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Publication Details

Cantrell, J., Kyriazis, E., Noble, G. I. & Algie, J. (2006). A Conceptual Model of the Factors Affecting the Choice of Nonprofit Organisation by Large Corporations in Australia. Australasian Nonprofit and Social Marketing (ANSM) Conference Newcastle: University of Newcastle.

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Keywords

corporations, large, organisation, nonprofit, choice, affecting, factors, model, australia, conceptual

Disciplines

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This conference paper is available at Research Online: http://ro.uow.edu.au/commpapers/917

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This paper develops a new conceptualisation of corporate giving which advances our knowledge in the field of nonprofit marketing through the development of a model which assists in identifying the drivers of corporate giving in Australia. Existing conceptualisations are limited in that the commercial realities of corporate life and the pressures that many organizations face in achieving concrete outcomes from their giving behaviour have not been properly reflected in research results. In an environment of increased competition amongst nonprofits for donations in terms of money, resources, and volunteers the better understanding of how and why corporations give will enable nonprofit organisations to better position themselves in communicating with corporations, targeting requests and competing for corporate giving. Using the extant literature and evidence from qualitative interviews conducted with giving managers of eight large organisations operating in Australia (not just Australian owned organisations) we develop a conceptual model of the managerial interpretation and actualisation of corporate policy which incorporates our finding that organisations chose and support their NPOs differently primarily based on how giving managers classify the "value" of the NPO relationship. As a key decision maker or influencer in the choice and support of NPOs the individual giving managers role is explicitly included in our model. This paper adds a further dimension to the literature and an increased understanding of the giving by large corporations to nonprofit organisations.

Keywords: Corporate giving, nonprofit organisation, nonprofit marketing, stakeholder management, social responsibility, corporate philanthropy.

Introduction

Many nonprofit organizations (NPOs) rely heavily on giving in terms of money, resources, and volunteers' time to deliver their social programs. Although corporate giving is only a small part of the total income for Australian nonprofits (averaging 9% of total income; philanthropy.org.au, 2005), and the percentage of corporate organisations that offer their support (i.e. those that do give) is relatively small (Sargeant and Joy 2004), without corporate support many social programmes would be incomplete or would not commence. Since at least the mid 1960's, social commentators and academics have been suggesting that corporations take responsibility for their actions and behave in a more "socially" responsible manner (c.f. Berle, 1962). These discussions have influenced managerial thinking in terms of their corporate giving behaviour and role in society, and over the ensuing decades this has led to the concept of Corporate Social Responsibility (CSR) subsuming what was previously known as corporate giving or corporate philanthropy, and becoming a key component of corporate strategy for large corporations wishing and needing to indicate their commitment to society.

For nonprofit organisations research has shown that adoption of a market orientation can increase fundraising performance (c.f. Bennett 1998). Sargeant, Foreman and Liao (2002, p43) state that in research literature the term market orientation is "(consensually) preferred to denote the implementation of the marketing concept or philosophy", and there is "an overwhelming body of evidence" that this definition has relevance to the nonprofit sector as NPOs need to understand their donor organisations' motivations for and outcome expectations of their giving behaviour. This paper presents a conceptual model of the factors influencing the choice of NPO by large corporations in Australia, based on a study of the existing literature and an initial exploratory study. In particular the factors affecting the individual "giving manager's" interpretation of the strategic intent of their company's CSR programmes, and the stakeholders influence on their interpretation of socially responsible actions is included. Information and knowledge (and understanding) of how and why corporations give will enable nonprofit organisations to better position themselves in communicating with corporations, targeting requests and competing for corporate giving.

What is Corporate Giving?

In reviewing the relatively recent academic literature it becomes apparent that there is a lack of consensus as to a strict definition of corporate giving. Burlingame (2001, p4) states "...let us agree that the term "corporate giving" will reflect what was historically referred to as "corporate philanthropy", and also include cause related marketing, nonprofit sponsorship events, voluntary time contributions given by company employees while on the company clock, and research dollars provided to nonprofits". Kotler and Lee (2005) use a broader definition, calling it Corporate Support and include the above plus items such as access to distribution channels and technical expertise. We define "corporate giving" as *any* assistance in *any* form given by a donor organisation to an NPO with whom they do not have commercial relationship. Our exclusion of direct commercial relationships in the definition excludes cause-related marketing and similar activities. Our definition was developed after hearing the views of the giving mangers interviewed in the exploratory study and is similar to the definition used by the Australian Bureau of Statistics (ABS, 2001).

Motivations for Corporate Giving

Within the field of corporate giving, the reasons for undertaking giving are still not fully understood (Saiia et al., 2003). Historically, the general motivations for corporate giving have been described as a combination of one or more motives. Several authors have attempted to summarise the literature of the past few decades, and conducted primary research themselves, and arrived at the following motives. (c.f. Young and Burlingame, 1996; Campbell, Moore and Metzger, 2002; PM-BCP, 2005) Not all found that all the motives below applied, but the list is an inclusive one.

- Neoclassical/productivity – where the aim is a contribution to profits
- Ethical / Altruistic – Doing what is right for society
- Political – To preserve or legitimise corporate power and autonomy
- Stakeholder – The firm attends to both business and society interests with a complex mix of the above concepts.
- Managerial utility – Managers use their position to advance their social credentials
- Expression of identity or reputation - giving may enhance the reputation of a business.
- Community connectedness

- Reciprocity - may result in an improved business profile or advertising, and attract or retain customers
- Employee satisfaction - Business may attract staff or improve staff retention rates or skills through employee volunteering or giving programs.

It has also been proposed that the motivation for corporate giving "is a reaction to the seismic shifts in the social climate that are a part of each period in history" (Nevin-Gattle, 1996, p15). The role of the corporations' interactions with modern society in this period of history is coming under increased consumer and other key stakeholder scrutiny (Birch and Littlewood, 2004), and the concept of stakeholder influence has been explored in recent research and literature.

Knowledge Gaps in Corporate Giving Models

While individual donor behaviour has been frequently modelled (e.g. see Guy and Patton, 1989 and Sargeant and Joy, 2004), to date, there have been few attempts to model the various aspects of corporate giving. Past researchers have described basic models of corporate giving in specific contexts, geographic locations, and industries which are not generalisable (e.g. Campbell, Gulas and Gruca, 1999). Increasingly, academic literature is discussing why corporations should embrace the philosophy of CSR - within which most authors place corporate giving (c.f. Berle, 1962; Burke and Logson, 1996 and Morimoto et. al. 2005), and evaluating corporate giving from a stakeholders perspective has been a significant focus of CSR literature for more than a decade. There are potentially many stakeholders that support the modern corporation, as demonstrated by Marsden and Andriof (1998) in their study of corporate citizenship, where they identify 23 possible primary stakeholders and 20 general issues in the wider community that can be a source of additional stakeholders. Clarkson (1995) determined that corporations tend to manage relationships with stakeholder groups rather than society as a whole and that it is important to distinguish between the issues raised by each, but Fry and Polonsky (2004) caution that the complexity surrounding the determination of effects requires the proper identification of all stakeholders. Recently a model conceptualising CSR which draws on stakeholder theory has been developed by Brammer and Millington (2004) who examined the influence of stakeholders on corporate giving in socially and environmentally sensitive industries in UK and developed a general stakeholder model of corporate giving (Appendix 1: Figure a). In general, corporate stakeholders can be said to include direct and indirect interests, with other groups (such as pressure groups and local residents) operating at the boundaries of the corporations' environment, all in a network of relationships (Maignan and Ferrell, 2004).

Maignan, Ferrell and Ferrell (2005) developed a model for guiding CSR activities of the firm (see Appendix 1: Figure b). Both of the models in Appendix 1 explicitly acknowledge the influence of key stakeholders on the development of company CSR policy. This CSR policy then provides direction to the manager responsible for the implementation and control of the organisations giving activity i.e., the giving manager. However, these models do not adequately acknowledge the role that the giving manager's interpretation of the strategic intent and socially responsible requirements of these stakeholder influences has on the final choice of NPOs. As part of their managerial role, the giving manager typically has to develop giving policies based on corporate guidelines, pursue relationships that will meet stakeholder expectations and screen unsolicited requests for assistance. Once a decision to give has been made they are also typically responsible for the actual coordination of the giving, the monitoring of its progress, and ultimate evaluation and reporting of its effectiveness. Little

research has been conducted into how the giving managers of large corporations actually perform their role and the effect of stakeholder influence on their final choice of NPO to support. Further, the manner in which giving managers assess a NPOs ability to satisfy key stakeholders expectations is under researched.

The Qualitative Study

To address this gap in the literature an exploratory study was undertaken to better understand the motivations and methods of corporate giving in Australia with an emphasis on understanding how different motivational factors might translate into specific corporate giving programs. By personally interviewing giving managers (40 – 90 min in depth interviews) from eight large companies operating in Australia (See Appendix 2: Table 1) the study focussed on who decides and who implements the philosophy, and then asked four fundamental questions: Why are decisions made to give? What do they give? When do they give? How is the giving structured? From the content analysis of these interviews several keys issues and concepts emerged which have implications for theory development and have been included in our conceptualisation.

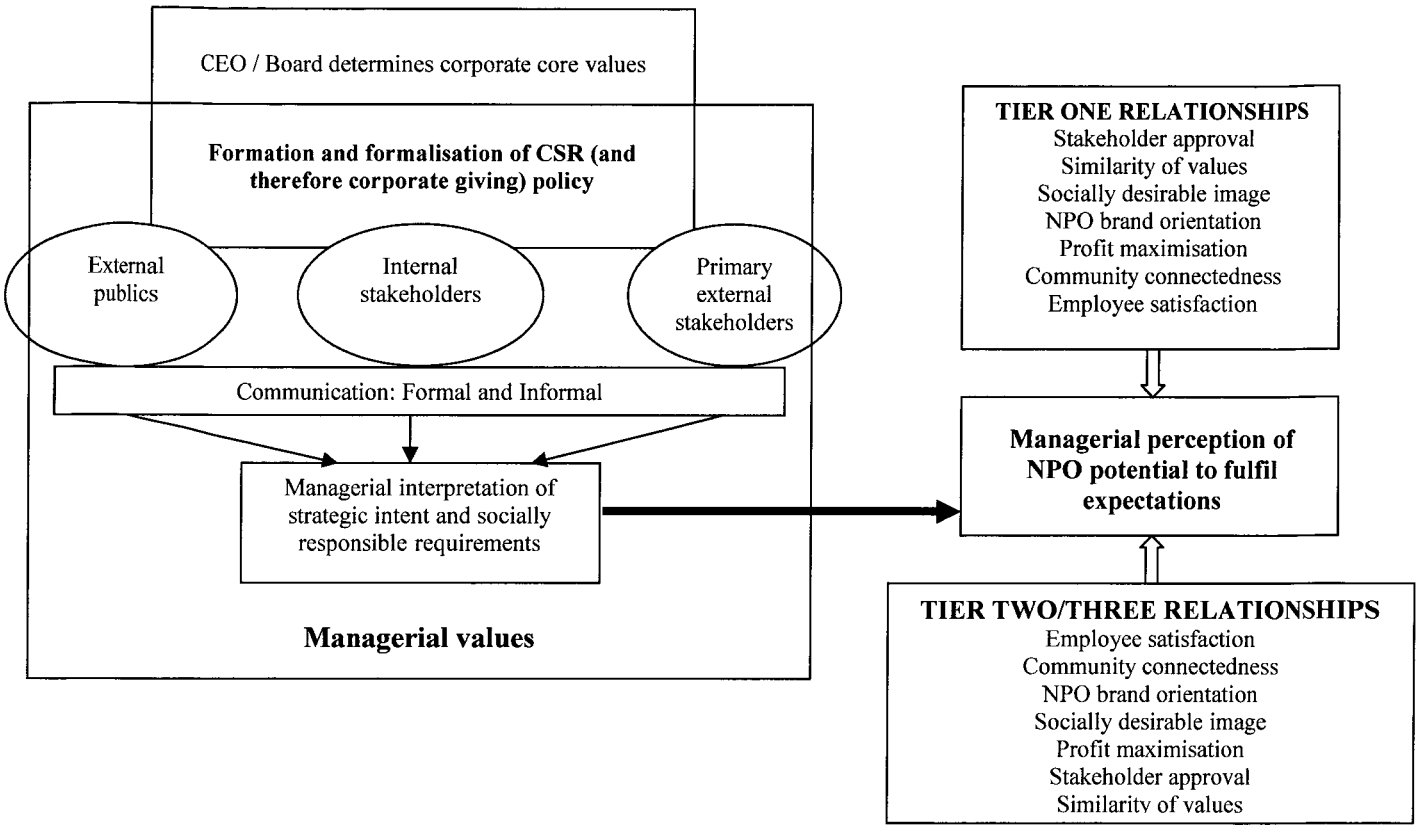
Key Findings and Model Conceptualisation

The findings indicated several areas of research interest to be included in current stakeholder based models of corporate giving. Our findings provided support for previous academic findings (c.f. Morris and Biederman, 1985; Smith, 1994; Saiia et.al., 2003; Ricks and Williams, 2005) that giving by major organisations is becoming strategically driven with clear expectations of a "return" to the organisation. In every case, the company's view of support of NPOs had changed over the past 5 years from less directed giving (e.g., to whoever asked) to a more strategically driven programme, with the giving strategy consistent with the core values the company wished to project to their key stakeholders. What was found that has not been detailed in previous studies was that the giving managers' interpretation of CSR policy was often expressed through there being *several levels, or tiers, of giving programmes - each aimed at different stakeholders and each measured differently and with different outcomes expected.* Each of the firms recognised a need to have a number of giving programs - each with its own strategic purpose but which also linked together in some manner. The major NPO relationship(s) of the corporation (NPOs receiving significant amounts of support) are termed in our model as *Tier One NPOs* with the CSR impact predominately but not exclusively aimed at their primary stakeholder(s), and were nationwide in their giving and exposure and promotion. Tier One relationships were primarily agreed and confirmed by committees with recommendations to the committee made by the giving manager(s). Cash and employee volunteering were the most common methods of support.

Relationships that were developed with other NPOs tended to be much shorter term, with significantly fewer reporting requirements and they were often initiated by the NPO or by company employees through a formalised request process. These have been termed *Tier Two/Three* relationships. Relationships with every NPO were seen as a method of improving relationships with employees, but Tier Two and Tier Three relationships, while not ignoring other stakeholder groups, were aimed primarily at employees and their local community. Programs for these relationships were often regionally and community based, and often included employee gift matching, cash donations and paid time off for employees to volunteer. These findings are incorporated in our conceptualisation (Figure: 1) where the

giving manager clearly interprets differing expectations of NPO relationships based on the strategic purpose of the relationship. Manager's had more discretion in the choice, and the evaluation criteria, of the smaller Tier Two/Three NPO relationships. It is here where the role of managerial values (c.f. Buchholtz, Amason and Rutherford, 1999; and Jones, 2000) may have implications for NPO choice and should be included in conceptualisations of giving behaviour. The impact of this hierarchical effect is that firms gain synergy from each of the giving programs so the overall effect of the firm's giving is magnified.

Figure 1: A Conceptual Model of the Factors Affecting the Choice of Nonprofit Organisation by Large Corporations in Australia



Another key finding was the fact that their giving managers were beginning to seek out possible NPOs for Tier One relationships based on their CSR goals. The implication of this is that they would have to use increasingly sophisticated criteria and evaluation methods when assessing potential NPO relationships, and is a sign of the growing strategic nature of corporate giving. This marries well with recent research evidence that NPOs which adopt a "brand orientation" approach to their marketing are more likely to be successful in attracting significant corporate support (c.f. Hankinson, 2002; Ewing and Napoli, 2005) as they can promote the "relationship value" to the giving organisation. What has been missing prior to our conceptualisation is the emphasis on the giving manager's perceptions of NPO relationship value in fulfilling key stakeholder expectations.

Conclusion and Future Research Directions

As noted above, company giving in every case had changed in the past five years, with giving becoming more "strategic" and the giving strategy consistent with the core values the company wished to project - but being different for different stakeholder groups. The giving

of the interviewed companies was structured into various categories, with each stakeholder group more or less a target for the results of the giving. Our conceptualisation provides for the significant role in corporate giving played by the modern giving manager and offers new data for NPO fund raising managers and donor management, as well as future directions for researchers investigating CSR and NPO marketing. Additional research focus needs to be provided on the giving managers' role in interpreting policy and stakeholder influence, and the manner in which this manifests itself in the way NPO relationship value is assessed, monitored and reviewed are under researched areas. Additional research is also suggested on the relative importance and influence on the choice of NPO of aspects such as NPO brand orientation from the giving managers' perception, similarities of the values of the donor and NPO, community connectedness, employee satisfaction, corporate image and "profit" maximisation – i.e. how the combination of these factors is weighed for the NPO choice decision by corporate giving managers.

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Appendix 1

Figure a: A stakeholder model of charitable corporate donations, (Brammer and Millington, 2004)

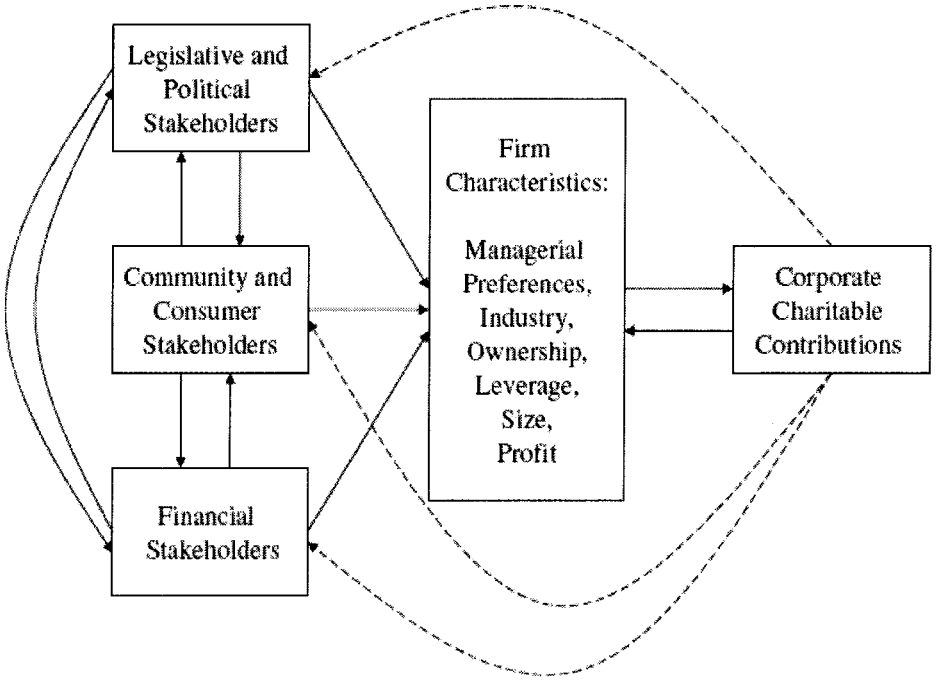
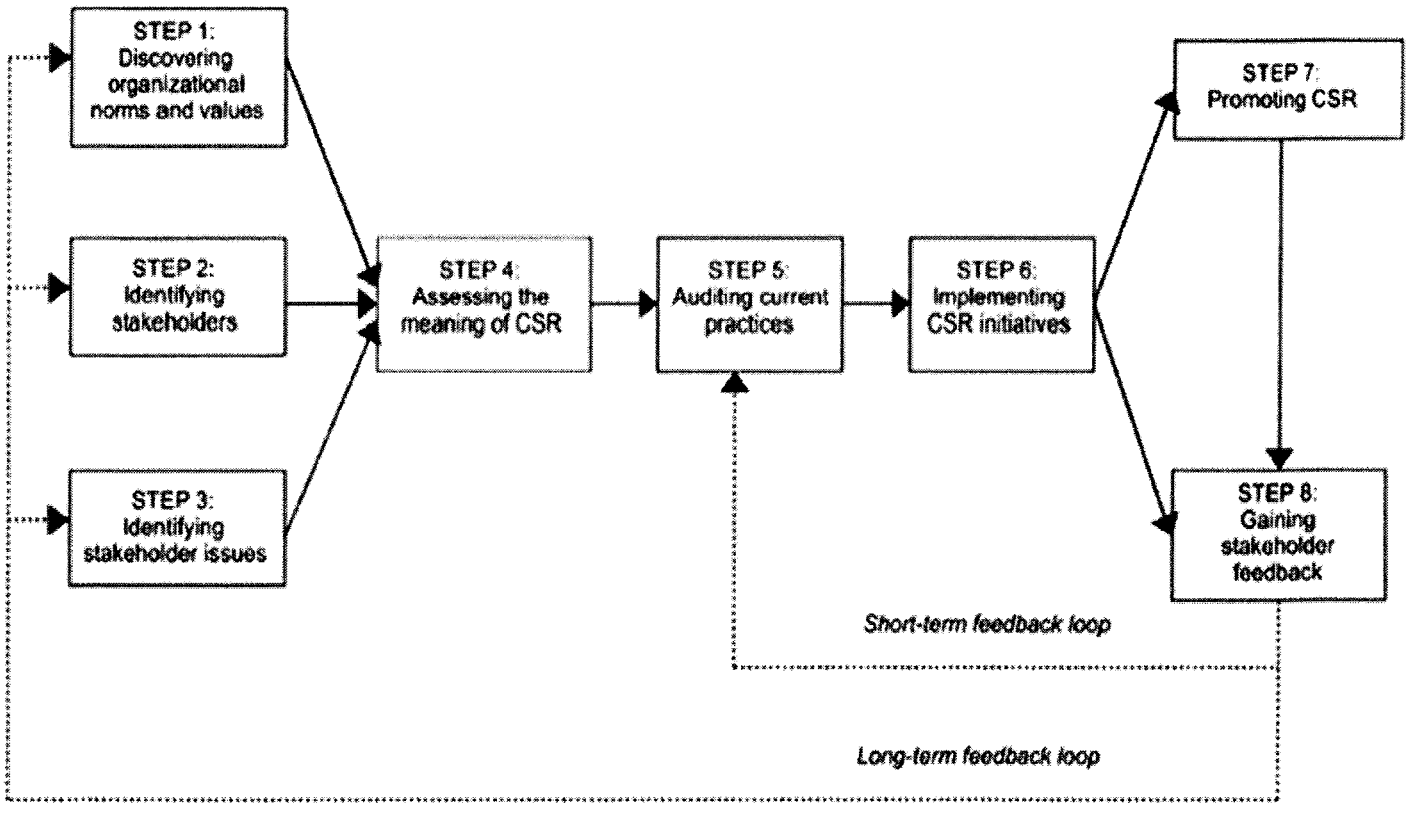


Figure 1. A stakeholder model of corporate charitable contributions

Figure b: A step by step approach to implementing CSR, (Maignan, Ferrell and Ferrell, 2005)



Appendix 2

Case	Industry	Aust turnover	Ownership	Aust Workforce
1	Insurance	>$A5 bill	Australian	> 10,000
2	Manufacturing	>$A5 bill	Australian	> 10,000
3	Business Services	>$A100 mill	MNC	> 1,000
4	Mining and processing	>$A3 bill	MNC	> 5,000
5	Pharmaceutical	>$300 mill	MNC	> 1,000
6	Retail	>$A1 bill	Australian	> 10,000
7	Business Services	>$700 mill	Australian	> 10,000
8	Finance	>$A1 bill	MNC	> 1,000

Table1: A summary of the key characteristics of the eight cases (MNC = Overseas owned multinational corporation) Anonymity was a condition of interview.