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Editor's Note

Could your nonprofit benefit from a corporate partnership? There are many complexities involved in building a relationship with a corporation — but there are many benefits as well. Typically, corporate partnerships count as only a small fraction of the overall funding received by nonprofits. But this fact has become misleading, because corporate attitudes are changing. Corporations have discovered the marketing power behind philanthropic partnerships, which means the opportunity for funding your mission through corporate partnerships is growing. This issue of *Fiscal Fitness* explores the various factors behind this growing trend and what it means for nonprofit organizations.

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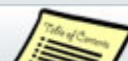


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Nonprofit Support by Way Of Corporate Social Responsibility

Over the past decade, many public companies have revised their corporate strategies and are now beginning to focus on their social roles in society more than ever before. This change has been prompted by increased public scrutiny and global competitive pressures.

Changing the corporate strategy usually involves repositioning resources to develop new relationships with nonprofits to create a mutual benefit. This allows corporations to better serve their business interests and communities, while also creating differentiation from their competitors. Many corporations now fully integrate philanthropy into their overall strategy — aptly labeled "corporate social responsibility."



Corporations want to work with well-managed, progressive nonprofit organizations. They want to develop long-term relationships with nonprofits that demonstrate accountability to their stakeholders. An added benefit to corporations is finding a nonprofit whose mission relates to their core business; for example, Home Depot® partners with Habitat for Humanity®. This changing corporate environment creates both challenges and opportunities for nonprofits looking to grow through corporate partnerships.

Examples of Giving

With a strong economy and rising corporate profits, overall corporate spending on philanthropy has

grown tremendously over the past decade. Corporate giving, cash, and in-kind giving exceeded \$14 billion in 2005, a 22 percent increase from the prior year according to analysis by the Giving USA Foundation™. Recent increases in giving have also occurred due to natural disasters like Hurricane Katrina and the Asian tsunami.

Just over half of all corporate support goes to health and human services organizations, the number one recipient of corporate philanthropy. Educational organizations are the second leading recipient of corporate support, and pharmaceutical companies are providing the majority of this support. During 2005, the pharmaceutical industry gave just over \$8 billion; Merck® is the leading corporate donor in that industry. During 2003 and 2004, Merck® gave \$58 million in cash and \$921 million in medications. Similar to Merck®, many companies are donating products rather than cash, making the donations relevant to their core business.

Market Forces

Public corporations are judged on many levels. Customers, employees, and the general public are considering corporate social responsibility when making decisions about whom they do business with, whom they work for, and what they invest in. More and more employees also value their employers' sense of social responsibility, which offers insight into why corporations now actively involve employees through volunteering and giving campaigns.

With this shift in focus, companies are creating job positions in community relations. The job's functions cut across all aspects of corporate social responsibility and play a greater role in managing resources. These positions also serve a cross-functional role of coordinating resources between various departments, such as sales, marketing, and human resources.

Marketing Focus

Increasingly, corporations are investing their marketing budgets in supporting nonprofit organizations. While corporate giving as a share of pre-tax income has dropped, overall support has increased due to sponsorships and other marketing-focused partnerships with nonprofits.

Concurrently, many nonprofits are increasing their focus on marketing. Some nonprofits employ marketing directors who focus on managing their business-to-business relationships with corporations. And as nonprofits increase their marketing activity, many are also integrating their marketing, public relations, and development functions.

But corporate marketing support doesn't come without risks, and nonprofits should take this into consideration when partnering with a specific company. Some companies focus more investments in creating a positive perception than actually making substantial investments in nonprofits. This can actually force their competitors to take a similar stance and focus more on perceptions rather than true philanthropic support.

Challenge for Nonprofits

To be successful in garnering corporate support, nonprofit organizations need to be able to communicate their missions, the impacts they have on the community, how they are uniquely qualified to serve their causes, as well as understand how to partner with a corporation. Corporations are not experts in these areas. Therefore, they need qualified nonprofit partners to assist them in solving many of these complex issues.



So nonprofits must be clear about their causes, and their missions, and clearly communicate these to potential corporate partners. Nonprofits must also establish a structure for working effectively with corporate partners, and they must dedicate serious resources to this effort. In most instances, this will dictate that the nonprofit establish a professional staff with expertise in working in the corporate sector in order to succeed in the realm of corporate social responsibility.

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