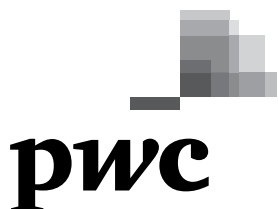


strategy&



Not-For-Profits

Developing effective
corporate partnerships



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How Not-For-Profits Can Form Effective Corporate Partnerships



The Not-for-profit (NFP) sector is becoming increasingly competitive as it continues to mature and traditional fundraising sources become more volatile. Corporate partnerships represent a further, often underutilised source of support at a time when many corporates are looking for ways to refocus on their purpose, which NFPs can help them do. Forming corporate partnerships can be difficult and time consuming. To be successful NFPs need to understand which segments of the corporate sector they want to focus on and how they can provide value to those corporates. We provide an overview of the corporate partnership environment in Australia, the benefits NFPs can potentially derive from corporate partnerships, and how best to take advantage of the opportunities.

Why NFPs are increasingly looking to form corporate partnerships

NFP enterprises can be intensely rewarding to be involved with. NFP objectives are often deeply related to people's values. They offer a way to make a tangible difference that may not always be possible in large bureaucracies, calling to a higher purpose beyond just the individual and monetary outcomes. This is why many people give their time to NFPs for free or at salaries below what they can command working at a for-profit enterprise.

Very few NFPs can rely wholly on volunteers, particularly when they start to grow and take on more complex activities to deliver their mission. Funding their mission and associated activities is a perennial challenge, one that has become more difficult in recent years.

The Australian NFP sector is relatively mature. After rapid growth of 80% between 1990 and 2010, from 30,000 to 50,000 registered NFPs, the total number of NFPs has been more balanced¹. Within that total there is a lot of movement, for example over the period of 2014-2016 an average of 3,015 new NFPs are registered and 3,899 delisted each year². The competition amongst NFPs has remained consistently high and therefore they are increasingly required to become more creative and sophisticated in how they raise funds.

There are three broad groups that fund NFPs: individuals, government, and business.

- **Individuals are becoming more discerning and demanding.** On the surface individuals continue to be generous in their giving. ATO data indicates 35% of individuals give to charities, which is at a similar level to thirty years ago (33%)³. The size of donations has increased to an average of ~\$700 per year, a dramatic increase over the \$150 average in 1995. The challenge has been the increase in competition between NFPs for that funding over the period, as well as changing consumer attitudes. There is a greater diversity of causes and campaigns that an individual can contribute to, making it more difficult for NFPs to retain donor attention consistently from year to year. Anecdotally several NFPs report that campaigns and events that consistently generated a stable base of funding previously now have a shorter shelf life, with consumers more likely to switch to a different event each year, which makes funding more volatile and require more effort to source.
- **Government is becoming more disciplined in its contributions.** Government spending has increasingly been tied to the outcomes that the recipient NFP generates and its alignment to current social and human focus areas. Over the last decade, government contributions to NFPs have grown by ~60%, from approximately \$25Bn in 2006 to \$41Bn in 2013⁴. Despite the growth, access to this funding is increasingly volatile – for example between 2014-2016, the Australian government increased funding for social clubs, sports and mental health by approximately 10%, whereas grant-making activities, hospital services and environment activities were all recipients of significantly less funding⁵. Further, NFPs have less certainty about the funding they are getting from government. For example, the introduction of the National Disability Insurance Scheme (NDIS) has resulted in NFPs in the disability services receiving less direct funding.
- **Business is a material source of funding and it could become bigger.** Identifying the exact contribution today of business to NFPs is difficult, with estimates ranging from \$12B (FY12-13)⁶ and \$17B (FY15-16)⁷. What is more consistent across data sources is that corporate contributions are increasing. With stronger competition for individual donations and increasing volatility in government funding, many NFPs are looking to business not only as a source of additional funding, but also for assistance with the delivery of mission objectives.

As complexity and competition for individual and government funding grows, the NFP sector has the attractions of helping diversify fundraising sources, helping deliver on core mission, and bringing thinking from the corporate world to the operations of NFPs. With an increasing focus within the business community on purpose and employees wanting to have a sense of meaning from their work beyond just their paycheck, the time is right for NFPs to re-examine the potential of corporate partnerships.

The corporate partnership environment is diverse

There are three main ways that business can provide support to NFPs: firstly, financial support, which typically comes in the form of donations; secondly, non-financial support, which may include free or heavily subsidised use of facilities, staff time, good and services, or any other support where a NFP avoids spending money on an activity; and thirdly, via mission support, where a business might carry out an activity that will help further a NFP's mission, for example, educating customers on health issues that a NFP is focused on.

Most of the publicly available data on corporate partnerships and support are on financial support because it is more easily measured than non-financial or mission-related support. Over the last decade corporate sector funding of NFPs has increased dramatically to \$17.6Bn in 2016 (*figure one*). Financial support has continued to consistently be the principal mode of support for the NFP sector (*figure two*), with most corporates who support NFPs providing financial support. Non-financial contributions of goods and services are provided by only 15-16% of corporates.

A consistent definition for "Corporate Partnerships" does not exist, particularly due to their evolving nature. For the purposes of this paper, we consider a corporate partnership to be a relationship that is oriented towards achieving a mutual objective. The relationship will typically extend beyond a financial transaction, and may be formal or informal.

Figure 1: Corporate Sector Funding to NFPs (A\$Bn)

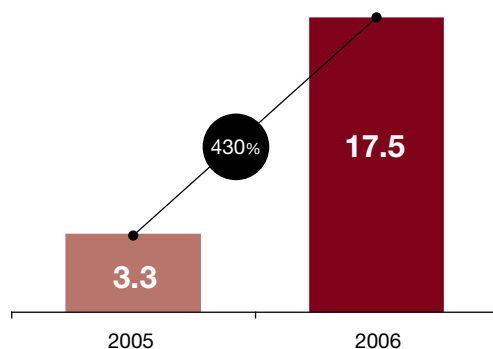
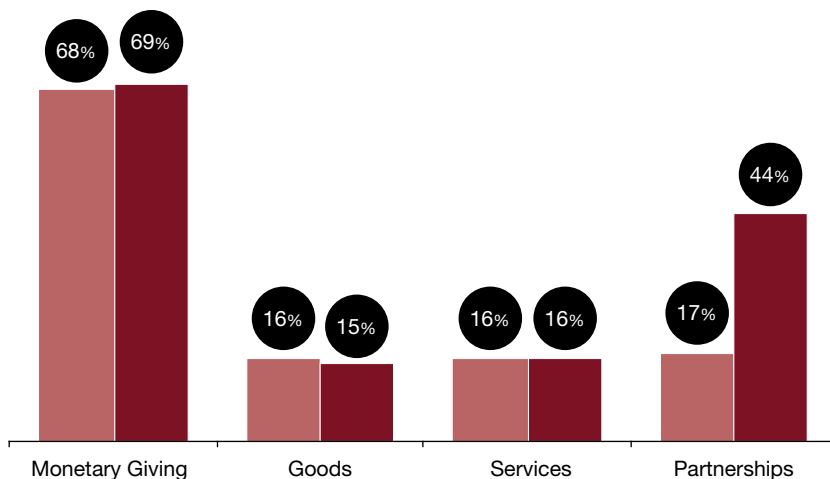


Figure 2: Type of Corporate Support to NFPs (% of Businesses)



Source: Giving Australia (2016) – Business Giving and Volunteering Report

Over the last decade we have seen many more corporates wanting to enter into corporate partnerships with NFPs, from only 17% of corporates in 2005 to 44% today (figure two). There is a clear bifurcation in the type of support that different types of businesses provide to NFPs. Small and medium-sized enterprises contribute more through donations, while large corporates contribute much more through broad-based partnerships (figure three). Through time the importance of social purpose and employee engagement as drivers for contributing to NFPs has increased. Businesses, particularly larger businesses, are less likely to contribute for only reasons of reputation and social license (figure four) – they want their relationships with the NFP sector to be more than just “branding and marketing”.

Figure 3: Corporate Funding to NFPs (A\$B)
By Funding Type

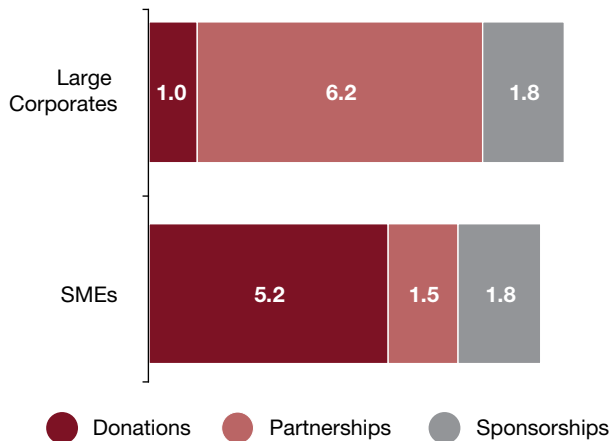
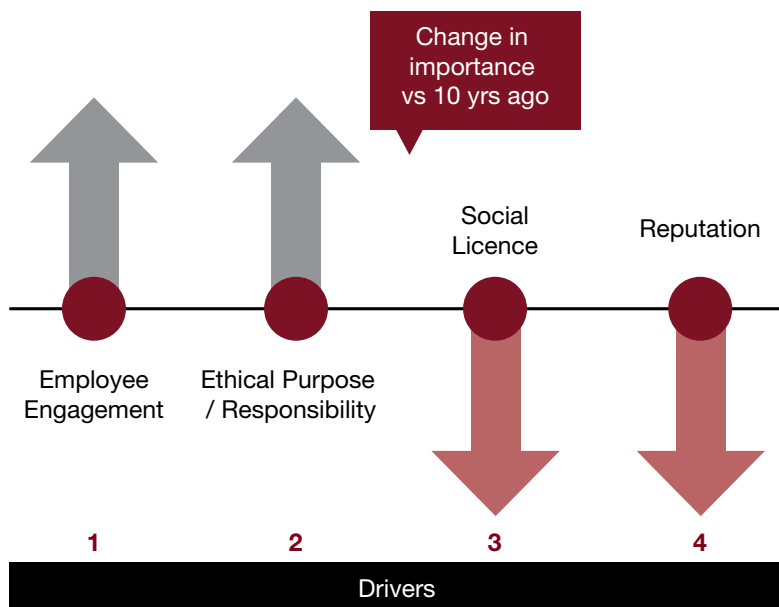


Figure 4: Trends in Business Drivers to Donate



Source: Giving Australia (2016) – Business Giving and Volunteering Report

For large corporates, the importance of creating shared value and engaging staff is a broader trend being seen in Australia. According to PwC’s Workforce of the Future Report, 23% of the general population believes ‘doing a job that makes a difference’ is the most important element in their career, while 25% believe their ideal employer is an organisation with values matching their own. As a consequence, a common

discussion at larger corporates is how to focus efforts with NFPs in order to have a larger impact on an issue or a number of issues that are important to both the corporate and its community. Instead of donating small amounts to a large number of NFPs, many corporates will choose to partner with a smaller number of NFPs that align to their purpose, vision, and strategy.

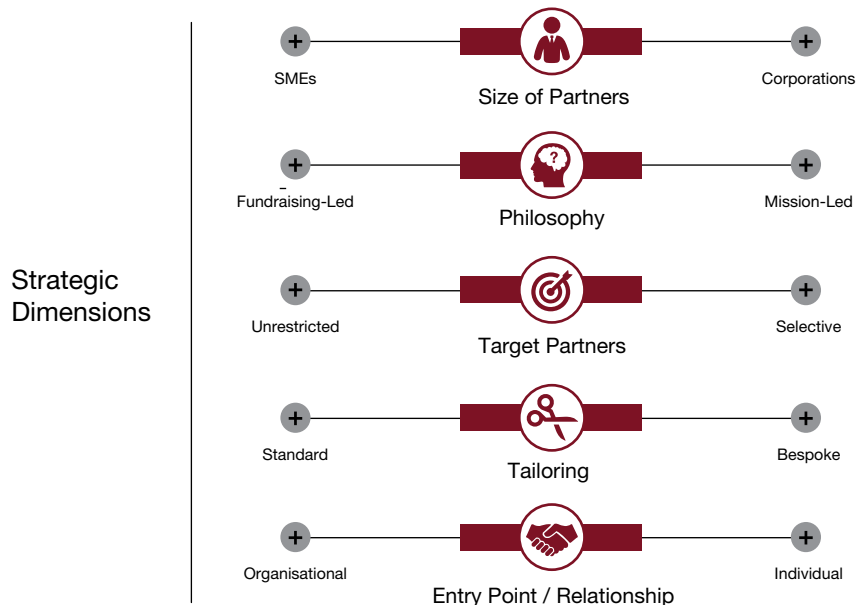
For small-to-medium size enterprises, financial donations continue to be the preferred approach to providing support, as smaller businesses tend to lack the internal capability (and often time) to engage in deep, long-standing corporate partnerships.

Determining your partnership model

Just like NFPs, corporates are not homogeneous. Differences across NFPs and across corporates mean that there is no one way develop partnerships – rather, there are different models to choose from depending on what you want to achieve and the characteristics of your NFP. Lack of clarity on what partnership model you aspire to makes it hard to be successful. Perhaps the best indication of lack of clarity is the question often heard: which function in a corporate should a NFP approach to form a partnership or solicit donations – Human Resources? Marketing? Social Responsibility? Business unit leaders? The staff social club? A coherent model will provide clarity on what the NFP can provide to a corporate, who needs to be approached to create the partnership, and how to develop and maintain it.

There are five elements that tend to distinguish different approaches to forming corporate partnerships – partnership philosophy, the size of corporate being targeted, selectiveness in who you form partnerships with, how standardised your partnerships are, and how you go about establishing partnerships. These are outlined in *Figure five* below.

Figure 5: Strategic Dimensions of Corporate Partnerships



1. What is your partnership philosophy?

Knowing what your objectives are for corporate partnerships is critical to ensuring you select the right types of partner and determining how you build and sustain the partnership. The spectrum ranges from taking a very fundraising-centric approach through to taking a more holistic, full mission lens. Differing philosophies drive who will be involved in forming the partnerships from within the NFP and the skills the NFP needs within its workforce.

2. What size of partners do you focus on?

As outlined earlier, different sized target partners form different kinds of partnerships. NFPs need to be judicious in determining what sized partners they wish to target because what the NFP offers and the resources required can vary considerably. Focusing on large corporates requires more effort to secure and maintain each partnership; focusing on small businesses requires more of a portfolio approach with less time spent on each business. This difference is similar within many industries, whereby the models for interacting with a few large organisations need to be different to those for the many small organisations.

3. How selective are you going to be in partnering?

A NFP needs to determine how selective they will be in their choice of partners. There are more than 2.2M active businesses in Australia that cover most conceivable industries, creating a question for all NFPs as to any moral, ethical, or social boundaries that should limit who they will partner with. NFPs can be very judicious on who they partner to achieve high alignment to their purpose and ethical boundaries, but at the challenge of needing to be successful within a constrained pool. Conversely, NFPs can remain open to partnering across almost all industries, which provides opportunity to target a larger base of potential partners but at the risk of working with imperfect partners.

4. How tailored is your value proposition going to be?

NFPs have a choice in how tailored the proposition they take to each partner is. A highly standardised approach might have a clear menu of partnership options for corporates, ranging from fundraising events to employee engagement opportunities. Bespoke arrangements could allow more variations or even involve building a specific partnership arrangement from scratch with a corporate. Standardised models make establishing and managing each new partnership cheaper, while bespoke models can in some cases better meet the partner's needs or disproportionately help achieve the mission.

5. How do you want to form partnerships?

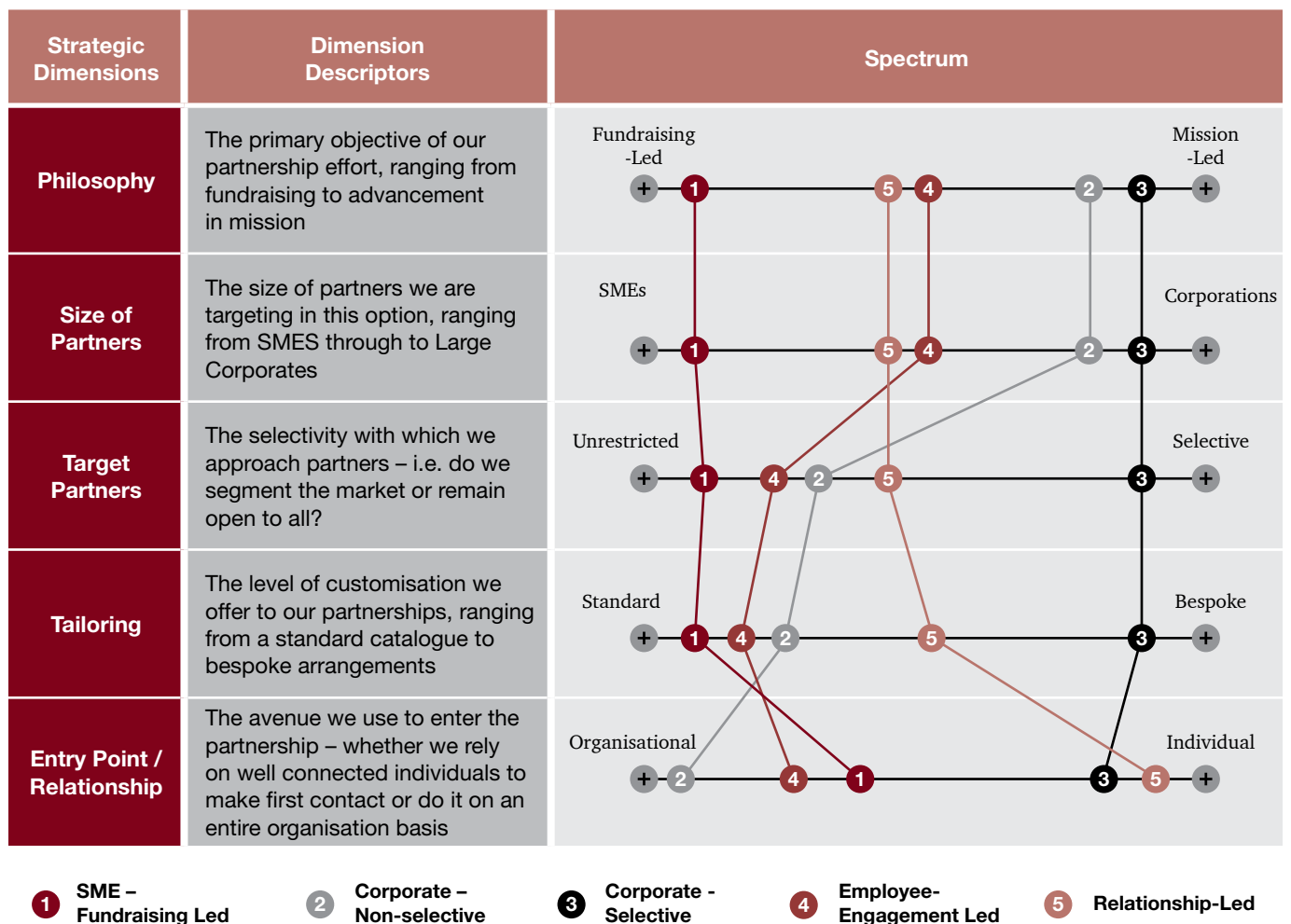
An interesting and increasingly relevant consideration for NFPs is how they enter and nurture corporate partnerships. One view is that efforts need to be focused at least initially on nurturing relationships through a key individual. This approach requires NFPs to carefully recruit their executives and/or board members to be able to secure corporate partnerships through their networks. The alternate view is that partnerships need to be formed on a broad basis from the start, with multiple relationships to build momentum within an organisation and have a coalition of supporters.

What are the ways you can approach corporate partnerships?

As in all strategy, there is no single-best answer for all NFPs on where they should position themselves across these dimensions. They need to reflect on their characteristics and the opportunities available. Each set of combinations will have advantages and trade-offs. What matters is that they make a set of coherent choices across those dimensions. Focusing on small and medium business might be attractive, but it is unlikely to be economic if a highly bespoke partnership is formed for each partner. Similarly, targeting smaller businesses for deep, mission-led partnerships might prove difficult.

We have identified five coherent sets of choices (*figure six*) that we call “pure plays”. Feasible partnership models are not restricted to these scenarios, but they offer a good starting point to refine from.

Figure 6: 5 Pure Plays to Generate Corporate Partnerships



Pure Play 1 – SME Fund-raising-based Partnerships: The first model is very among NFPs, and focuses on targeting SMEs with a fund-raising-led partnership philosophy. The NFP partners with anyone who does not conflict with their mission and approaches potential partners with a standard catalogue of partnership offerings (e.g. different types of donation options). This allows them to have wide reach into local communities and make partnerships highly repeatable and economic. A challenge with this model can be forming the initial partnership menu to take to many small businesses and often needs effective IT systems and a large team to handle a large volume of partnerships being set up.

Pure Play 2 – Broad, Standardised Corporate Partnership: In this model, NFPs target almost any corporate and offer a clear mission-related value proposition. By using a standard menu of partnerships, they are able to address a large market and find opportunities to advance their mission, potentially in areas they may not have initially expected. This type of partnership can need large investment in systems and skills to develop the standardised offering and a broad group of partnership managers.

Pure Play 3 – Selected Bespoke Corporate Partnerships: This bespoke model focuses on a select group of large corporates with a clear mission-focused offer that is tailored to the specific needs of the individual corporate. This model's bespoke approach makes it more costly to form each partnership, and creates concentration in partnerships, but has significant value created from each partnership and where done effectively can form long-lived partnerships.

Pure Play 4 – Employee Engagement Led Partnerships: In this model, NFPs are open to partnering with all corporates who operate consistently with the NFPs mission. The focus of the partnerships is on helping the corporate engage their employees. By offering a standard catalogue, with the opportunity to customise from a base, their proposition remains scalable. It also allows the some NFPs to transcend their access to individual donors and local communities with employee engagement at businesses. Looking back at the drivers for corporate funding, this model directly speaks to the rising trend of employee engagement, making their value offering sought after in the current market. Some industries may be well suited to this model, but it is not for all industries.

Pure Play 5 – Relationship-Led Partnering: This model relies heavily on the relationships that NFP senior executive's hold, with a view to convert their established networks and contacts into partnerships. In this model the NFP is indifferent about the size, industry, and type of support corporates are willing to offer. Since this model is purely based on individual agreements, the speed to establish such arrangements can be extremely fast. The NFP also does not need to build large capabilities to deliver on their partnership, unless the nature of a secured partnership requires them to do so. We have observed in discussions with large corporates, many now have governance models around social investment that define social priorities and processes to provide partnership support, which can place limits on the effectiveness of this model (in addition to it creating key relationship risk).

Each of the five options we have outlined has implications for how the NFP structures itself, and critically the types of capabilities it needs to ensure it be successful. In the table below, we outline some of the critical success factors and capabilities of these models.

Table 1: Five Pure Plays – Critical success factors and capabilities needed

	SME Fundraising Led	Broad Standardised	Selected Bespoke	Employee Engagement Led	Relationship Led
Critical Success Factors	<ul style="list-style-type: none"> • Clear proposition • Easy process to establish and maintain partnerships • Transparent partner pipeline 	<ul style="list-style-type: none"> • Clear menu of propositions • Effective pipeline management • Ability to match standardised offers to particular corporates 	<ul style="list-style-type: none"> • Getting the right people in front of the right partners • Collaboration between mission and partnership staff 	<ul style="list-style-type: none"> • Offerings that appeal to staff • Conversion of employees to individual donors • Creation of strong word of mouth 	<ul style="list-style-type: none"> • Effective relationship management model • Talent management and acquisition
Key Capabilities Required	<ul style="list-style-type: none"> • Multi-channel partnership marketing • Automated partner set up • Partner identification • Branding and marketing 	<ul style="list-style-type: none"> • Partnership model design • Pipeline management • Branding and marketing • Market segmentation 	<ul style="list-style-type: none"> • Partner sensing • Partner management • Relationship management • Market segmentation 	<ul style="list-style-type: none"> • Events management • Campaign management • B2C marketing capability / social media 	<ul style="list-style-type: none"> • Talent selection • Executive / Board relationships • Partner relationship management

A particular challenge for NFPs is that often they are too small or lack the resources to invest in the deep capabilities that may be required to be successful. In itself that strengthens the need for NFPs not to try to operate using all these models but rather focus – otherwise their problems of small scale are amplified by dispersing their scarce resources over a broad range approaches.

One option that NFPs often think about to access capabilities is to look beyond their own organisation. Third party providers can provide some of the capabilities that they need, albeit sometimes at material cost. Alternatively, where capabilities are common NFPs can collaborate to collectively build the capabilities required.

How to go about developing corporate partnerships?

For NFPs who are actively thinking about growing their corporate partnerships, or even those who already have them, there are four questions to reflect on:

1. What are you seeking to get out of corporate partnerships?

If you are not clear on what you want to get out of corporate partnerships, then you are certain not to achieve it. The aim of corporate engagement can be to drive multiple aspects of value such as additional funding, drive mission or elements of both. The specific roles that corporate partners have in supporting the NFPs objectives should be agreed at the outset.

2. What do you have to offer corporates?

Rather than start with what you can get from corporates it is better to be clear with what you can offer them in return for their support. If you are serious about building large corporate partnerships that are multi-year and multi-faceted, then having a clear value proposition is critical to understand, define and articulate.

3. How will you manage the risks associated with corporate partnerships?

NFPs need to assess what their risk appetite is for corporate partnerships and how they might mitigate risks. Some forms of partnership carry higher risk than others, and therefore require more planning to ensure appropriate mitigations are in place in case they fail. NFPs need to be aware of any financial, legal or image related consequences that these partnerships might entail if they fail.

4. What capabilities do you have and what capabilities do you need to build?

Earlier, we introduced some of the key capabilities needed to deliver on the pure play options. The capabilities required to deliver the spectrum of corporate partnerships vary by the depth and breadth of the approach you elect to take. As part of this, consider what your organisation is currently equipped to do, versus what it needs to be enabled to do to meet the demands of your selected approach. Capability development often takes significant time and effort, so prioritisation around how you will do this is critical to ensuring you can deliver on your vision.

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Endnotes



1. Source: The Cause Report: John McLeod, JBWere (2016)
2. Source: Growth and Change in Australia's Charities 2014 to 2016: Ioana Ramia, Australian Charities and Not-for-profit Commission (2018)
3. Source: The Cause Report: John McLeod, JBWere (2016)
4. Source: ABS – Australian National Accounts – NPI Satellite Accounts (2008; 2014)
5. Source: Growth and Change in Australia's Charities 2014 to 2016 (2018)
6. Source: ABS - Australian National Accounts - NPI Satellite Account 2012-13
7. Source: Giving Australia (2016) – Business Giving and Volunteering Report

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