



# Nonprofits Must Take the Lead in Business Alliances

*If you want more corporate money, follow this action plan.*

BY JENNIFER MULLEN

**N**onprofit organizations give businesses great power in philanthropy. Nonprofits let businesses control how much money to give, when to give it, and what programs to support. Businesses establish the rules, which are often based on arbitrary criteria such as management preference, most convenient timelines, or least complicated request. Thus, nonprofits often must guess as they try to meet vague funding criteria, never knowing if they're doing it right.

It's time to change this lopsided balance of power. Doing so will give nonprofits more control and increase the amount of money they receive from businesses. Let's take a look at current practices and then see what you can do to improve your chances.

## WHY DON'T BUSINESSES GIVE MORE?

Businesses give far less than their two funding counterparts—individuals and private foundations. In 1999, corporations gave \$11 billion dollars—a mere 5.8% of charitable giving that year. Businesses ranked last behind individual contributors at \$143 billion and foundations at \$19 billion.<sup>1</sup>

Businesses are allowed to donate up to 10% of their pre-tax income to charity and still receive generous tax benefits. They aren't giving anywhere near that amount. Why not? There are three reasons:

### **Reason One:**

#### **Businesses Don't Know How to Give Strategically.**

While businesses act strategically in their management, finance, personnel, and marketing areas, they don't follow similar strategies when it comes to philanthropy. A recent survey uncovers a remarkable lack of strategy in

corporate giving programs.<sup>2</sup> Survey results reveal the following non-strategic practices:

- **Most contributions come from a “donations” category**, suggesting an undesignated budget item. If businesses were giving strategically, their donations would come from the public-relations budget. Public-relations experts would use philanthropic dollars to increase awareness, enhance image, and position the business effectively.
- **Although most large businesses require an official application for funding, smaller businesses are comfortable with a phone call or letter.** Such informal methods leave nonprofits guessing as to the structure of the proposal.
- **Word-of-mouth is the most common way** businesses inform nonprofits of funding opportunities. If businesses were strategic, they would use more formal, proactive methods.
- **Most businesses said the owner or manager made all funding decisions.** Such a practice leads to arbitrary choices based on personal values. A strategic plan would give all stakeholders input, based on pre-arranged criteria.
- **A common reason given for turning down a nonprofit's request** is that the timing is bad. Nonprofits shouldn't have to guess when to send a funding request. If businesses had a strategic plan, they would promote funding opportunities, including the preferred timing.

### **Reason Two:**

#### **Businesses want philanthropy to produce “results.”**

Another problem is that most businesses define “results” in terms of how much money is brought in. With such a narrow definition, it's no wonder that businesses think that philanthropy produces few results for them.



**Reason Three:**

**Businesses don't respect nonprofits.**

One respondent went beyond the survey questions to write that "nonprofits need better management." This attitude may go to the heart of this complex relationship: Businesses don't have a high regard for the management model of nonprofits.

**HOW CAN NONPROFITS STRENGTHEN RELATIONS WITH BUSINESS?**

How can nonprofits earn the respect of business, help them give in ways that will bring benefits, and bring in more dollars to the nonprofit? Here are the steps nonprofits need to take:

**1**

**Perform an Internal Review.**

First, insure that your organizational model is worthy of support. Begin by reviewing the key elements of nonprofit excellence. Use the following checklist to be sure your organization is ready to partner with business:

**Is your documentation adequate?**

- Do you have thorough bylaws and articles of incorporation?
- Do you have documentation from the IRS that your nonprofit status has been awarded?
- Is your budget detailed, with clear expenditures and sources of income?
- Is your monthly budget reviewed by an accountant?
- Do you have written job descriptions for both volunteers and paid staff?
- Are organizational documents secure and available for possible review?

**Do you have strong management policies?**

- Do you have a diverse board of directors? Do they rely on bylaws to set policy?
- Does your executive director have some training in finance and management, even if only through seminars?
- Do the board president and executive director work as a team to establish and implement policy?
- Do you consider and plan for possible crises?
- Do you follow a long-term strategic plan?

**Do you have sound fundraising practices?**

- Is fundraising the shared responsibility of board members, key volunteers, and staff?

- Do you have many diverse funding sources rather than just a few? Do they include, for example, membership drives, product sales, special events, bequests, grants, annual fund drives, and corporate contributions?
- Do your fundraising activities exist throughout the yearly cycle?

**Are your programs well-thought-out and monitored?**

- Are programs based on the needs of the community you serve?
- Do you evaluate programs on many levels, including output, outcome, and impact measurements?
- Do you conduct cost-versus-benefit analyses on programs and on individual program units?

**Are your finances and budget in order?**

- Are your sources of income diverse and staggered throughout the calendar year?
- Do you keep detailed records for all expenditures and sources of income?
- Do you have financial accountability strategies for the board president, executive director, and others responsible for the organization's fiscal state?

**Do you have credible communication policies?**

- Do you nurture relationships with funders, media, volunteers, and other stakeholders?
- Do you promote the value of your organization through numerous and diverse strategies?

**2**

**Understand the Many Types of Corporate Giving.**

While research shows that businesses prefer giving cash,<sup>3</sup> there are many other ways they can contribute to nonprofit organizations:

**In-kind contributions** are gifts of goods and services. When a business moves into new offices, for example, it may donate its used desks, filing cabinets, and computers. Businesses may also contribute employees as volunteers at nonprofit organizations.

**Cause-related marketing** ties a company's name to a nonprofit cause. Often, for example, a business will donate a percentage of its sales to a nonprofit during a given time period. Customers may be more likely to buy from a company if part of their money goes to a worthy cause.

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**Sponsorship** is a strategy in which a company underwrites something—such as a concert, publication, competition, merchandise, video, seminar, or speaker—for the nonprofit. Sponsorships have grown by 40% in the last decade.<sup>4</sup>

When you approach a business, be open to all forms of corporate giving. One company can provide a multitude of assistance. For example, a convenience store chain can provide cash from canisters placed at counters, products such as canned goods from the stores, and merchandise such as televisions or bikes used by management for employee incentives. That same chain can send out its plumbers and electricians to provide construction or renovation services at no cost to your organization. It may also want to partner with you for cause-related marketing or sponsorship programs.

### 3

#### Identify Business Partners.

Be discerning when choosing corporate partners. Businesspeople are impressed by nonprofits that are selective. Here are some tips for choosing the best partner for your needs:

- **Seek businesses whose customers provide a good match** with your donors. For example, a homeless shelter might partner with a construction company. A child-abuse cause could join up with a toy store.
- **Plan for long-term partners.** It's better to have one long-lasting partner than many short-lived ones.
- **Look for local,** state, or regional—rather than national—ownership.
- **Seek evidence** of longevity in a community, state, or region.
- **For your first contact, target upper management** from human resources, marketing, or public relations. These business professionals consider relationships with their stakeholders, rather than profit margin, as a high priority.
- **Know the business owner's or manager's philosophy** on philanthropy.
- **Discover who makes the philanthropic decisions,** and research that person's past and current giving efforts.
- **Find a business** whose goals, ethics, and management model are compatible with your organization.
- **Be visible** in your community. Participate in efforts that are important to the business sector. Get involved with the United Way, Chamber of Commerce, Better Business Bureau, merchants' associations, business incubators, and civic activities such as downtown business development or community economic develop-

ment. Assume leadership roles in those efforts. This experience will help you identify and prioritize partners. It will also give you legitimacy in the eyes of potential partners.

### 4

#### Present Your Case.

Once you have pinpointed a potential partner, follow these steps:

- **Prepare program and funding plans** to propose to your potential partner.
- **Identify the problem to be resolved,** or the opportunity to be enhanced, that your research has identified.
- **Provide an analysis** of strengths, weaknesses, opportunities, and threats influencing your idea.
- **Identify the key audiences** to be served.
- **Suggest goals, objectives, strategies, and tactics** for finding solutions.
- **Create an evaluation model** that shows how you will measure results of the project.
- **Design a detailed budget** with funding options identified.
- **Ask representatives of the business** for an opportunity to present your concept to them.
- **Explain exactly what you are requesting** of the business, including involvement in planning, funding, volunteers, and other resources.
- **Specify how long it will take** to fulfill your goals.

### 5

#### Redefine "Success."

Help businesses understand that profit isn't the only way to measure success.<sup>5</sup> Explain the many ways you can help them produce results. Here are just a few things you can offer a business:

- **Increase employees' dedication** and involvement.
- **Generate favorable publicity** for the business.
- **Have an impact** on a specific audience.
- **Improve customer awareness of** and involvement with the business.
- **Garner public awards** and recognition for the business.
- **Boost management involvement** and morale.
- **Make long-term changes** in awareness, attitudes, and behavior.
- **Create community good will.**
- **Distinguish the business** from other similar ones.

Educate businesses about the importance of "pragmatic altruism"—a strategy that takes both nonprofit and



corporate goals into account. Competing on price and social responsibility is better than competing on price alone. The result is a new kind of success.

## 6

### Create a Joint Plan.

Join with your business partner to create a strategic plan that will benefit you both. Here are seven factors your plan should include:

- **Identification.** Make sure the business and nonprofit both identify with the project's goals. Consider marketing goals, employee-relations goals, and customer goals.
- **Introspection.** Agree on what the business can and will give in terms of money, product, or employee time.
- **Investigation.** Allow each entity to ask tough questions of the other. Share key documents that explain governance, policies, and procedures.
- **Interaction.** Is the chemistry right? The time, effort, and commitment for the project will require people on both sides to work closely with each other.
- **Involvement.** Create strategies that involve stakeholders from both the business and nonprofit. Allow for involvement in the planning, funding, implementation, and evaluation stages. The business is not just a funder, it's a complete partner in the project.
- **Improvement.** Identify opportunities to fine-tune and improve the effort. Create ongoing evaluation efforts, and build adaptability into the plan.
- **Innovation.** To get the most impact from the project, be creative. Let the business partner suggest innovative methods that might enhance the project.<sup>6</sup>

Your plan should cover three to five years.<sup>7</sup> It should be based on long-term outcomes, not driven by annual income but responsive to shifts in profit. It must have a dedicated leader who, along with an employee team, will make a sincere long-term commitment to the plan.

## 7

### Take a Businesslike Perspective.

Respondents to our survey (see footnote 2) provided useful feedback for nonprofits. They were clear on why they

would fund one nonprofit rather than another. Here is some advice gleaned from their remarks:

- **Be sure your proposal explains**, in detail, what you plan to do with the money. Survey respondents said they would be more likely to fund a specific project than to give money without knowing how it would be spent.
- **Ask for money for direct services** rather than administration.
- **Position your organization** as the cutting-edge answer to important problems. Make your organization stand out from all the others.
- **Treat the business as an equal partner** with your organization.
- **Propose projects** based on solid research results.
- **Shape projects** around clearly defined goals.
- **Don't assume that a business will fund your organization** just because they did so in the past.
- **Say thank-you**, and provide lots of recognition to corporate donors.
- **Follow up** by telling businesses the results you achieved with their money.

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# CREATIVE FUNDRAISING IDEAS

## Call for Cash

When you hold a charity auction, don't limit your earnings to people's bids. Midway through the auction, deliver a short presentation about your organization and then call for "cash" bids, asking for all those who wish to donate \$1,000, then \$500, then \$250. This "cash call" will give everyone a chance to participate and will develop a new enthusiasm that will continue through the rest of the auction. For more ideas, see [www.benefitauction.com](http://www.benefitauction.com).

## Honor People while Earning Income

Create a souvenir journal honoring people for their support of your organization. The journal might include photographs of your volunteers and clients along with information about your organization's work. Sell space in the journal for personal "notes" from family members, friends, and organizational supporters. Then sell the keepsake journal for a reasonable fee.

## Draw on Community Strengths

Design an event around what your community already has. For example, reserve seats at a number of restaurants on your special-event night, and let people choose how much they want to contribute and which restaurant they want to attend. Many restaurants will donate a combination of no-cost and discounted dinners. People will have a great meal with friends while supporting your organization. For more details, see *Special Events* (NY: John Wiley & Sons).

- **Give the business input** into your plans. Ask someone from the business to serve as a volunteer or board member with your organization.
- **Have a long-term plan** that inspires the confidence of corporate leaders.
- **Be willing to adapt your programs and evaluation criteria** to better synchronize with a business partner.

When nonprofit leaders reach beyond their own goals to understand the business perspective, they can become the leaders in strategic philanthropy. Both the corporate and nonprofit sectors benefit from such collaborations, and society becomes the biggest winner. ■

### Footnotes

<sup>1</sup>American Association of Fund Raising Counsel, [www.aafrc.org](http://www.aafrc.org).

<sup>2</sup>Survey respondents ranged from businesses with 10 employees to those with over 100 employees, from a community of 120,000. Results are reported by Jennifer Mullen in "Hoping to Enhance a Local Funding Relationship: Exploring Private Sector Business Preferences When Contributing to Nonprofit Organizations," *Journal of Nonprofit and Public Sector Marketing*, 1999.

<sup>3</sup>See these articles by William Olcott: "Charitable Giving on the Rise," *Fund Raising Management*, 1995, 26:8-10, and "The Wide World of Corporate Philanthropy," *Business and Society Review*, 1995, 92:36.

<sup>4</sup>See "Desperately Seeking Data: Why Research Is Crucial to the New Corporate Philanthropy" in *Corporate Philanthropy at the Crossroads*, edited by Dwight Burlingame & Dennis Young, Indiana Press.

<sup>5</sup>See *Doing Best by Doing Good: How to Use Public Purpose Partnerships to Boost Corporate Profits and Benefit Your Community*, by Richard Steckel & Robin Simons, New York: Dutton.

<sup>6</sup>"New Attempt to Measure Benefit of Corporate Philanthropy," *PR Reporter*, 1997, 40:3,1.

<sup>7</sup>See "Redesigning Corporate Philanthropy" in *Practical Public Affairs in an Era of Change*, edited by Lloyd Dennis, Maryland: University Press.

### Other Resources

Davidson, Junius. "The Case for Corporate Cooperation in Community Affairs," *Business and Society Review*, 1994, 90:29.

\*Gifford, Gayle, "Cause-Related Marketing: Ten Rules to Protect Your Nonprofit Assets," *Nonprofit World*, Vol. 17, No. 6.

Graham, John, "Corporate Giving: Is it Good Business?," *USA Today Magazine*, 1995, 123:2596.

\*Muehrcke, Jill, "Building Bridges with Businesses," *Nonprofit World*, Vol. 13, No. 4.

Mullen, Jennifer, "Performance-Based Corporate Philanthropy: How Giving Smart Can Further Corporate Goals," *Public Relations Quarterly*, 1997, 42:2.

\*Ptacek, Joseph & Gina Salazar, "Enlightened Self-Interest: Selling Business on the Benefits of Cause-Related Marketing," *Nonprofit World*, Vol. 15, No. 4.

Smith, Craig. "The New Corporate Philanthropy: More and More Companies Are Supporting Movement for Social Change While Advancing Their Business Goals," *Harvard Business Review*, 1994, 64.

\*Weisman, Carol, "The Care and Nurturing of Corporate Friends," *Nonprofit World*, Vol. 14, No. 1.

\*Starred resources are available from the Society for Nonprofit Organizations' Resource Center, [www.snpo.org](http://www.snpo.org).

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