

CORPORATIONS AND NONPROFITS: COOPERATION, GIVING AND INVESTING

Not too long ago, there was a generally accepted notion of the purpose of a business corporation, which was the maximization of profit. Pursuing any other purpose was inappropriate for a corporation. It used to be appropriate only for owners, shareholders, managers and staff who could distribute their profit in any way they chose – including philanthropic gifts. To complement this picture, there was another generally accepted notion of a “charity” – an organization embodying pure altruism that feeds on an ideal in pursuit of its philanthropic mission. This simple and clear division is no longer true.

Over the past few decades, many charities have grown to become professionally managed organizations, learning to apply many great business and managerial tools and processes used by corporations into their operations: from strategic planning, to customer services and marketing. Parallel processes took place in the corporate world and corporations started to be environmentally friendly and socially sensitive. The concept of “Corporate Social Responsibility” was developed and promoted, businesses began speaking about their values and started to develop and set goals outside their core business focus.

Corporations and charities have been growing closer and closer to one another. The good news is that businesses and CSOs (Civil Society Organizations) have developed many similarities that have opened unprecedented opportunities for various forms of cooperation. The purpose of this brief leaflet is to give inspiration, by examining the vast array of ways in which corporations and CSOs can work together – using examples from the Czech Republic and Bulgaria – on how to pursue their shared visions of a good life worth living.

CSR

Corporate Social Responsibility (CSR) topics continue to be very attractive and interesting for people. A CSR Research 2012¹ carried out in the Czech Republic confirmed that when purchasing goods or services, the CSR of that specific corporation is important to 75 % of people. And what is even more striking, 86 % of employees and staff find it very important for their employer to be socially responsible. This fact is more important to women.

¹ Ipsos Tabor: CSR Research 2012, a panel research project carried out in the Czech Republic biannually since 2010, second report published in March 2013: www.ipsos.cz/tiskove-zpravy/lid-nejsou-lhostejn-k-ot-zk-m-csr-ani-v-dne-n-nelehk-dob

MARKET SIZE

The value of financial gifts made by corporations in the Czech Republic to support CSOs has grown threefold since 2000 to reach nearly € 100 million per year. The number of corporate donors has doubled during the same period of time to include nearly 18,000 corporations that report and deduct their charitable giving from their pretax income.

	Corporate donors to CSOs	
Year	Number	Total Reported Giving (in EUR)
2007	18845	92,921,622
2008	19251	89,452,968
2009	17106	88,287,969
2010	17856	91,135,473
2011	17776	97,946,910
2012	15978	91,697,374

Source: Ministry of Finance of the Czech Republic.

The above does not include corporate sponsorship, for there is no reliable data on the size of the sponsorship market. The above figures reveal that corporations contribute roughly 50% to the overall pie of private philanthropic giving in the Czech Republic – the rest is donated by individual donors, and a small percentage by private local foundations.

In Bulgaria corporations also have the leading part in the total monetary giving: the share of corporations was 57% of the total reported giving in 2011 and 49% of total reported giving in 2012. The other part in 2012 comes from foreign foundations (36%), Bulgarian foundations (11%), and individuals (4%). The amount of corporate donations in 2012 almost doubled compared to 2007.

	Corporate donors to CSOs	
Year	Number	Total Reported Giving (in EUR)
2007		5 059 146
2008		5 409 940
2009	866	5 892 231
2010	1479	5 646 394
2011	1842	7 848 612
2012	2196	8 817 001

Source: Bulgarian Donors Forum (www.dfbulgaria.org),
based on statistics from National Revenue Agency

MOST COMMON MYTHS, PREJUDICES AND MISTAKES

The slowly and gradually changing perception and understanding of corporations and CSOs contrasting with the partial experiences we have, with emotions (which are always present when it comes to giving) and with the sometimes forgotten bottom line: corporations have to MAKE money and CSOs have to RAISE it in order to survive, produce a number of perpetuated myths, prejudices and mistakes we all make very often.

1. Corporations have money, they should give it to us. Perhaps they do, but that constitutes no reason to give it to anyone. Corporate profit and your organization's need of funding are completely unrelated matters. Hopefully, somewhere down the road there will be a point in your relationship when you can talk about it openly. But that will require a level of trust that takes years to develop. And, by the way, unlike in the CEE region, where corporations contribute 50+ % of the overall philanthropic giving, according to the annual report issued by the Giving USA, US corporations contribute less than 10 % of the overall sum.
2. Corporations are the bad guys, CSOs are the good guys. This stereotype is still surprisingly common. When asked to list what motivates corporations to give, fundraisers often name "unclear conscience" or "feeling guilty" or "improving its reputation". Although elements of these motives can certainly be encountered, they do not turn out to be at the top of the list when corporations answer such an inquiry. If you really think that your organization is "better" and that corporations are "bad", don't work with them. It is hypocritical and disrespectful. There is no giving without a good relationship and no good relationship without respect.
3. Corporations are rational, CSOs have to present a rational case for support. It is always a good question to ask: what is the difference between corporate and individual giving? The answer is: it depends on who makes the decisions. In larger corporations, with formulated giving strategies and objectives, decisions are often made by a team of people. Such decision-making is quite similar to project proposal evaluation procedures as we know it from private foundations, though sometimes less formalized, so more influence can be exerted by an individual member of that group. As long as the decision is made by an individual (owner, CEO, manager...), it is very similar to individual giving: it is the emotional response of that individual that triggers his/her willingness to give – even if it is from the corporate pocket. In other words, you have to first engage the decision-maker with your cause, just like when approaching an individual donor, to make him/her want to support you. And, subsequently, you have to provide solid and convincing rational arguments to support their emotional decision, for they will have to explain to their colleagues and staff why they decided to support you.
4. CSOs represent great advertisement opportunities for corporations. Certainly, there is a handful of large, well-known organizations who do. But there are very, very few of them. For the rest of us, this is simply not true. Some advertisement and communications may be a nice extra bonus. Do not try to pretend that we have the "advertisement muscle". We do not. And corporations know it very well. Be clear and do not create expectations that you cannot fulfill.
5. There is a donor for every cause, lets write to them all. Forget about writing to corporations asking for support. Larger corporations report that they receive dozens of e-mails every week. For the most part, they answer them with polite ready-made declining responses, but overall, it is wasted time and effort. When asking fundraisers about how they approach corporations, most agree that any successful contact requires door-opening through a personal contact. Most of the fundraising in the world is done through friends and corporate fundraising is no exception. There is nothing wrong with that. We have all heard it a thousand times over, but that makes it no less true: we are not raising money, we are developing relationships.
6. We need major support, there is no point in asking for little and no time to waste. We will speak about this in more detail in the following chapter, but remember that you first need to get your foot in the door. You have to provide the corporation with a positive experience in the case they support you,, you have to give them time to get used to you and to trust you. So if you want to get anywhere with a corporation, start small and develop step by step.
7. If corporations do not have a separate CSR or charitable budget allocated, there is no point in asking for support. In general CSOs can get money from companies in two ways: 1) from their planned CSR, marketing, PR/communications/advertisement and/or the CEO/board budgets, or 2) if they have money left over near the end of their fiscal year. Any larger gift means that you need to be in the planned budget. So you have to identify budget timing, responsibility (in which department the money is) and the decision making person.

ALL THE THINGS WE COULD DO TOGETHER...

There is one fundamental difference between corporate and individual fundraising. Individuals primarily give money and time. There are dozens of ways that a corporation can work with a charity – and giving money tends to be towards the end of the list of options.

In-kind Support

In general, it tends to be much easier to convince corporations to donate their product or service. It is only natural. It creates a direct link between the charity and the product/service and – after all – it is much cheaper for them.

Example: In 2011 Chevrolet celebrated its 100 anniversary donating 100 cars to SOS Children's Villages in different countries. The partnership between Chevrolet Europe and SOS Children's Villages International was called "Wheels for Kids" and helped to increase the mobility of the children in care and the mobility of SOS co-workers. Among the beneficiary countries were Czech Republic and Bulgaria. This significant in-kind support gave Chevrolet wide publicity and long-term media presence as each car hand-over was separately announced and it was followed by stories of children, demonstrating how the donation made the life of SOS families and co-workers easier. At the same time, the vehicles were specially branded with stickers showing again Chevrolet's help. Source: www.chevrolet-europe.com

Lending/Renting/Borrowing

There are so many things that we can borrow that we do not need to own. In many cases it is so much more convenient to simply borrow a van from a corporation since you only really use it twice a month. Using a corporate conference center for free every Friday morning for a team meeting saves a considerable sum of money in the course of a year, etc... Sometimes – and it is not uncommon – corporations are willing to convert a loan into a gift after the transaction has taken place.

Cause-Related Marketing

This is an example of rather close cooperation. The idea is that presenting two brands together (the corporate brand and your charitable brand) may be advantageous and beneficial for both parties. You will find many varied examples: "by purchasing this product, you will contribute xxx amount of money to the ABC campaign of the XYZ charity" and the like. It is important to remember two things: 1) this form of cooperation is temporary and usually short term, for customers tend to stop responding to the offer quite soon (usually within several months), and 2) your charitable brand will be associated with the corporation for a long time (years) – especially if the campaign is advertised on TV – in the eyes of your current potential donors, both corporate and individual.

Example: One of the well-known examples of association of cause-related marketing is the global cooperation between UNICEF and P&G Pampers. The campaign “1 pack = 1 vaccine” started in 2006 and through it Pampers has donated 300mln tetanus vaccines, helping to protect 100mln women and their babies worldwide. The TV spots and visuals of the campaign are well-known and positively acknowledged among the public. Source: www.unicef.org

Sponsorship of Events

Sponsorship is a standard, business-like, contractual relationship with a corporation. Usually, no tax advantages and cuts are associated with sponsorship support. Sponsorship is well suited for visible public events with good PR.

Example: Each year VIVACOM is a partner of the first in Bulgaria fest of the family sport – FAMILATHLON. The initiative is based on a French model and it offers different sport demonstrations for the whole family at Sofia’s South Park for one day of the weekend. Among the sponsorship initiatives of the telecom is the support of one team in the Bulgarian rally championship, called VIVACOM Rally Team. VIVACOM also traditionally sponsors the project “The Night of Museums” in Plovdiv which includes different museums, galleries, culture clubs and urban environment. Source: www.vivacom.bg

Contacts/References/Reputation

Good corporations enjoy a good reputation and so do good charities. If you are supported by one of the reputable market leaders, your organization automatically scores on the scale of trust with others – both corporate and individual donors. And their name tends to go a long way. In addition, a well developed corporate relationship should allow you to – sooner or later – recruit some specific staff as ambassadors, i.e. as people who support you and who are willing to speak on your behalf, including opening of the doors, or even asking their contacts, partners and friends for money on your behalf:

Example: Since 2009, Raiffeisenbank (Bulgaria) has a broad charity campaign called “Choose to help”. The Bank collects cases for support from different CSOs on a competitive base in four categories: Health, Social care, Environment, Culture and Education. Then the cases are presented on a special platform with possibilities to donate, to send a text message and to vote or share the chosen cause. The platform is broadly announced by the Bank and its media partners – outdoor advertisement, banner ads, TV spots, presence at TV programs, print ads, etc. The Bank targets as donors (with single donations) its employees, its clients (individuals and companies) and the general public. At the end of the campaign the Bank gives a fixed amount of 100 BGN for each employee’s donation, no matter how big it is. So each of the causes included in the campaign platform receives support from the Bank’s employees, from the Bank itself and from the general public. Till now, the “Choose to help” campaign has helped more than 100 causes with approximately 1,5 mln BGN. Source: www.izberi.rbb.bg

Employee Engagement

There are numerous ways for involving a company's staff to support a CSO. Employees can be involved in volunteering, pay roll giving, event organization, employee-initiated internal charity campaigns, etc.

Volunteering.

There are a number of different types of support - from volunteering individuals helping the organization out (raking leaves in the yard in the fall or painting the therapeutic room for kids...), through expert volunteers working pro-bono for a CSO (lawyers, financial managers, graphic designers, marketing specialists, moderators... you name it!), to actually hiring and paying the salary of one of your staff.

Examples: DHL has volunteering days twice a year. The responsible person does research and collects 3-4 offers for voluntary work from different CSOs, considering the global directions in the CSR policy of the company. The employees choose between the offered options, form action teams and on the volunteering day each team does its job. The selected causes include: doing repair works for a small family-based house, organizing a special day with plays and movies for children without parents, cleaning a park and planting trees, making wooden bird houses, etc. Source: DHL Bulgaria Newsletter (2012)

T-Mobile Czech Republic allows its employees to spend one day a year as volunteers working in a CSO of their choice. Last year, its staff spent nearly 700 days volunteering for a wide array of charitable projects and organizations. Source: www.t-mobile.cz

Payroll Giving

This term usually refers to a more complex giving program involving both, the employees of a corporation, as well the corporation itself. The CSO is allowed to invite and recruit staff to a regular giving program (small regular donations are deducted directly from their pay-checks). The corporation matches the total gift collected from its employees. This form of cooperation usually requires extensive communication about the successes achieved through gifts made by the given corporation and its staff.

Example: Bulgarian Charities Aid Foundation offers on its platform causes in different categories: healthcare, education, children without parents, children and adults with disabilities, elderly people, ecology, human rights, etc. BCAF encourages companies to promote among its employees the causes, to choose one or several of them and to support it via payroll giving. In 2001 BCAF started with 3 causes and now it offers more than 40 causes of different CSOs. The role of BCAF is to mediate between the CSOs and the corporations and to administer the process of payroll giving. This mechanism is the most popular in the UK where it has started in 1987. Source: www.bcaf.bg

Example: Mibcon, a.s. is a medium size private IT corporation in the Czech Republic, operating from 1998, specializing in SAP implementation. The management of this corporation decided to support “charity” as a way to motivate its staff – mostly well-educated and well-paid IT consultants. They opened a process of making a joined decision whom to support. Internal discussions revealed that they want to support a local, important program operated by a medium size NGO to whom their support makes an important difference. At the end of this search, they chose the children’s hospice Klíček. The members of staff who decide to participate donate their one day salary and the corporation matches all gifts 1:1. Between 2009 and 2012 the total support increased from € 23,000 to € 32,000 which represents nearly 1/3 of this organization’s budget. Some members of the staff have started to volunteer for the organization. The management reports that their program has been meeting all their expectations. Source: <http://www.mibcon.cz/en/about-us/charity>.

Events

Corporate employees can organize different types of competitions (sports, cooking, etc.), charity bazaars, charity exhibitions, birthday or special event parties with a charity element. This could be a part of the CSR policy of the company, giving additional support to the corporation’s cause, or the staff can initiate charity events in the favor of absolutely independent causes.

Example: The HR team of Johnson Controls Electronics Bulgaria organized a charity exhibition of applied arts among the employees. The idea was that on a particular day each of the employees who wants to participate brings something “produced” by himself/herself at home and offers it at a chosen price to the other colleagues. The Applied arts exhibition collected a great variety of items – from jewels made from natural or recycled products, through hand-made greeting cards, vases, and specially decorated bottles and cups. And everything was sold! The money accumulated from the event supported the Workshop for Applied arts of SOS Children’s Village Tryavna. Source: www.sosbg.org

Employee Donation Campaigns

As a part of the CSR policy of a company, some corporations (usually the big ones) provide their employees with the opportunity to support a list of chosen causes via the company’s intranet. The campaign is promoted among the employees who can vote, make single donations and/or volunteer for particular causes: social, health, ecological, cultural, education, human rights. In some cases the company doubles the employees’ donations or applies other methods to add to the staff support. The list of the causes can be changed periodically.

START SIMPLE, SIMPLY START

- 1.** When identifying your potential corporate donors, first get all your staff, board members and partners to think about who they know in the corporate world. You need to collect your first leads that can open the corporate doors to you. Second, think about what you can offer to your potential corporate partners and their employees. Third, think about how your target audiences overlap or what they share with the target audiences of your potential corporate donors. Only after that, think about the key words in your values, image and activities that you may have in common with your potential corporate partners. Make sure to keep this order.
- 2.** You want to get your foot in the door. Corporations are very careful about their reputation and brand. They are unlikely to work with anyone who is completely unknown, who is addressing an issue, which is potentially controversial to their customers, and/or partners whose lack of professionalism presents a risk to their good reputation. So, start by doing something small and simple together. More than anything, corporations need to have a smooth, professional and positive experience with working with you. They do not want any extra work and they need time to get used to you. If you ask for too much in the beginning, you are likely to scare the corporation off and kill the relationship before it starts. So build up slowly.
- 3.** Bear in mind all the opportunities for working together with a corporation and make yourself a list of specific things/activities that could be useful for your organization – other than asking for money. When approaching a corporation for support, you should always have a shopping list ready with at least two or three cooperation offers other than a financial gift. This will greatly increase your chances to succeed.
- 4.** Research your donor. Once you have scheduled an appointment with a corporate representative, which is usually the hardest part – this being the primary reason why you need the door-opening personal contact – you should find out everything you can about the corporation: its policies, its CSR strategies, its former support, etc., as well as everything about the person you are about to meet: interests, hobbies, expectations, personal values and preferences, etc. You have your contact person, you have the web, you have the media, you have social networks... they will all be useful at this point.
- 5.** Corporations – especially the larger ones – tend to make their budgets and plans well in advance, often 4 to 6 months. In order to receive any major support in 2015, your organization has to be in the CSR budget as early as in May or June 2014. So, good planning is the key to success. To raise any major gift takes, on average, 18 to 24 months. Corporations are simply no exception in this respect. In fact, it usually takes them longer to develop the necessary level of trust and confidence, and their decision-making processes and procedures tend to be rather long and complex. Give them time to make their decision, but do not stop to communicate while they are making it.

MOTIVATING CORPORATE DONORS

Corporate support is more likely if:

- Your project is highly visible.
- Your project can enhance the company's image.
- Your project appeals to the company market segment.
- Your project is open to a variety of forms of support.
- Your project is located in the company's headquarters city/town.
- Your organization has the company's top management on your board of directors.
- Your project involves the company's volunteers.
- Your project serves the company's employees or retirees.
- You can accept relatively small gifts, especially in the beginning.
- You can speak the "business language" and communicate effectively.
- You are willing to research the corporation before you meet with them.
- You have the endorsement of known business leaders.
- Your project or organization can, in any way, help the company's profit.

Corporations are looking for business benefits, including:

- Fulfillment of corporate responsibility
- Favorable public relations, good public image
- Enhanced employee motivation and increased loyalty
- Opportunities to advance leadership/skills of staff
- Improved customer relationships
- Increased sales and larger customer base
- Brand differentiation and competitive advantage
- Networking with the government, local authorities, other businesses, VIPs
- Possible tax advantages
- Individual gratification of leaders
- Unique benefits related to special projects.

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