the expectations of their nominee and the best interests of the NFP organisation
- decreasing levels of trust towards NFP organisations and cynicism about the motivations of their partnership with businesses.

The following three factors may also hamper the accountability of individual not-for-profit organisations:

- difficulties of measuring unquantifiable social goals — whereas the business sector has well-established reporting indicators, the non-profit sector does not — and has come up against fierce criticism. Anheier attempts to identify the NFP ‘bottom-line’, seeking to determine the central *raison d’être* of a NFP organisation and possible methods of measurement
- chronic lack of resources, including a failure to train management and staff in reporting requirements. Often, the Board of a NFP, which is responsible for the financial matters of an organisation, does not have the expertise to adequately administer finances
- different reporting requirements from different corporate partners add a significant burden.

Source: Ramsay et al .2004; Seitanidi & Ryan 2007; Anheier 2000, p. 6; The Urban Institute 2006.

Financial and accounts reporting

Disclosure is a fundamental precondition for accountability.

There are different dynamics and legal obligations to disclose information in the not-for-profit, and in the business sector. These differences (including those noted earlier in this report) represent a challenge for NFP-business relationships.

This reinforces our earlier finding that better business understanding of NFPs and the outcomes they can produce will assist corporate partners garner insights into some of the difficulties in capturing social outcomes and social innovation created over time.

Many not-for-profit organisations — as well as some commentators in the wider community — are concerned the absence of a national NFP reporting standard or requirement means that there is also insufficient information available about the effectiveness of individual NFP organisations and programs, and stewardship of community resources used, including when these resources comprise public monies or public company shareholder funds.

During our consultations some larger not-for-profit organisations voiced concern that the perceived lack of accountability in their sector means stakeholders and business partners are unable to make an adequate evaluation of their performance, particularly in comparison with other NFP organisations.

There is currently no uniform framework to guide reporting of financial and accounting information by the NFP sector.

Reporting requirements differ according to the various pathways to incorporation taken by NFP organisations (Institute of Chartered Accountants in Australia 2006). National regulation bodies not only operate different procedures, requirements and regulatory laws, but have no jurisdiction over State and Territory NFP associations.

A report by Allen Consulting Group (2005) identified some key areas requiring improved consistency:

- accounts and financial reporting requirements — there are differences in the types of organisations required to lodge accounts, and whether these accounts must be audited
- distribution of surplus assets — procedures for disposing surplus assets
- reporting requirements to government — reporting requirements and procedures for expenditure of public funds are rarely aligned across government agencies
- reporting standards to corporate stakeholders — current stakeholder reports provide limited information on key measures and best practices, hindering effective performance comparisons across the NFP sector.

Efforts have been made to improve consistency and streamline reporting standards across Federal, State and Territory jurisdictions. The Australian Accounting Standards Board (Australian Accounting Standards Board 2007) released a draft paper proposing to adopt national accounting standards for NFP organisations.

If implemented, the proposal will bring the Federal system in line with practices in the Australian States of assessing NFP organisations using a multi-tiered system based on the economic significance of an organisation.

CPA Australia has argued the definition of a not-for-profit organisation used by the Australian Accounting Standards Board is inadequate, and leads to confusion (particularly when a NFP discontinues operations), and provides opportunities for some NFPs to evade full disclosure.

Some commentators have noted Australia's NFP sector does not have adequate reporting and accountability for disclosing reserves, investments, and salaries of senior management (Gettler 2007).

Consultations for this report involved some not-for-profit organisations (especially those operating nationally and across state borders) indicating they were keen to see Australia harmonise NFP reporting requirements across States and Territories, and ideally realise a national system of standards, accountability and reporting.

The Senate Standing Committee on Economics (2008) is currently inquiring into the disclosure regimes for charities and not-for-profit organisations, with a report expected in November 2008. Among other terms, the inquiry will examine models of regulation and other measures that would improve or assist NFP accountability, governance and management.

Reporting to business

NFP organisations report that over recent years corporate partners expect more sophisticated accountability and reporting. This can place significant compliance costs on NFPs, particularly smaller organisations, but there was an appreciation among most NFPs that such requirements were necessary, and often far less onerous than those required by government to account for program monies and grants.

> Expectations to be more accountable are understandable. It just means we need to be really organised, and need to be more automated.

> It makes us run departments in a more sophisticated way…It allows us to understand if we are doing our job.

> Instead of talking about benefits, we now talk about KPIs and monthly reviews which fits in with our partner's business…We are using the same language.

> As a result of the increase in reporting, we have become a lot more outcome-driven. It changes how we do evaluations…It costs more but we build it into the partnership funding.

Our research for this report, and our work with companies and their CSR and corporate community investment strategies over many years, concludes that increasingly, the business sector has specific reporting requirements and a strong sense of their own stewardship of resources spent on community involvement. This leads to increased accountability expectations of not-for-profit partners.

Larger companies frequently find it easier to partner with medium and large NFP organisations, because, amongst other things, these organisations tend to have a capacity and capability to report adequately. Corporations often equate reporting and accountability capacity as 'professionalism'.

Most NFP organisations that participated in data collection for this report indicated service provision in the not-for-profit sector is increasingly underpinned by reporting requirements.

Some NFP organisations believe stringent reporting requirements make the not-for-profit sector more 'sophisticated', and provide a new level of analysis that allows them to better understand the outcomes of their programs, and manage more effectively.

Although reporting is nevertheless considered a 'burden' by most not-for-profit organisations regardless of size, some have found ways to use reporting to enhance the reputation of their organisation.

Comments from research workshops include:

> We over-report... to [satisfy our business partners and] demonstrate that 90 per cent of all donations go towards the cause, not administration or marketing.

> Reporting is about relationship building. We give tangible reporting in order to promote relationships in the future, in order to market the organisation over and above other NFPs.

Small NFP organisations are uncomfortable with what they see as new and more stringent requirements from business for reporting around partnerships with business, and feel they are unable to justify associated administration costs, and allocation of scarce resources to reporting.

These smaller organisations may be well served to assist them meet reporting requirements by corporate partners — and business — by having access to, and being more aware of, frameworks for reporting, either via peak sectoral bodies or a national portal offering relationship identification, stewardship and evaluation and reporting tools.

It is now common for businesses and larger not-for-profit organisations to build reporting requirements into partnership agreements. However there is no common reporting template. There is also a difficulty determining what results or indicators to report, and how to report them.

Comments about reporting requirements from research workshops included:

> KPIs and reporting is getting increasingly onerous.

> Some companies are wonderful. Some companies want onerous reporting.

> Reporting requirements for government are just as rigorous as for companies. There has been a big shift in government relations to increase accountability requirements. Hopefully this new Federal Government will look at outcomes.

7.2 Regulatory environment

The difficulties posed by disparate regulatory requirements imposed on NFPs, including those operating across several State and Territory jurisdictions, has been cited already in this report.

Many NFPs argue — as do corporations — that Australia's size as a relatively small nation, and the array of different State, Territory and national arrangements regulating NFPs, creates an opportunity to examine existing arrangements and question if they can be reformed to allow NFPs to more readily achieve societal outcomes.

The NFP legal entity

A number of NFP organisations have raised the issue of the legal forms available for NFPs.

This is said to be of concern to senior business executives and company directors who are playing an important role on the Boards of many NFPs, and who are very conscious of their legal obligations and professional reputations as directors. It is claimed that what is considered inappropriate levels of legal compliance (a large proportion of NFPs being small and not subject to the same level of scrutiny as public trading entities, but governed by the same laws) is a current and potential inhibitor to business participation on not-for-profit Boards.

Current NFP entities include incorporation under State or Territory incorporation Acts, registration as a company limited by guarantee, and organisations incorporated by statute.

Organisations conducting activities across State and Territory borders are required to register with ASIC, most frequently as a company limited by guarantee, regardless of size.

NFPs and business leaders concerned about this have raised a proposal for a new NFP legal status, which requires limited financial and non financial reporting obligations in accordance with the organisation's purpose and risk, reduces duties of directors and officers to the standard of 'sensible, reasonable behaviour' rather than those imposed on trading enterprises, and provides potential for national coverage.

While it goes beyond the scope of this study to pursue the matter further, the NFP legal status model employed in New Zealand has been cited with approbation. In discussions for this study, some for-profit company directors, and some NFPs in which they are active, believe an innovative approach to legal entity reform would encourage and make more valuable business engagement in NFP leadership.

Fundraising regulation

All NFP fundraising activities are regulated under the State and Territory governments, each operating their own registration and reporting regimes. The relevant legislations and regulatory bodies appear in Table 7.1.

Table 7.1

RELEVANT LEGISLATION AND REGULATING BODIES

Jurisdiction	Relevant Legislation	Regulating Bodies
Australian Capital Territory	Lotteries Act 1964	ACT Gambling and Racing Commission
	Charitable Collections Act 2003	Office of Regulatory Services, ACT Department of Justice and Community Safety
New South Wales	Charitable Fundraising Act 1991 Lotteries and Art Unions Act 1901	NSW Office of Liquor, Gaming and Racing, Department of the Arts, Sport and Recreation
Northern Territory	Gaming Control Act	Licensing and Regulation Division, NT Department of Justice
Queensland	Collections Act 1966	Department of Justice and Attorney-General, Queensland
	Charitable and Non-Profit Gaming Act 1999	Queensland Office of Gaming Regulation
South Australia	Collections for Charitable Purposes Act 1939 (CCP Act) Collections for Charitable Purposes Act 1939 – Code of Practice Lottery and Gaming Act 1936 (LG Act) Lottery and Gaming Regulations 1993 (LG Regulations).	Office of the Liquor and Gambling Commissioner
Tasmania	Gaming Control Act 1993	Liquor and Gaming Branch, representing the Tasmanian Gaming Commission
Victoria	Fundraising Appeals Act (Vic) 1998 (Fundraising Act)	Consumer Affairs Victoria, Department of Justice
	Gambling Regulation Act 2003 (Gaming Act)	Victorian Commission for Gambling Regulation, Department of Justice
Western Australia	Charitable Collections Act 1946 Gaming and Wagering Commission Act 1987	Department of Consumer and Employment Protection Department of Racing, Gaming and Liquor

Source: Australian Taxation Office 2008.

Under existing arrangements, identical fundraising activities may be subject to different definitions, governance, reporting, and tax requirements depending on their State jurisdiction. NFPs say such regulatory inconsistencies hinder national fundraising activities.

Any future consideration to encourage NFPs to develop and operate more effectively needs to question if existing regulatory arrangements, including those relating to fundraising, are helping or hindering the operation of NFPs.

Taxation

Our research for this report did not identify existing taxation arrangements for NFPs in Australia as a pressing operational or public policy issue acting as a barrier to corporate community partnerships.

However, many NFPs believe it would be beneficial if corporations generally had a clearer view of the taxation treatment of NFP organisations, which is why we have provided a brief overview of not-for-profit taxation arrangements in Australia.

Most nations require not-for-profit organisations to apply for official not-for-profit status. In this way, governments are able to maintain a register of NFP organisations operating within their borders for official purposes, such as special taxation treatment.

Not-for-profit tax exemption status in some jurisdictions is an important factor in NFP organisations attracting funds.

In Australia, there is no centralised system of government recognition for NFP status. Instead, the Australian Taxation Office advises NFP organisations to self-assess their status and submit a written statement for an endorsement of tax exemption (ATO 2007).

Furthermore, Australian organisations with tax-exempt status are not required to file a tax return. This helps to limit accountability and data collection for the not-for-profit sector (Lyons 2003).

Absence of clear definitions and regulatory procedures at the Federal level means NFP organisations may not be receiving the appropriate tax exemptions. It also burdens small or sub-groups to defend their NFP status in the courts.

According to the Australian Taxation Office (2007), NFP organisations can be categorised as Public Benevolent Institutions (PBIs); Income Tax Exempt Charities; Income Tax Exempt Funds; Health Promotion Charities or NFP Companies. Depending on the NFP category and the nature of their operations, organisations may be entitled to income tax exemption, GST charity concession, fringe benefits tax (FBT) rebate, or FBT exemption.

Not-for-profit organisations are also subject to tax law at the State and Territory level through payroll tax and land tax. Generally, once qualified as a NFP entity within their jurisdiction, organisations are generally exempt from state taxes (Allen Consulting Group 2005).

While most States and Territories apply similar criteria as the Australian Government in this regard, there are some inconsistencies between jurisdictions, making it possible for an organisation to be eligible for exemptions in some jurisdictions, but not others.

7.3 Regulatory harmonisation

As noted in this chapter, NFP organisations face financial and administrative challenges arising from different regulatory regimes and accounting standards. Several NFP bodies and NFP-related studies support establishing one national legal regulatory framework in Australia, to simplify national and state laws affecting the NFP sector.

The 2004 *Reforming Not-for-Profit Regulation* report (Ramsay et al 2004) recommended establishment of a single regulatory regime, that the role of Australian Securities and Investment Commission — the current not-for-profit sector regulator — be modified, and a NFP advisory body be founded.

The report recommended also that small NFP organisations include in their reports, matters such as financial statements, description of activities undertaken and objectives achieved, as well as employee remuneration information.

Some participants in the Centre's workshops were sceptical about the benefits of a unified national legislative regime or framework to govern the activities of the NFP sector — in the same way the national companies code and the Australian Securities and Investment Commission does for corporations.

The following comment during a research workshop was typical of their views:

> It is hard enough getting agreement across the Commonwealth and the States on any issue, never mind a national NFP governance code. Perhaps the best we can hope is harmonisation of existing state and territory legislation. But good luck, and don't hold your breath.

However, there was strong support among most NFP organisations operating across State and Territory borders for a single, united governance code for NFPs.

The perceived benefits of such an arrangement were:

- a single standard for the NFP sector, allowing for uniform NFP staff training around legal governance as well as accountability. It was agreed this would enhance NFP compliance skills nationally
- less 'red-tape' and 'Balkanisation' of NFP resources and efforts when seeking to comply with different State and Territory standards if the NFP operates across borders
- greater community understanding of NFP governance and legal compliance, focused on a single system of NFP legal administration and legislative requirements
- a national — or at least harmonious — system of legislative requirements across States and Territories, placing the governance of NFP organisations on the same national footing as corporations, thus engendering greater community confidence in the administration of NFP organisations.

This is a matter worthy of further consideration by the Council of Australian Governments. As noted in Chapter 2 (Government Initiatives) some of these issues are being pursued by governments, including a recently announced plan by the Victorian Government to reduce the regulatory burden and support reform.

Comments from research workshop participants posit a range of views.

We don't think there should be a national legislative approach. The majority of NFPs are SMEs and this would not be politically saleable. Even if it did happen, the rich charities would get richer and the poor get poorer.

Harmonisation, and at the best, standardised national legislation, would put everyone on the same footing, and would be a big boost to the standing of the not-for-profit sector in the community.

7.4 Chapter summary

- *NFP organisations rarely experience problems with their corporate partners around accountability, measuring the effectiveness of programs, and mutual performance obligations*

- *NFPs and corporations believe that the not-for-profit sector is becoming more accountable. However many NFPs support more widespread transparency via voluntary or even mandatory reporting by NFPs, as a means of raising transparency across the whole sector. They believe this will most likely result in more businesses willing to partner with not-for-profit organisations*

- *NFPs have noted that business partners expect more sophisticated reporting and accountability from their community partners*

- *There is a strong mood among many NFPs for harmonisation of differing not-for-profit regulatory regimes across the nine State, Territory and Commonwealth jurisdictions. They believe harmonisation, or a national regulatory code for NFPs similar to that for corporations, would reduce administrative burdens and engender more community confidence in all NFP organisations*

- *There is concern that the basis of legal entity for NFPs discourages some business executives to sit on the Boards of NFPs because they face the same liability as directors of corporations*

- *Different fundraising regimes across the States and Territories should be reviewed to examine if the eight regulatory systems are hampering the ability of NFPs to raise funds*

Chapter 8

Recommendations

The purpose of this report is to illustrate the dynamics of relationships between the business and NFP sectors and provide insights that will provide learnings. This research focuses on the experiences of not-for-profit organisations in working with business. It covers primarily NFP experiences in working with large businesses. These recommendations address some of this report's findings.

The recommendations have been developed noting that the success of corporate community partnerships is rooted deeply in the unique skills that not-for-profit organisations and business bring to the table.

However, we note also the important role that governments can play, not by being party to the collaboration, but by encouraging business and NFP organisations to pursue and develop relationships, and to work to create the conditions in which those relationships can best prosper.

Recommendation 1 — Transparency through reporting

A common theme of this report is that while many NFPs benefit from working with business through community partnerships, many believe there remains a deficit in how well business and the wider community understands their goals and operations. These views are in part underwritten by some businesses believing the NFP sector lacks transparency.

Some work has been conducted into this issue, but to encourage better community and business understanding of NFPs and transparency, we recommend all NFPs adopt voluntary public reporting that has been embraced already by some entities in their sector.

A framework for reporting could be developed by a higher education institution, or by a collaboration of research centres across a number of tertiary institutions, at the request of NFP peak or sectoral organisations. The nature of reporting to be considered could involve annual reporting of progress against mission, values, strategy, financial and operational performance, corporate partnerships and government assistance (We note such reporting may be required to some degree in the future under possible approaches to regulatory harmonisation in State jurisdictions, or nationally).

Voluntary public reporting of a NFP's operational and financial performance, policies and objectives will go a considerable way to meeting demands for transparency of information within the sector, and assist the community, including existing and potential business partners, better understand NFPs.

A checklist for minimum public reporting by all NFPs could include mission, values, strategy, financial performance (including operating ratio), key staff positions, corporate partnership policy and key relationships, donations/fundraising/revenue practice and volunteer policy and practices.

Recommendation 2 — Business contributions to NFP governance

We recommend that NFP Board governance be considered more widely by business as an integral component of CSR commitments, at all levels.

Some companies contribute already to Board governance as part of their corporate community partnerships with NFPs. The 2007 report notes that a significant motive of business engagement through governance is to broaden outlooks of business executives. While some NFP organisations have strong Boards, with business executives playing an important role ensuring robust governance, there are others that face governance challenges, and that have not effectively tapped into business experience. Small and medium NFP organisations in particular exhibit strong demand for business representatives on their governance structures.

While the focus of this report is on corporate community partnerships between NFP organisations and large corporations, we note work undertaken by the St James Ethics Centre, which has been funded by the Federal Treasury, to examine opportunities for small and medium enterprise responsible business practice, and recommend that contribution to local not-for-profit governance be part of its analysis.

Recommendation 3 — Strengthening business understanding of NFP organisations

Feedback from NFP organisations suggests considerable time is spent engaging businesses around the fundamentals of NFP organisation management and operations. We suggest that programs such as those facilitating mentoring between businesses that have successful working relationships or partnerships with NFP organisations, and businesses that have not been successful or are looking to forge closer relationships, would be of benefit to the NFP sector. Such mentoring could be facilitated and encouraged by the management of the recommended corporate community investment portal (see Recommendation 7).

We recommend also that peak business organisations consider how they can further assist strengthen business understanding of the NFP sector as a means to further encourage corporate community partnerships, possibly by encouraging higher education institutions to develop and deliver short-course professional development in NFP management for business executives.

Recommendation 4 — Skill-based employee volunteering

We recommend corporations consider orientating their employee volunteering efforts further towards placement of skilled-based volunteering with their community partners, or with other not-for-profit organisations. This could involve, concurrently, shifting employee volunteering focus to build capacity in the NFP sector via longer volunteering secondments of skilled staff.

In many cases, these arrangements will better meet the needs of NFP organisations to build capacity through skills transfer, and embedding processes and management practices through the placement of skilled corporate employees. As highlighted in this report, some NFP organisations face significant challenges meeting corporate demands for short-term volunteer opportunities.

Recommendation 5 — Regulatory harmonisation

We recommend State and Federal governments accelerate work towards regulatory harmonisation in the not-for-profit sector. Current regulatory arrangements for the not-for-profit sector are arranged on the basis of State and Territory legislation and regimes. Not-for-profit organisations face complex legislative and regulatory environments, which are made more complex when an organisation operates in more than one State. Many not-for-profit organisations are keen to see, at the very least, national harmonisation of regulations and governance arrangements across the States and Territories, and at its most ambitious, a national regime.

We recommend consideration of this matter be referred to the Council of Australian Governments.

Recommendation 6 — Directors' liability in NFP organisations

We note that consideration has been given in recent times to establishing a new legal entity basis for NFPs, given there is a perceived difference between the exposure of boards of directors relating to liability between NFPs and corporations. The current legal status of NFPs means that directors sitting on their Board often face the same exposure to liability as if they were sitting on the Board of a private company. This situation may well be having a negative impact on the willingness of qualified and talented businesspeople to sit on NFP organisation Boards.

We recommend the Australian Government further investigate establishment of a corporate form for not-for-profit organisations, which will require accountability and stewardship, but that is less onerous on directors than the liabilities that apply to corporate boards.

Recommendation 7 — Disseminating best practice

Many NFP organisations — particularly small to medium entities — say there is a confusing array of peak groups and organisations promoting and advocating best practice NFP-business relationships and partnership opportunities.

We recommend that business and NFP organisations, including those peak groups and organisations that already working to promote best practice, jointly consider the establishment of a central clearing house for dissemination of good and best practice corporate community partnerships and collaboration (including a publicly accessible website).

We further recommend the Australian Government consider providing funds to open and manage a tender for a national provider or consortia to develop the clearing house for dissemination of best practice.

This portal for NFP organisations, small and medium enterprises and large corporations would highlight and disseminate good and best practice, and also provide guidance on issues such as partner selection, evaluation and measurement frameworks, reporting and governance. This could be particularly valuable for NFPs looking to enter partnerships who do not have to 'reinvent the wheel' and smaller NFPs that do not have research departments.

We further recommend that once established, and funded for three years, the portal be governed on an ongoing basis by an appropriate research centre or higher education institution, and be funded by government and business.

Recommendation 8 — Building capacity in NFP organisations and businesses

To address what many NFP organisations identified as business skills capacity issues, broaden opportunities for corporate community investment, and strengthen business and wider community understanding of the NFP sector, we recommend the Australian Government and large corporations cooperatively establish a 'Community Corps' in Australia.

Development of the Corps (a version of which was discussed also at the 2020 Summit) could be guided by an advisory group including small, medium and large NFPs. Consideration may be given to, under the auspices of the Australian Government, tendering the management of the Community Corps program to a combination or consortia of not-for-profit organisations.

This Community Corp could involve strands including: Australians, sponsored by their employer, spending six to nine months working in a NFP organisation or a number of NFP organisations; Australians working in NFP organisations, sponsored by either the Government or the placement corporation, spending six to nine months working in a corporation; Australians who are undergraduate university or TAFE students, funded by the Australian Government, and/or corporations, spending six to nine months working in a NFP organisation. The program could include an intensive theoretical and professional development module, offered at a higher education institution or centre.

Recommendation 9 — Data on the not-for-profit sector

All parties see the need for more detailed and timely data on the NFP sector including on issues around business support and community business engagement. Recognising the many and competing demands on the ABS for more frequent and detailed data we propose an increase in dedicated funding from the Australian Government and State Government budgets, and those of user agencies for enhanced collections, and for resources to facilitate integration, access and best use of the substantial administrative data that currently exists across the whole of government.

Recommendation 10 — Common tender and grant application criteria

We recommend State and Territory government departments harmonise tender and grant application criteria for monies available to not-for-profit organisations within their jurisdictions. Although unique criteria will no doubt remain necessary for individual tenders, harmonisation of standard information and administration requirements across departments in the same State would alleviate the compliance burden of grant applications on the not-for-profit sector. Such harmonisation may assist smaller not-for-profit organisations in particular. Business and governments should be cognisant of timing of budgeting and funding requirements and seek to achieve alignment of these.

We also recommend State and Territory governments aim to harmonise accountability requirements within their jurisdictions. This includes reporting. Achieving this may require central agency (Treasury or Premier and Cabinet at State level in particular) agreement on a defined number of core accountabilities and common performance indicators.

Recommendation 11 — Capacity building

We strongly recommend the continuation of support for capacity building initiatives by Australian and State governments. This should include, in part, funding initiatives on their merit from NFPs, private providers, and tertiary institutions. In this regard we note the strong support in Government, business and the NFP sector leadership for the Centre for Social Impact, including for its capacity building role. To ensure its longevity and to facilitate planning, the Australian Government should consider committing to funding the Centre for Social Impact beyond the current period, and on a similar basis.

Recommendation 12 — Network governance

We note considerable discourse taking place nationally on network governance (including at the Australian Government level within the 'social inclusion' agenda), the OECD, and in some tertiary institutions. We note also some innovations in practice involving governments, business and local communities. We recommend leadership in all sectors should explore what can be achieved by such innovative approaches. Government leadership at all levels will be required to optimise value that is achievable through these new concepts of collaboration.

Appendix A

References

see Reference

ACOSS — *see* Australian Council of Social Sciences

ATO — *see* Australian Taxation Office

DFCS — *see* Department of Family and Community Service

PBAS — *see* Partnership Brokers Accreditation Scheme

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Appendix B

Contributors

We would like to thank the following organisations for participating in this research study, either by attending workshops held in Perth, Sydney, Melbourne and Canberra, participating in the online survey or meeting individually with the researchers. This list below includes those who provided their contact details on the online survey. There were many other NFP organisations that participated who chose to remain anonymous.

- ACT CF Association
- Aged and Community Services Australia
- AIDS Trust of Australia
- Alannah and Madeline Foundation Limited
- Alcohol and Drug Foundation of the ACT Inc
- Alcohol and Other Drugs Council of Australia
- Alzheimer's Australia
- Angel Flight Australia
- Anglican Community Care Inc
- Anglicare SA
- Anglicare Victoria
- Arthritis Australia
- Arthritis Foundation of WA
- Arts Access SA Inc
- Association for the Blind of WA
- Asthma Foundation of the Northern Territory Inc
- Aunties & Uncles Cooperative Family Project Inc.
- AusAID
- Australian Brandenburg Orchestra
- Australian Little Athletics
- Australian Red Cross
- Australian Sports Foundation Ltd
- Australian Vietnamese Women's Association
- Autism Association of WA
- Baptistcare
- Barnardos Australia
- Belconnen Community Service Inc
- Bendigo Animal Shelter Inc.
- Berry Street
- Beyond Empathy
- Black Swan Theatre Company
- BoysTown
- Breast Cancer Foundation of WA
- Bridge Back To Life Foundation
- Bundaberg and Burnett Region Community Development Aboriginal Corporation
- Bush Heritage Australia
- Byron Youth Service
- Camp Quality Ltd
- Canberra Multicultural Community Forum

- Cancer Council
- Cancer Council Relay for Life, Orange
- Cancer Council Victoria
- CARE Australia
- CareSouth
- Centacare (Sydney)
- Centacare Wilcanannia-Forbes
- Central Access Ltd
- Centrecare
- Centrecare-Djooraminda
- Children's Promise
- Clean Ocean Foundation
- Communicare Inc
- Community Vision
- CommunityWest Inc
- Continence Foundation of Australia
- CREATE Foundation
- Crisis Support Services Inc.
- Cure for Life Foundation
- Dads In Distress (Inc.)
- Day of Difference Foundation
- Dubbo Neighbourhood Centre
- Earthwatch Institute Australia
- Education Foundation Australia
- Endeavour Foundation
- Engineers Without Borders Australia
- Epilepsy Association of Western Australia (Inc)
- Epilepsy Foundation of Victoria
- Epilepsy Queensland Inc
- Fairbridge Western Australia Inc
- Family Development Services
- Father Chris Riley's Youth Off The Street
- Fifteen Foundation Australia
- Foodbank of Western Australia Inc.
- Foundation for National Parks & Wildlife
- Fundraising Institute Australia
- Garvan Institute
- Gasworks Arts Park
- Girl Guides Australia
- Glaucoma Australia
- Good Beginnings Australia
- Good Shepherd Youth And Family Service Inc
- Guide Dogs
- Historic Houses Trust of NSW
- Hobart City Mission
- Holroyd Parramatta Migrant Services
- Ideas Inc
- Investing In Our Youth Inc
- Jalaris Aboriginal Corporation
- Kalumburu Aboriginal Corporation
- Kimberley Aboriginal Law and Culture Centre
- Koolkuna Women's Refuge
- Koomarri
- Landcare Australia
- Learning Links

- Leukaemia Foundation of Australia
- Lifeline WA
- Lismore Neighbourhood Centre Inc
- Little Athletics NSW
- Live N Learn
- Mallee Family Care
- Marnin Bowa Dumbara Aboriginal Corporation
- Marymead Child and Family Centre
- Medecins Sans Frontiers Australia
- Melbourne Community Foundation
- Mental Health Coordinating Council
- Mental Health Foundation
- Mental Health Foundation ACT
- Milang Old School House Community Centre
- Mission Australia
- Movember Foundation
- MS Society of ACT
- Mungabareena Aboriginal Corporation
- National Theatre
- Ngala
- North Shore Heart Research Foundation
- Northside Community Service
- Nulsen Haven Association (Inc)
- Nungeena Aboriginal Corporation For Womens Business
- Nyoongar Patrol System Inc
- Odyssey House Victoria
- Opera Australia
- Our Community
- Oxfam Australia
- Oxfam WA
- Pathways Foundation
- Patricia Giles Centre
- Peckys Ltd Disability Services
- Peel Youth Program Inc
- Perth Inner City Youth Service
- Perth Theatre Company
- Perth Zoo
- Pine Rivers Neighbourhood Centre
- Port Lincoln City Band Incorporated
- Pottsville Beach Neighbourhood Centre Inc
- Princess Margaret Hospital Foundation
- Queensland Institute of Medical Research
- Questacon, The National Science and Technology Centre
- Red Cross Dubbo
- Red Ochre Events
- Richmond Community Services Inc
- RSPCA ACT
- RSPCA Australia
- RSPCA NSW
- RSPCA Victoria
- Rural and Remote Education Association Inc.
- SANE Australia
- SAPH Vision Quest Association Inc.
- Save the Children Australia Queensland Division
- Schizophrenia Fellowship of NSW Inc

- Scouts Australia
- Scouts Australia, WA Branch
- Senses Foundation
- Shelter WA
- Southcare
- St John Ambulance Australia
- St Vincent de Paul Society
- Starlight Children's Foundation Australia
- Stride Foundation Limited
- Surf Life Saving New South Wales
- Survivors of Torture and Trauma Assistance and Rehabilitation Service Inc
- Sydney Symphony
- Ted Noffs Foundation
- The Australian Charities Fund
- The Benevolent Society
- The Centre for Cerebral Palsy
- The Day of Difference Foundation
- The Gut Foundation
- The Hammond Care Group
- The Leukaemia Foundation
- The Scout Association of Australia
- The Smith Family
- The Smith Family WA
- The Toybox Centre Inc
- UNIFEM Australia White Ribbon Day
- United Way Sydney
- Val Lishman Health Research Foundation Inc.
- Variety WA
- Variety, The Children's Charity
- VCOSS
- VicRelief Foodbank
- Victorian Arabic Social Services (VASS)
- Vision Australia
- Volunteering Australia
- WA Association for Mental Health
- Wesley Mission
- WestAus Crisis and Welfare Services Inc
- Western Australian Deaf Society
- World Vision Australia
- Wunan Foundation
- Yallambee Deniliquin Ltd
- Yirra Yaakin
- YMCA Perth
- Youth Insearch Foundation (Aust)
- YWCA NSW
- YWCA Perth