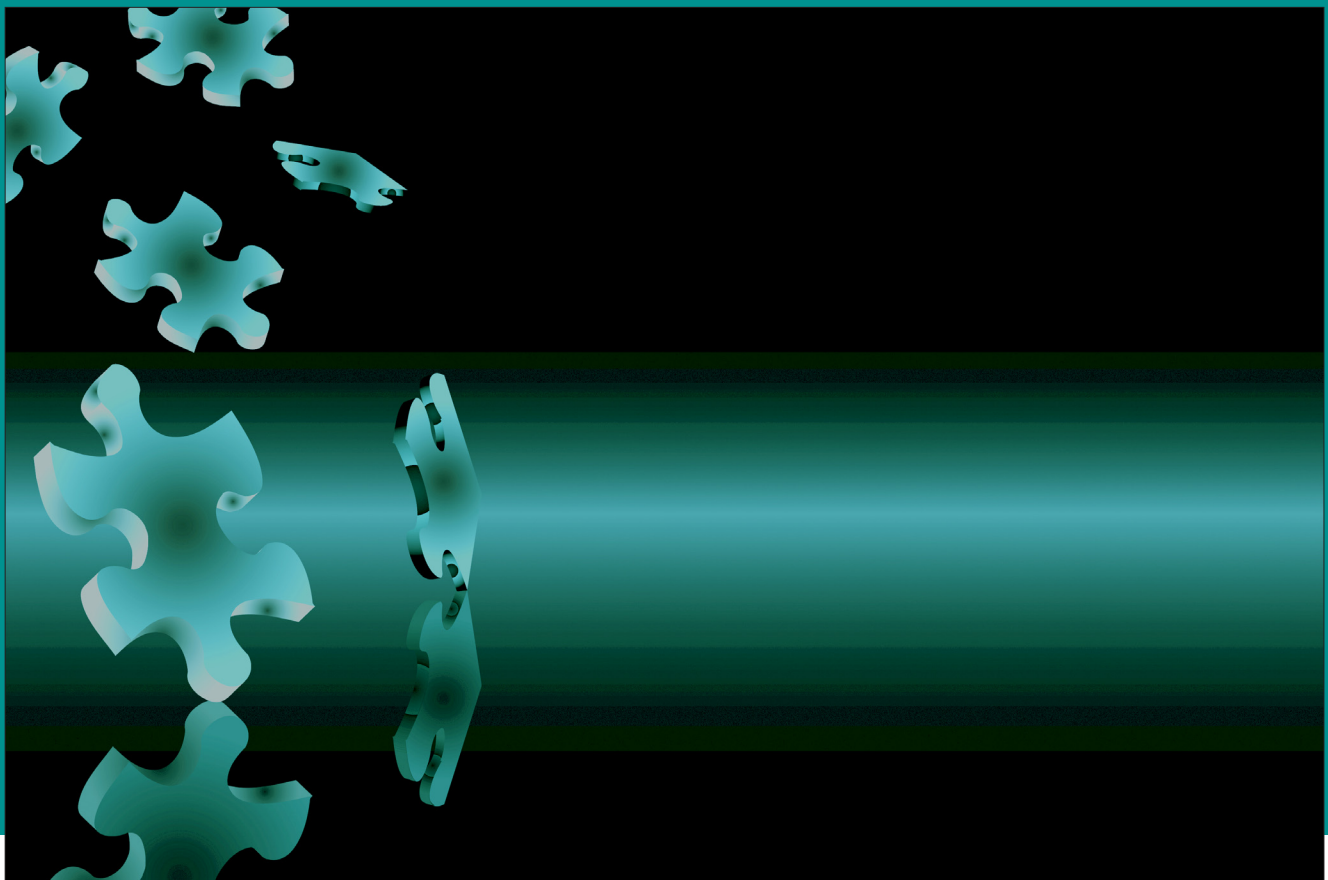


Corporate Social Responsibility:

*A Not-For-Profit Perspective
Interviews with the sector*



February 2009

This report was written by Jeffrey Largier and Jeffrey Leong in partnership with Oxfam Australia SkillShare and the VCOSS Training and Development Clearinghouse.

The VCOSS Training and Development Clearinghouse works to build a stronger community sector by facilitating training and development opportunities. For additional assistance please contact the Clearinghouse on 03 9654 5050 or visit the website: <http://www.vcross.org.au/clearinghouse>

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- South Eastern Region Migrant Resource Centre
- Turning Point Alcohol and Drug Centre
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Introduction

This report is designed to help the Not-For-Profit (NFP) sector understand the key issues, challenges and opportunities in Corporate Social Responsibility (CSR) and propose strategies that have been useful for NFPs. The ideas in this report are drawn from our conversations with 14 NFPs and a selection of their corporate partners. Included with this report are nine case studies drawn from the experiences of Victorian NFPs that illustrate real world examples of the ideas in this report.

Throughout our conversations we heard about many exciting opportunities that corporate community partnerships offered NFPs. We also heard about many NFPs that were frustrated by their inability to find corporate partners or extract meaningful value from CSR. We found that the organisations that were most successful at CSR were the ones that invested time, effort and resources in CSR and were flexible in balancing their needs with those of their corporate partners. At the same time they took a pragmatic approach to CSR, being realistic about what they hoped to achieve. These organisations realised that CSR was not a “free lunch” but a mutually beneficial partnership. They realised that NFPs have to work at giving something back to their corporate partners.

This report begins by looking at the nature and development of NFP organisations. We consider the causes and effects of the expectations gap that can develop between the corporate and community sectors; underpinning many of the difficulties in CSR. Strategies that have been used by NFPs to overcome the expectations gap are then explored. We then go on to look at how NFPs develop relationships with the corporate sector – one of the most important and yet challenging aspects of CSR. The report then looks at the different modes of engagement in CSR. The report concludes by looking at some steps that could be used by the NFP sector to maximise their outcomes from CSR.

Section One:

The Not-For-Profit Organisation

Two sides to the organisation

The Not-For-Profit (NFP) organisation has two complementary functions: it is a user of resources and a raiser of resources. As a user of resources it is concerned with dealing with a particular social need. As a raiser of resources its function is to secure the resources from individuals, corporations and governments that it needs to implement its mission. There is a deep understanding throughout the NFP sector about the NFP organisation as a resource user. However, the role of the NFP as a resource raiser is less well understood, especially amongst smaller community groups. As a result, many organisations find that their ability to develop successful projects and programs is thwarted by a lack of resources.

Being good at using resources does not make you good at raising resources and vice versa. This is because the required skill sets for each function are not necessarily complementary. If a NFP is to survive and prosper it needs to be an idealist in using resources but a pragmatist in raising resources. To be a successful user of resources you need to be client orientated, compassionate, collaborative and giving. To be a successful raiser of resources you need to be donor focused, self interested, competitive and transaction orientated. Developing their ability to raise funds will have immense payoffs for many NFPs and their clients.

The development of a Not-For-Profit

A NFP usually starts with the social vision of its founder. Driven by a keen sense of social need, the founder is instrumental in catalysing action and driving the organisation on during its early years. It is typically focused on its role as a resource user. However, a NFP organisation has to formalise and professionalise if it is become sustainable and outlive its founder's enthusiasm and energy. In this formalising stage the NFP typically recognises the duality of being both a revenue raiser and a revenue user, employs specialised staff, increases the sophistication of its governance and secures longer term funding.

The role of corporate support

The government is a powerful source of funding for the NFP sector. The government generally shares similar ideologies with the community sector; both are in the business of providing social services. However, there can be much to be gained in seeking support from the corporate sector as well as from the government. Government funding is generally undiversified, which exposes the NFP to significant political risk. Some NFPs find that government funding is tied to onerous reporting requirements. Government funding also tends to focus on financing specific projects rather than providing resources for infrastructure funding, innovation and growth.

While corporate-community partnerships are not a silver bullet to providing resources to the community sector, corporate partnerships can allow NFPs to access different modes of resource provision as well as allowing access to different skill sets and perspectives. Corporate-community partnerships are usually best suited to bolt on projects rather than as a reliable ongoing source of infrastructure funding. Many NFPs suggest that the most effective source of resources for a NFP is a three way partnership between the community, government and corporate sectors.

To learn more about the benefits of corporate support as experienced by Good Shepherd, turn to page 25

Section Two: The Expectations Gap

Differing Investment Philosophies

Corporations and NFPs have different investment philosophies which stem from their unique world views. Their different world views are born out of the nature of their organisations and objectives. These differences in investment philosophies can lead to differences in expectations. To maximise the benefits of CSR, it is important to understand how each side thinks.

Not-For-Profit Investment Philosophy

There are three ideas that underpin the NFP investment philosophy.

The Black Box effect

NFPs are in the business of solving long-term complex social problems. They are used to spending money with the expectation of long term results where the link between cause (use of resources) and effect (positive social outcomes) is clouded. This can make investing for social outcomes appear like a “Black Box” where the inner workings of how inputs are turned into outputs are obscure. NFPs also realise that the effects of their current operations can ripple out to create significant positive outcomes in future generations. This can make the outcomes of NFP social investment hard to measure due to the diffuse and long term benefits that it brings.

Prevention as goal

The fundamental goal of a NFP is to prevent rather than to create. A NFP works to prevent a future negative social outcome from taking place. This makes it very hard to measure the effect and success of a NFP. For a NFP, success can go unnoticed because it is defined by what doesn't happen rather than what does happen. NFPs can be immensely beneficial to society; however they often won't be credited for their successes and won't be able to use the outputs of their programs to justify what they invested.

Human life is invaluable

NFPs tend to view human life as invaluable. They can often have the belief that if their organisation were to save only one life, then its existence (and all of the resources that were put into it) would be justified.

Corporate investment philosophy

Corporations have a different perspective when it comes to investing resources to achieve their objectives. Due to the nature of the operational and governance realities of modern corporations they tend to focus on cost control and measurement of immediate outcomes. Rather than embracing the “Black Box” effect, corporations focus on comparing outcomes to inputs. Corporations also have creation rather than prevention as their goal. They raise funds by delivering their products and are less focused on wider intangible effects on society. They are also closely monitored by shareholders who focus on short-term results, incremental and measurable improvement as well as the ability to generate sustainable profit.

The result of the corporate investment philosophy is that they are very value for money orientated. They focus on cost control, measurement of outcomes and justifying every dollar spent. They also have a premium on immediacy. They like to see the immediate results of their actions and they need to be able to justify them to short term orientated external stakeholders.

The expectations gap

Corporates and NFPs have divergent investment philosophies which can create different expectations when approaching CSR. Where NFPs are more comfortable with living with hard-to-measure outcomes, corporates are very focused on measuring immediate returns. Where NFPs are happy to prevent negative social outcomes that are widely distributed in societies, corporates prefer to own a particular patch and to create measurable outcomes.

These divergent expectations and investment philosophies between potential CSR partners can make it difficult to match needs and develop mutually beneficial projects and partnerships. There are altruistic and passionate people in both corporations and NFPs, but often the potential of CSR relationships are not realised. Part of the reason is the gap in expectations of what makes a successful or a value-adding project. NFPs and corporations can use different yardsticks to measure and define what constitutes

successful investment in a social good. In order for CSR to be as successful as it could be, both sides have to work within this paradigm of divergent expectations to achieve convergent outcomes. The next section of this report will begin to explore ideas of how this can be achieved.

To learn more about the expectations gap, find the case study “The Fifteen Foundation” on page 26

Section Three: Overcoming the Expectations Gap

For Not-For-Profits to overcome the expectations gap in CSR, they have to understand the corporate perspective. They can then reframe their mission so that it can be better understood by potential corporate partners. They can also look for competitive advantage in CSR, to make their programs and projects more attractive to corporates.

Understanding the other side

The first step in overcoming the expectations gap is to understand the expectations and organisational constraints of the other side. A NFP needs to understand what a corporate needs to get out of CSR in order to meet their expectations of immediacy and value for money. A NFP has to allow a potential corporate partner to judge a proposed CSR project as successful using its own yardstick. In order to do this, a NFP needs to know how to talk the corporate talk and understand corporate motivations.

Generally, a NFP comes to understand the corporate perspective by accessing, in one form or another, corporate insiders. One common way to do this is to have someone with corporate sector experience on your staff. Often these staff will be in a fundraising/ corporate liaison role. However, just having people with a background in the corporate sector on its staff, even in a back office capacity, can have an impact on a NFPs ability to understand and engage corporate expectations. One NFP found that having an assistant to the CEO who had previous experience in the corporate sector allowed them to have a better understanding of their corporate counterparts.

Other NFPs build their ability to understand the corporate sector by directly engaging with sympathetic individuals in the corporate sector. Some NFP have used skilled corporate volunteering to develop marketing materials for potential corporate partners. Other NFPs have found champions within partner (or potential partner) corporations to better understand the expectations of the corporate. In longer term CSR partnerships, it is common to find champions organically emerging within the partner corporation with a special interest in bridging the gap between the two organisations. Understanding corporate expectations is a learned skill; the more that NFP staff are in contact with corporations, the better their understanding becomes.

To learn more about how Turning Point used skilled volunteering to understand corporate needs, turn to page 27

Reframing the mission

Once NFPs have an understanding of corporate expectations, it is important that they tailor their message to be effective. This can involve reframing the NFPs mission and anticipated project outcomes in a way that can be understood by corporates. This is not about a NFP changing the way that it uses resources; it is about the way that the NFP pragmatically communicates what it does in order to raise resources.

A NFP has to find ways of making their long term, diffuse outcomes immediate and accessible for corporations. One common way of doing this is to let the clients tell their stories. This is an emotive and immediate way of communicating the issues that the NFP faces. It turns a seemingly overwhelming problem into a personal one. Using clients to tell their story also lets the NFP communicate its successes. A NFP client talking about how their life has been changed allows corporates to see the future impact of their actions and removes the “Black Box” effect where the cause and effect of their participation in CSR is lost. Long term success is shown retrospectively and made real. However, there is a challenge in letting NFP clients tell their own story: the NFP has a duty to protect the dignity and vulnerability of their clients.

Traditionally, NFP clients have told their stories through written case studies or in person. Face to face client interaction with corporates can be more powerful and evocative. However, it can make NFP clients vulnerable so it is only appropriate for certain types of NFPs and clients. Written case studies are useful and protect the rights of the client. However, they are at arm’s length so they create less of a sense of immediacy with corporates.

A more innovative way of allowing NFP clients to communicate their stories is through art and creative expression. NFPs have used modes of expression from hip hop music to painting in order to let their clients to communicate their stories. This communication strategy allows the NFP mission to be communicated effectively and evocatively whilst allowing their clients to retain their anonymity and protect their vulnerability. Corporations

have shown great interest in sponsoring art based approaches to social welfare; probably due to the immediacy and emotive appeal of the programs. Some NFP organisations have successfully used art to reframe and re-brand what their organisation is about. They have used art to engage with corporations and educate them about their organisation.

To learn more about how MacKillop Family Services used art to reframe their mission, turn to page 28

Looking for competitive advantage

There are an estimated 700,000 NFPs in Australia,¹ many of which support worthy causes. Because research has also found that 93% of corporates need a business case to invest in CSR,² a NFP has to have something to offer if it hopes to differentiate itself from the other NFPs and attract a corporate partner. Many NFPs underestimate what they have to offer a corporation, and don't necessarily understand where their competitive advantages lie.

There are many things that give a NFP a competitive advantage that it can offer a corporation. At a basic level, a NFP offers external validation of corporate values. If corporates claim that they have a particular value (for example, they value diversity) it can sound supercilious. A NFP gives the corporation the credibility to effectively endorse a corporate value (for example, if a NFP dealing with women's issues praises a corporation's diversity then it carries some weight). A NFP also offers employee engagement opportunities. Volunteer programs, NFP events and building community goodwill are all highly valued by corporations. A NFP can also find an area of joint interest with a corporation and run a partnership to meet joint stakeholders. NFPs can also be gatekeepers to broader networks of business, community and government contacts. Many NFPs act as connectors – they take high value corporate partners and allow them to access their networks. A NFP often has proprietary information or expertise. It can often develop a deep understanding about a segment of society or a particular social issue which can be of great value to a corporation.

1. The Prime Ministers Community Business Partnership, 2005, *Giving Australia: Research on Philanthropy in Australia*

2. Centre for Corporate Public Affairs. 2007, *Corporate Community Investment in Australia*

To learn more about how Road Trauma Support Team Victoria is finding a competitive advantage in CSR, turn to page 29

Section Four: Building Relationships

Building relationships is perhaps the most important part of developing strong CSR capabilities. It is also the part that many NFPs find most challenging. Smaller NFPs often feel shut out by potential corporate partners. Even larger NFPs with successful CSR programs cite building relationships as a key challenge. This section is designed to outline common problems in building corporate-community relationships and outline some strategies commonly used to realise success.

The difficulty

One problem in building CSR relationships is the lockout effect: many NFP feel that if they don't have an existing relationship with a corporation they are locked out of CSR opportunities. There is an increasing trend towards consolidation as corporates move away from broad-based ad hoc giving to more targeted strategic partnerships with NFPs. Corporates are taking on fewer NFP partners with whom they develop closer, more comprehensive relationships. This creates an incumbent advantage where existing CSR relationships become entrenched at the expense of those NFPs without corporate partners.

A similar problem is the snowball effect: success in CSR is compounding. NFPs with high publicity and sophisticated CSR programs become the first port of call for corporates, shutting smaller NFPs out. Corporates communicate and compete when it comes to CSR. There are informal networks where corporate CSR practitioners communicate about the merits of NFP partners and use their contacts to vet potential NFP partners. Some NFPs have also found that government often seems more willing to invest in a NFP when it has high profile partnerships. As a result of the snowball effect, many NFPs hope for a "big win" – they feel that if they can attract a significant partnership from an influential corporate then further relationships will evolve.

Working networks

One common trend amongst all NFPs with sophisticated CSR programs is that they built their corporate relationships using their networks rather than relying solely on formalised

CSR application processes. NFPs that are successful at CSR typically ask “who do we know?” when initiating contact with a corporation. NFPs can find greatest success when they focus on winning the support and endorsements of corporate “green-lighters”; influential people in corporate management whose support will lead to a CSR relationship getting the green light. This approach can often be necessary as corporations often have official and unofficial policies that require staff support as a prerequisite for CSR engagement. Even corporates who claim to develop CSR programs through process rather than informal networks still require high levels of broad based employee support for particular causes in order for them to instigate CSR programs. The reason for this is because corporations focus on employee engagement when designing CSR programs.

NFP board members can be particularly important when it comes to building networks and relationships with corporates. One of the roles of the board is to open doors, create new relationships and cement old ones. Board members are often chosen not only for their skills but also for their networks. NFPs successful at CSR also explicitly support and train their board in facilitating the building of contacts in the corporate sector.

Investing in relationships

Successful CSR relationships develop over time and can require substantial investment of time, effort and resources before they begin to pay off. This period of investment and interaction allows the two organisations to get to know each other, for the NFP to communicate its mission and values in a meaningful way and to develop trust between the corporate and the NFP. Before investing in a relationship, it is important to research potential partners well. Thorough research allows the NFP to gauge compatibility (an interest in the same cause) and capacity (the ability of the corporate to add value through a CSR program). It is also important for the NFP to invest in multiple corporate relationships simultaneously. Not all relationships that the NFPs invest in will turn into CSR partnerships. It is necessary that the NFP has a well diversified portfolio of potential relationships to achieve long term success. Many smaller NFP are reluctant to invest in relationship building as they think that the money would be better spent on providing services for their clients. However, the potential rewards of a well executed CSR investment strategy can be significant and investing in relationships recognises the importance of the resource raising as well as the resource using function of a NFP.

The first embrace

Often a corporate will insist that the initial contact between itself and the NFP is on the corporate's terms. This can take the form of a value destructive unskilled employee volunteer program (EVP), inappropriate skilled volunteering projects or inappropriate resource donation. The value destructive first embrace often is a product of a corporation misunderstanding the needs of a NFP or because it is too focused on its own objectives. The first embrace is usually an indication that the corporate is interested in the NFP's cause and programs. Some NFPs reject this form of first embrace because it adds nothing to their organisation. However, if a first embrace is rejected it generally terminates the relationship (or potential relationship) between the NFP and the corporate. Other NFPs view the first embrace as an investment in the future relationship between the two organisations. They use the contact to build goodwill and to educate the corporate of the needs of the NFP with the view to escalating the relationship between the two organisations to the point where it does add value to the NFP. Investing in a first embrace can be an important part in building corporate relationships however it needs to be well managed to prevent the NFP being taken advantage of.

To learn more about Ardoch Youth Foundation's experiences with a first embrace, turn to page 30

Demonstrating appreciation

Following up on successful CSR engagements is an important part of relationship management. When a commitment has been made or a program completed the NFP should demonstrate its appreciation by formally recognising the contributions of its corporate partner. NFPs successful at CSR use this part of a CSR project to escalate the relationship, ensure the corporates feel satisfied with the project and allow the corporate employees to participate in its success. Demonstrating appreciation is an important part of providing corporations with an opportunity to fulfil its CSR object of employee engagement.

There are several common methods of demonstrating appreciation. The most effective involve face to face contact and should involve senior NFP and corporate staff. This should be seen as a forum for relationship building. Some NFPs have an afternoon tea or a party to which they invite representatives and key contacts within the corporation. Other

NFPs organise complementary corporate tables at fundraising balls and events. Other NFPs take key contacts out to dinner. All these events allow the corporate-community relationship to deepen, allowing a more casual forum for the NFP to communicate its mission and needs. NFPs that are successful at CSR often make a significant effort to maintain relationships with past corporate partners, even if there are no ongoing programs. This keeps the opportunity open for renewed CSR programs and allows the NFP to deepen its networks and contacts.

Section Five: Modes of Engagement

The Cash Clash

As a general rule, NFPs prefer untied cash donations over all other modes of CSR engagement. They consider cash to be efficient and it allows them the autonomy to follow their investment philosophy. However, cash is the least preferred form of CSR for corporates. This sets up a clash over how resources are provided in CSR relationships. NFPs tend to overestimate the amount of cash that corporates have to spend on CSR. Corporates tend to overestimate the value that they impart through non-cash modes of engagement. In order for CSR to be more effective, both sides will have to be more realistic about what modes are most effective for the other side.

Constraints on corporate cash donations

Corporations generally have less money available for CSR than NFPs realise. Corporate CSR budgets are often small with strict internal accounting controls. Any cash that is donated has an immediate effect on the corporate balance sheet and decreases shareholder returns. Corporate managers are accountable to shareholders with a duty to maximise financial returns. Employee engagement also drives corporates preference for non-cash engagement. As it is arm's length, cash giving gives the least opportunity for corporate employees to get involved. There may also be more complex governance, accounting and taxation implications of cash donations.

One further problem with corporate cash donations is that it is a long-term zero sum game. There is a maximum amount of cash that corporates will ever be able to contribute to CSR – which will be a small proportion of pre-tax profit. Financial shocks such as the current credit crisis will also diminish the amount of cash that corporations can contribute to CSR. If NFPs only focus on cash donations from CSR, they will end up competing to get more cash at the expense of other community groups. To maximise the impact of CSR, NFPs have to look for productive non-cash CSR such as strategic partnerships, corporate volunteering and non-financial resource sharing. Another interesting way that NFPs can access resources from corporations is to look for back door ways of getting corporates to

spend cash. It is sometimes possible to get corporates to spend cash indirectly on NFPs, accounting for it as training costs or something similar. This means that the pool of money that the corporate has to spend on CSR could be greater than the CSR budget.

Non-financial resource sharing

Non-financial resource sharing, if well managed, can be a good way for NFPs to access supplies and resources. Corporates prefer this form of giving to cash grants as they can often provide goods at below market cost, giving them a competitive advantage in donating. It also may not have the same immediate effect on the balance sheet of the corporation. Non-financial resource sharing can also provide corporations with a greater sense of immediacy as the resources are immediately put to use in a tangible way.

However, if non-financial resource sharing is to be successful it needs to be tailored to meet the requirements and operational needs of NFPs. Many NFP find that corporates try to donate inappropriate products as a method of disposing of surplus inventory. There are many stories of NFPs having to reject or dispose of inappropriate corporate resource donations. For example, one corporation donated toy guns as Christmas presents for abused and neglected children. For non-financial resource sharing to be a success, there needs to be a higher level of communication between the NFP and corporate sector to make sure that NFP needs are met.

To learn more about Fitted For Work and Ardoch's success with non-financial resource sharing, turn to page 31

Employee volunteer programs

Employee volunteer programs (EVPs) are a high growth area of CSR. Corporations tend to have a preference for EVPs due to the fact that they are low cost and are highly engaging to employees. This is driven by a genuine desire of many Generation X and Y employees to give something back. However, the true value of EVPs to NFPs is contentious. This section begins by looking at how corporate volunteering is valued. It then goes on to look at both skilled and unskilled corporate volunteering.

Valuing volunteer programs

Whilst some corporations have a sophisticated understanding of corporate volunteering, there is also a high degree of misunderstanding in the corporate sector about the value of volunteering. Many corporations tend to think that any CSR is good CSR and, as a consequence, that all volunteering adds value to the NFP sector. Unfortunately, this is not the case. Corporate volunteering can add or destroy value for NFPs, depending on how the programs are structured and whether the focus is on the needs of the NFP and its clients.

Often, corporations tend to think about the value that they add to NFPs through volunteering as a direct value transfer. They tend to see the value of volunteering as:

$$\text{Value of EVP to NFP} = \text{Cost to Corporate} = \text{Cost of Employees}$$

This way of valuing EVPs overstates both the value imparted to the NFP and the cost to the corporate. A more realistic expression for the value of volunteering is:

$$\text{Value of Corporate Volunteering} = \text{Value to Corporate} + \text{Value to NFP}$$

Corporate value

$$\text{Value to Corporate} = \text{Benefit of EVP} - \text{Cost of EVP}$$

Traditionally, corporate volunteering has been portrayed as a cost for corporates. This is at odds with the fact that corporations often insist that corporate volunteering be a part of any CSR program, due to the positive effects it has on employee engagement. This needs to be taken into account when calculating the true value of EVPs to the corporate. The value that a corporation gets from an EVP could be valued by using the cost of paying for a professional teambuilding day as a proxy, which could run into the thousands of dollars a day for a team of employees. There are also benefits from EVP such as PR, goodwill generation and the ability to engage employees.

The costs to a corporation of running an EVP are better understood. These include the cost of employees' salary as well as any resources, administration costs or cash that the corporation contributes to help run the program.

Not-For-Profit value

$$\text{Value to NFP} = \text{Benefit of EVP} - \text{Cost of EVP}$$

The benefit of corporate volunteering to a NFP is the market value of work

contributed by the corporate volunteers, as well as the value of resources and cash contributed by the corporate to fund the EVP. The market value of work contributed is the cost of paying for the outputs at market rates rather than the cost to the corporate of providing the volunteers.

The cost of running an EVP for the NFP can be significant and are often not considered by corporate partners. These costs include administration costs, NFP staff time, any food and transport given to volunteers as well as the materials and supplies needed for the work undertaken by the volunteers.

Creating shared value

A good EVP is one that is balanced and mutually beneficial. If corporations have unrealistic expectations about the value of corporate volunteering, they will be less willing to make an EVP cost neutral. Corporations will tend to think that providing volunteers alone will be enough to create meaningful value in the community sector. Expecting the community sector to engage in CSR on these terms will have long term negative consequences for the NFP sector. The NFP sector needs to ensure that the realities about the value that EVPs contribute to their organisation are being communicated. This is already happening in an ad hoc manner as individual CSR relationships develop. It would be more helpful if this happened in a more systematic manner. There is still a very strong case to be made for corporate volunteering. However, both sides need to be realistic about the value that is being imparted. If EVPs are value destructive for the NFP, the corporate partner needs to give more financial or in-kind support to make it mutually beneficial.

Unskilled volunteering

Unskilled volunteering is the most common form of EVP, where corporate employees volunteer in structured programs to undertake manual or unskilled labour. Many corporations often insist on unskilled EVPs as a prerequisite for any CSR engagement. There are two significant problems with unskilled corporate volunteering. The first is that there is a “volunteer value gap.”³ There is a large difference between the cost of employees (a cost to the corporate) and the market value of their unskilled labour (a benefit to the NFP). This means that unskilled volunteering can often be inefficient and create unrealistic corporate expectations. The second problem with unskilled corporate volunteering is that there is a chronic lack of opportunity for value adding EVPs in the NFP

3. The Allen Consulting Group, 'Global trends in skill-based volunteering', 2007

sector. As a result, many NFPs get corporate volunteers to participate in EVPs that add very little value to their organisation (with the notable exception of mentoring programs). The net result of these two problems is that many NFPs engage in unskilled volunteering for the goodwill aspect alone. EVPs are commonly seen as a prerequisite for cash funding and are actually value destructive for NFPs as a stand alone program.

To learn more about Lighthouse Foundation's experiences with unskilled volunteering, turn to page 32

Skilled volunteering

Skilled volunteering is one of the more promising areas of CSR due to the fact that it gives corporate volunteers hands on experiences, overcomes the volunteer value gap and can build meaningful capacity in the NFP sector. However, in the NFP sector, there are mixed perceptions of how useful skilled volunteering will be. The short term engagements required by corporate volunteer leave policies mean that the training to output ratio is very high, decreasing the value to NFPs. A lack of capacity in the NFP sector can often constrain the implementation of skilled volunteering. Some of the organisations we spoke to mention that capacity building skilled volunteering can be delayed due to a lack of staff in the NFP sector. There are also very real concerns about reliance, duplication and continuity when it comes to getting corporates to help build capacity in the NFP sector. CSR relationships are not indefinite so there is a fear about becoming reliant or dependant on skilled volunteers.

Despite these obstacles, there are many opportunities in skilled volunteering. It avoids the zero sum game of cash based CSR and it can build meaningful back office capacity in the NFP sector. One particularly interesting but rarely implemented form of skilled volunteering is staff mentoring. Mentoring of senior NFP staff can help organisational effectiveness and fundraising efforts. Some organisations that we spoke to that used mentoring for senior staff found that it gave them confidence and access to high value advice from skilled corporate practitioners. It also has the potential to help NFP with fundraising efforts as it allows both sides to understand each other better, overcome the expectation gap and develop networks.

To learn more about Carers Victoria's experiences with skilled volunteering, turn to page 33

Conclusion

There is a lot of opportunity in corporate-community partnerships for those NFPs that are willing to take the risks and make the investment. There are several steps forward that could help facilitate more meaningful CSR in the NFP sector.

Overcome the expectations gap

Many organisations would greatly benefit by continuing to build the capacity to market themselves, communicate and reframe their mission and methods to corporates more effectively. This would give them greater ability to attract and enhance their relationships with corporate partners.

Communicate constraints

The NFP sector as a whole should focus on opening up dialogue with the corporate sector with the view to communicating NFP constraints. It is important for the NFP sector to educate the broader corporate community about the NFP paradigm and investment philosophy as well as organisational and infrastructure constraints. In particular, the NFP sector needs to communicate their needs when it comes to appropriate modes of engagement, so that CSR programs can be structured more effectively for both sides. Whilst this communication and education is currently occurring in an ad hoc fashion, the focus should be on communicating with corporates in a systematic manner; creating a united front. Ad hoc communication prevents NFPs from speaking honestly because they are focused on securing funding and building their corporate relationships.

Expanding opportunities

The NFP sector would do well to continue to research and explore alternatives to cash funding. By creating alternate modes of engagement, the cash clash can be overcome, and the value provided by CSR could increase.

Allowing Access

The NFP sector could also play a part in expanding access and building opportunities for smaller NFPs that are currently left out of CSR. This could be achieved by building

CSR support networks to share information through the NFP sector. Another opportunity that could be explored is to setting up a NFP broker who could reduce the search and administration costs for smaller NFPs who are looking to get involved in corporate-community partnerships. The broker could be a representative body that acts as a facilitator and enabler rather than an organisation that pursues its own interests. Currently, CSR brokers in Australia seem to be either corporate orientated, very specialised or are fee for service, which makes them unaffordable for many NFPs.

Appendix: Case Studies

The role of corporate support: Good Shepherd and microfinance

Good Shepherd Youth & Family Services provides programs and services for young women and families in need in Victoria. Since 1981 it has run the *No Interest Loans Scheme* (NILS), an innovative micro-lending program, which makes small loans of \$800-\$1200 to people in need. For 25 years NILS was a niche program that was successful but small; constrained by the amount of capital that Good Shepherd could source from a variety of donors.

In 2006 Good Shepherd and NAB's relationship, which had been ongoing for many years, evolved to include microfinance. After much discussion with Good Shepherd, NAB saw the opportunity to set up a significant strategic partnership where it could make a real difference to the community. NAB made an initial investment of \$3.3 million to the NILS micro-lending program in Victoria. NAB and Good Shepherd approached the Victorian State Government together and were able to secure a government grant of \$4.7 million over three years.

By forging a three way partnership between government, community and corporate sectors, each organisation could achieve more than it could on its own. Without corporate partnerships, Good Shepherd may not have been able to get such a significant grant from the government. Good Shepherd needed NAB to contribute capital and its deep understanding of banking and finance to the program, if it was to successfully expand. Without Good Shepherd, NAB wouldn't have been able to access the people who need microfinance as they are typically marginalised and excluded from the mainstream banking system. Good Shepherd's broad experience with the provision of social service helped NAB better understand the needs of low income Australians. In the same way, Good Shepherd and NAB provided the opportunity for the government to invest in a microfinance scheme.

Since NAB made its initial investment into NILS, their microfinance programs have expanded to have a national footprint with contributions from other state governments. NAB and Good Shepherd have pioneered a new microfinance program called the *StepUp Loans* program. NAB has committed a total of over \$100 million to microfinance and many lives have been and will be changed.

The expectations gap: The Fifteen Foundation

The Fifteen Foundation (Australia) is a highly innovative Not-For-Profit that uses a social enterprise model. It runs a high end restaurant just off Collins Street where it takes on an annual “class” of disadvantaged and marginalised young people between the ages of 16 and 24 whom it trains to be chefs. It is a real business, preparing real meals for real paying customers, with a large emphasis on organisational sustainability. Thirty percent of the profits of the restaurant are reinvested back into the foundation each year. Additional funds needed to run The Fifteen Foundation are sourced through a mix of corporate, philanthropic, government and individual support. The Fifteen Foundation has a sophisticated approach to managing its corporate sponsors with an emphasis on cash donations and non-financial resource sharing.

One of the challenges faced by The Fifteen Foundation is communicating its true social value to government and its corporate and philanthropic stakeholders. Corporate partners are drawn to the publicity of the restaurant (due to its innovative operating model and associations with the celebrity chefs Jamie Oliver and Tobie Puttock). They also understand that The Fifteen Foundation has an immense positive impact on the lives of the 20 or so young people that go through its program each year. However, corporates don't always understand the full effect that a NFP like The Fifteen Foundation can have on society.

It costs The Fifteen Foundation approximately \$60,000 to put each trainee through their sixteen month program. With 20 trainees this can look like a huge upfront cost which some people can find hard to justify. However, the effects of The Fifteen Foundation can be a lot bigger than many people realise. Many of the young people that The Fifteen Foundation takes in each year are long term unemployed with low levels of education. Most of them have problems with the law, substance abuse, mental health and money. Many would face incarceration in the juvenile or adult justice systems or become recidivists if The Fifteen Foundation were not helping them. Data on the cost to the State of incarcerating one person is not well documented but it is estimated to be between \$100-\$300 thousand dollars a year. Fifteen Foundation also potentially prevents future crimes and self abuse that these young people may otherwise commit. This is accomplished by providing regular employment in a nurturing learning environment, while providing the welfare support and life skill education to better access pathways to address legal, financial and health issues. It aims to turn troubled young people into resilient adults with sustainable futures. Viewed in this manner, The Fifteen Foundation represents remarkably good social value for the investment required.

Understanding the other side: Turning Point

Turning Point Alcohol and Drug Centre runs programs for those affected by drugs and alcohol in the community as well as carrying out addiction research and training. It is a highly successful user of funds, recognised by different levels of government and other stakeholders as very capable of undertaking high quality work to improve drug and alcohol policy and practice. As a raiser of funds, it has predominantly been funded by the government. It has had an interest in establishing corporate partnerships but, even after employing CSR brokers, it had been unable to find a significant corporate partnership. Part of the reason for this could be the social stigma attached to its cause and clients as well as the long term nature and perceived intractability of dealing with drug and alcohol abuse.

Recently, Turning Point was approached by an international law firm that was interested in exploring a partnership. It invited Turning Point to apply for philanthropic funding. Turning Point was preparing to submit its normal application document when a Turning Point board member, a partner in a large accounting firm, offered to let his marketing department go over Turning Point's funding application on a pro bono basis.

The application document came back from the accounting firm's marketing department greatly changed from Turning Point's usual format. It had a different feel to it and looked very much like a marketing document, with pictures illustrating drug use. In effect, the submission had been transformed from a scientific document to one more suitable for lay audiences. Turning Point's initial reaction was not favourable but it submitted the application in this form.

In what was described as a very competitive process, Turning Point was selected by the law firm to receive a significant one year philanthropic grant to further develop a research program. Whilst the pro bono corporate volunteering was not solely responsible for winning the grant, it played a part in allowing Turning Point to understand and meet the expectations of its potential corporate partner. By utilising a corporate insider, Turning Point was able to bridge the expectations gap.

Reframing the mission: MacKillop and “Beyond Words”

MacKillop Family Services is a welfare agency with a mission to help families, children and young people in need in Victoria. Its primary service is to provide support and resources for severely disadvantaged children and youth, many of whom are in foster care. MacKillop recognises the complexity and time taken to address a lifetime of neglect and suffering. It doesn't expect immediate effects and runs over 80 programs to provide the many avenues of support that are required by its clients. Many corporates struggle to understand the needs of its clients or why such a variety of approaches is required to achieve its outcomes.

In an effort to reframe its mission and communicate the needs of its clients in a meaningful way, MacKillop has developed “Beyond Words”, an annual art exhibition of its young clients' work. Each piece of art is accompanied by a story of the life and needs of its artist. Some are reproduced into all purpose greeting cards. The struggle, despair and hope of MacKillop's clients comes through the artwork and is an immediate and emotive form of communication. MacKillop invites its corporate partners and potential partners to the exhibition each year. MacKillop has found that “Beyond Words” is very effective at reframing the organisation. The use of art transforms the diffuse and complex outcomes and needs of its clients into an immediate and accessible form for corporations. Corporations leave more aware of the problems and complexities of MacKillop's work, with their willingness to get involved reaffirmed. As the saying goes, ‘a picture is worth a thousand words’.

Competitive advantage: Road Trauma Support Team Victoria

Road Trauma Support Team Victoria provides counselling and support to Victorians affected by road trauma as well as running driver education programs in conjunction with the Victorian Magistrates' Courts. Through its fourteen year history, it has developed a deep knowledge about road trauma. It had also collected a lot of data about road accidents, re-offending rates for dangerous drivers and accident trends. However, it had not developed the capacity to sort and manage this data, making it difficult to access in a meaningful way.

Road Trauma Support Team was recently put in touch with a multinational technology and services corporation, who was interested in participating in a skilled volunteering project. A project was developed and the corporation sent a team of skilled IT volunteers to scope a data management system for Road Trauma Support Team. The project ended successfully with the corporate identifying the process that should be followed to develop the IT system. Road Trauma Support Team is now planning to access further skilled volunteering to develop and implement the IT system.

When it installs the IT system there will be many benefits for Road Trauma Support Team. It will be able to use the data to manage and measure its own programs, and provide a higher level of support to clients. However, there are many other people who would have an interest in the proprietary data that Road Trauma Support Team possesses. Once properly organised, the data would be useful to car insurance agencies, university research departments, car manufacturers and the government. By organising its data Road Trauma Support Team would have a lot to offer its partners and potential corporate partners. It would be able to share its data to create meaningful partnerships where it can provide corporations with a business case for CSR.

The first embrace: Ardoch Youth Foundation

Ardoch Youth Foundation is an education focused NFP that raises almost all of its resources from individuals, trusts and corporations. Ardoch runs highly innovative and effective corporate volunteering programs to assist underprivileged young people to access education. In particular it is known for its corporate mentoring, volunteering and pen pal programs. Ardoch typically puts together volunteering programs, acting as a broker, trouble-shooter and bridge-builder between interested corporates and underprivileged schools. Generally, Ardoch requires a cash donation from corporates for each EVP it runs, in order to make the program cost neutral and ensure Ardoch's long term sustainability.

Ardoch was approached by a large financial services company, who was interested in participating in one of Ardoch's corporate volunteer programs, to be run over a period of time. After some discussion, Ardoch realised that the corporation was not willing to provide the financial donation upfront, which was needed to make the EVP cost neutral. The corporation considered that donating its employees' time was a big enough commitment to the community. Ardoch had a choice: to accept the corporate volunteering without a cash donation and face a cash loss of several thousand dollars, or to turn the corporate away and terminate the potential relationship.

Ardoch made the decision to engage with the corporation and accept the cash loss, with a view to escalating the corporate-community relationship. It treated the corporate volunteering program as an opportunity to educate the corporate staff about the role of Ardoch in the community. Half-way through the program, the corporation approached Ardoch and voluntarily donated the money that Ardoch needed to make the program cost neutral. It did this because, not only did it see the community need for Ardoch's services, it saw the need that Ardoch had for corporate financial support. Without the corporate cash donation, Ardoch had not been able to adequately resource the project. With the corporate donation, Ardoch was able to provide the resources needed for the project to be a success. Ardoch was also able to escalate the CSR relationship beyond the one initial program.

Non-financial resource sharing – Fitted For Work and Ardoch

Fitted For Work is an organisation that has found a way of making non-financial resource sharing effective for their organisation. Fitted For Work, Melbourne is a small NFP that helps connect long term unemployed women with work by providing interview training and business clothing. Fitted For Work has given away over 2000 outfits in the last three years. To acquire these outfits it runs clothing drives at corporate offices. Their strategy has been a success because corporations identify with their mission. Also, running clothing drives is a low cost and immediate way for a corporation and its employees to get involved and make a difference. Recently, Fitted For Work has capitalised on its success by running a national clothing drive campaign with marie claire and David Lawrence. Without corporate clothing drives, Fitted For Work would not be able to provide its clients with the level of service that it currently does.

Ardoch, an education based NFP, runs corporate volunteering and mentoring programs at schools and has found a way to access non-financial resources. Ardoch has struggled to raise the money that it requires to supply disadvantaged students with food and supplies. It has found a solution by getting corporates to donate food and supplies directly rather than providing cash. Ardoch runs breakfast programs, where corporate volunteers bring along food and share it with disadvantaged schoolchildren. Ardoch also runs themed programs where it gets corporate volunteers to bring along supplies like board games to donate to school children. Ardoch has found that corporate volunteers find it much more powerful to see their donated resources in action rather than to give cash at arm's length. This strategy has allowed Ardoch to access large volumes of resources that it otherwise couldn't afford.

Unskilled volunteering: Lighthouse Foundation

Lighthouse Foundation works to support young people, who would otherwise be homeless between the ages of 15 and 22. It is funded primarily by philanthropic and corporate donations.

Lighthouse currently operates programs for homeless youth, providing life skills and reintegrating them back into society. There are plans for the commencement of another four homes in the near future and the Lighthouse model has been adopted in at least three other locations in Victoria and Western Australia.

Lighthouse Foundation recently reopened a home which needed substantial renovation before the family could move in. To help with this, Lighthouse turned to a corporate partner, who provided a team of employees to help with a working bee. These staff did work that would have cost Lighthouse Foundation over \$5,000 had it paid market rates. The employee volunteer program provided Lighthouse Foundation with much needed help, gave its corporate partner the opportunity to engage its staff in a meaningful way and helped deepen the corporate community partnership.

Although Lighthouse Foundation has found that unskilled corporate volunteering could achieve great results, it has realised that it has to be willing to limit its unskilled volunteering if it wants it to add value to its organisation. It used to manage corporate volunteering in an ad hoc fashion, accepting opportunities that came its way. However, it realises that it has a limited number of projects (perhaps 3-4 a year) that would benefit from unskilled corporate volunteering. Lighthouse Foundation, like many Not-For-Profits, has found that the demand for corporate volunteering in the corporate sector far outstrips the need for unskilled corporate volunteers in the community sector. By being selective in running unskilled corporate volunteering, Lighthouse Foundation has found that it can achieve positive results.

Skilled volunteering: Carers Victoria

Carers Victoria is a state-wide peak body providing both support to carers and also representation on carers issues to policy makers and government. Carers Victoria believes it is not appropriate to use corporate volunteers to support individual carers. However, Carers Victoria has moved to take advantage of skilled corporate volunteering as a means contributing to internal corporate services, marketing and fundraising.

Carers Victoria has used pro bono services to cut organisational costs. Carers Victoria gets its annual audit done pro bono by a large international accounting firm saving an estimated \$30,000 dollars a year. Carers Victoria also makes use of pro bono legal services through its partnership with PILCH and large legal firms. Carers Victoria accesses advice on Intellectual Property, contracts, leases, rules of association and employee relations. Using pro bono volunteering has allowed Carers Victoria to save many tens of thousands of dollars.

Carers Victoria also runs corporate mentoring programs for its senior staff. Corporate volunteers who are experts in their field (e.g. marketing, strategic management, HR) are paired with senior level Carers Victoria staff. This mentoring program allows Carers Victoria to access the skills and advice of the corporate sector; skills and advice that might normally be out of their price range. Carers Victoria has also found that having skilled corporate volunteers as a sounding board has instilled self-confidence in its own staff and has aided the transfer of knowledge from the corporate sector to their organisation. Through corporate mentoring, Carers Victoria has been able to expand the capabilities of its organisation.

End Section
End Section

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Further Reading

Questions Going Forward

Some questions that could be considered going forward include:

- What is the general “on the ground” perception of CSR and corporate involvement in the community sector? Do corporations and the community sector speak the same language? Do they have realistic perceptions of each other? What awareness gaps exist? What are the key perceived impediments to CSR relationships?

Modes of engagement

- What form of corporate involvement do CSOs prefer? Why? Do EVFs add value to the CSO? What is the cost of implementing an EVF for the CSO? What is the cost structure? What is the perception of skilled volunteering in CSR? Why? What skills are needed in the community sector? Is there the desire for a more comprehensive skilled volunteering approach? What skilled volunteering approaches have worked? Is there a best practice? What do corporations think of skilled volunteering?

Establishing relationships

- How do CSOs find corporate partners? What are the problems/opportunities that exist in CSR matching today? What role does experience play in establishing CSR programs? What role do paid staff play in managing CSR programs? How do CSOs get the experience in the first place? What tools or training would help CSOs acquire CSR knowledge? Is there a role for a NFP orientated broker/intermediary? How do you build the capacity for CSR? What are the key aspects of having capacity? What role does/could skilled volunteering play in creating capacity for further CSR?

Planning and measurement

- What planning happens in organizations? What is the attitude of corporations to CSR planning? Does one side dominate the planning? Is there best practice in CSR planning? What are the key obstacles and solutions for CSR planning?
- How do CSOs measure CSR? Is there a best practice in measurement from the CSO perspective? What do CSOs use to measure or benchmark CSR? How do Corporations measure CSR? How do the two approaches fit together? Is CSR evaluation used to plan and improve new CSR projects?

Conclusion

A review of the literature suggests that, while there is a lot of interest in CSR programs and relationships, there is a degree of confusion amongst both corporations and CSOs as to how to effectively establish, structure and manage CSR. Corporations do not always balance their CSR needs with the needs of their community sector partners, often because they are unaware of the full implications of their actions. There also seems to be a lack of information coming out of the NFP sector as to the needs, preferences and costs that CSOs have in establishing CSR programs. Much of the literature on CSR is written for corporations rather than the NFP sector, and so there is a lack of knowledge about some of the effects of CSR on CSOs. Within the CSO sector there seems to be a silo effect, where some CSOs gain large amounts of experience and knowledge about establishing CSR relationships but there is no clear mechanism to transfer this knowledge to smaller or less established CSOs. There seems to be a need for more training and support programs throughout much of the NFP sector to maximize the opportunities available through interaction with the corporate sector.

client outcomes.⁵³ If this is the case, it would not give a true picture of the success of the program, and is not focused on creating clear dialogue between partners.

53. Ibid

A popular way of clearly planning a CSR program is writing a Memorandum of Understanding (MoU). Whilst not legally binding, a MoU facilitates the development of clear goals and objectives and clearly sets out the scope of the relationship for both sides. It has also been noted that without a formalized plan such as a MoU, CSOs can feel like a disempowered, unequal partner, where the benefits of the CSR are not mutual.⁴⁸

Corporate leadership

It is often cited that leadership within business partners is a key success factor for CSR.⁴⁹ An Australian study found that 60% of CSOs with an EVP stated that support of volunteers by their business partners was the most important factor in the success in the program.⁵⁰ Involvement by senior management in CSR programs sends a clear message to staff that the company is committed to their CSR program, and it is consistent with employee promotion. One way that senior management can get involved in CSR is by sitting on the CSO board, which is a form of skilled volunteering. Senior management involvement is seen to cut volunteer absenteeism and drop out rates, a common problem in EVPs.⁵¹

Measurement

Mutual measurement of CSR programs is important to ensure that the program is working, mutually beneficial and focused on outcomes. Research shows that a significant number of business partners evaluate and measure their CSR programs, but there are lower levels of structured measurement carried out by CSOs. An Australian study found that less than 40% of surveyed CSOs carried out annual evaluations, 16% of CSOs left all evaluation to their corporate partner, and only 40% of surveyed CSOs collaboratively evaluated their CSR programs with their corporate partner.⁵² The criteria that is used to measure CSR by business is often focused on internal performance benchmarks rather than using external performance measures. Corporate management tends to focus on employee participation rates and public awareness of the program, not necessarily including CSO

48. *ibid*

49. The Prime Ministers Community Business Partnership, 2005, *Giving Australia: Research on Philanthropy in Australia*

50. Volunteering Australia, 'Two Way Street: Corporate Volunteering in the Not For Profit Sector

51. Philanthropy Australia, 2006, *Improving Employee Volunteer Programs: A View From Both Sides*

52. The Centre for Volunteering, 2008, *A Frontier of Opportunity: Critical success factors of Employee Volunteering Programs for the Small-to-Medium Not-for-Profit Sector*

of surveyed CSOs stated they had all of the training and support that they needed.⁴¹

Difficulty in finding partners

A *Volunteering Australia* study found that 63% of CSOs without CSR programs cited the difficulty of finding willing corporate partners as a key reason.⁴² It has been found that 65% of CSR relationships are initiated by corporations or their employees, whereas CSOs only initiated 24% of CSR relationships. There seems to be a distinct lack of awareness amongst CSOs about who to approach and how to do it.⁴³ Corporations also claim that finding CSR partners is a key challenge, with around 35% of surveyed corporations having difficulties finding a suitable NFP with the capacity to host an EVP.⁴⁴ Innovative solutions that match business partners and NFPs have been implemented overseas, such as Pilotlight⁴⁵ in the UK and Marketplace, which runs CSR matching days that are structured similar to stock exchanges.⁴⁶

Key success factors:

Planning

There are a few problems that can be caused by a lack of formalized planning at the beginning of a CSR relationship. One significant problem is that there can be miscommunication and a lack of awareness about the objectives of the CSR partners. Anecdotal evidence suggests that CSOs often agree to establish an EVP with the unstated objective of obtaining financial aid or engaging in a more comprehensive program, which are often not met.⁴⁷ Planning is also important to managing staff turnover during a longer-term CSR relationship. Without a clear written plan as a "point of reference" the relationship can drift from its original objectives. An absence of planning also makes it hard to measure the success of a CSR program.

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41. The Centre for Volunteering, 2008, *A Frontier of Opportunity: Critical success factors of Employee Volunteering Programs for the Small-to-Medium Not-for-Profit Sector*
42. Volunteering Australia, 'Two Way Street: Corporate Volunteering in the Not For Profit Sector
43. Volunteering Australia, 'Two Way Street: Corporate Volunteering in the Not For Profit Sector
44. Volunteering Australia, 2006, *Corporate Volunteering Survey*
45. www.pilotlight.org.uk
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47. Philanthropy Australia, 2006, *Improving Employee Volunteer Programs: A View From Both Sides*

Section Three: CSR Program Design

There are a few key barriers to CSR implementation and a few key success factors.

Barriers to Implementation:

Lack of capacity

One of the primary reasons cited for not engaging in CSR, amongst both corporations and CSOs, is the perception that they both do not have the capacity. A *Volunteering Australia* study found that 47% of CSOs that did not have an EVP in place thought that they did not have the capacity. The key capacity constraints are lack of personnel, lack of infrastructure/technology and financial cost.³⁸ Concerns about cost and infrastructure/technology are particularly prevalent amongst those (smaller) CSOs that have not had EVP experience. This is consistent with the idea that smaller CSOs are more open to skilled volunteering to build organizational infrastructure.

Lack of experience

There is a link between experience and the ability to engage in CSR. A *Volunteering Australia* study found that 68% of those with EVP experience were looking for a corporate partner compared to only 17% of those with no experience with EVPs.³⁹ Whether a CSO has a staff member to manage CSR activities plays a significant role on the outcomes and the nature of CSR activities. CSOs without a manager of CSR are more likely to feel that they lack the capacity for EVPs, are less likely to feel like CSR raises their community profile and are less likely to raise funds through their EVPs.⁴⁰ Corporations have dealt with their lack of experience by setting up CSR departments or outsourcing the work to CSR brokers. CSOs seem to have less access to broker's services and research has shown that there is a need for additional resources and training to build experience and knowledge in managing EVPs. In a recent study by *The Centre for Volunteering*, only 20%

38. *Volunteering Australia, 'Two Way Street': Corporate Volunteering in the Not For Profit Sector*

39. *ibid*

40. *ibid*

often cited as a key growth area. An American study found that 90% of surveyed NFPs stated that volunteers' workplace skills were valuable to their organization, but only 12% of NFP used these skills to improve business practices.³⁴ However, many Australian CSOs are not so optimistic, with research suggesting that larger CSOs with greater capacity for EVPs show a preference for unskilled volunteering. The same research found that smaller CSOs were more enthusiastic about skilled volunteering.³⁵ One of the reasons for this difference could be that larger CSOs have access to skilled staff of their own, and want to avoid the higher cost of managing skilled volunteers.³⁶ Smaller CSOs may be more focused on increasing capacity to expand their organizations through the utilization of external skills. The high number of requests for skilled support from organizations such as Social Ventures Australia³⁷ suggests that there is at least some level of demand for this type of CSR in Australia.

34. Deloitte/Points of Light Foundation, 2006, Volunteer IMPACT Study

35. Volunteering Australia, 'Two Way Street': Corporate Volunteering in the Not For Profit Sector

36. Philanthropy Australia, 2006, *Improving Employee Volunteer Programs: A View From Both Sides*

37. http://www.socialventures.com.au/content/SVA_Venture_Development_Portfolio/

with the capacity for high impact. It can also play a key role in providing corporate leadership for more comprehensive CSR relationships. There seems to be healthy interest for this type of volunteering in the CSO sector. A recent study found that 76% of NFPs surveyed would welcome corporate senior managers to be on their board or advisory committee.²⁸

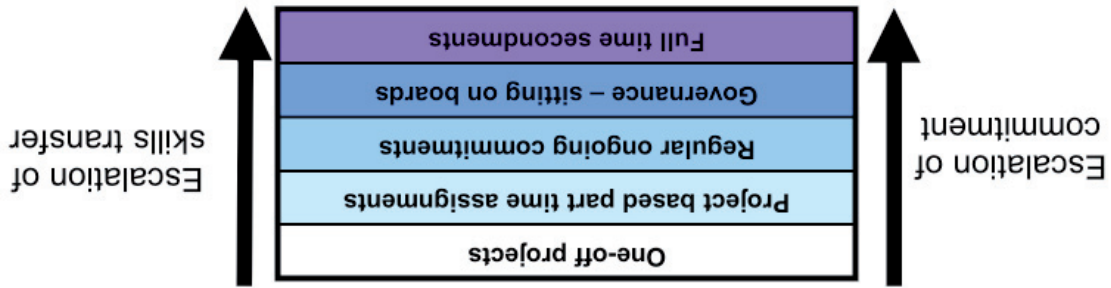
- **Full time Secondments:** During full time secondments and sabbaticals corporate volunteers work full time at a CSO for between a few months and a year. It is an effective way to transfer skills to CSOs, but it involves a high level of commitment and cost for business partners. These sorts of programs are particularly effective if used as part of a management development program for high performers, or to retain top staff in an economic downturn. Innovative and high impact secondment programs have been set up at organizations including Starbucks,²⁹ Accenture, Xerox and Cisco.³⁰

Modes of Engagement: A CSO Perspective

There is a degree of ambiguity in the literature about the attitude of CSOs to CSR and corporate volunteering, with two different points of view. A *Volunteering Australia* study notes that there was "very strong support for corporate volunteering within the not-for-profit sector."³¹ However, another anecdotal study suggests that corporate volunteering is perceived as a necessary burden by some CSOs; sometimes as a service provided to business partners in exchange for funding.³² It is well documented in the literature that CSOs do seek longer term CSR relationships rather than one off EVP engagements, with an Australian study by *The Centre for Volunteering* finding 77% of CSOs seek long term partners and 87% of CSOs seek more comprehensive CSR programs than just an EVP.³³ It is also well documented in the literature that there are not enough genuine volunteer opportunities to meet all corporate demand.

Another interesting area of literature regarding CSR is the attitude to skilled volunteering,

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28. The Centre for Volunteering, 2008, *A Frontier of Opportunity: Critical success factors of Employee Volunteering Programs for the Small-to-Medium Not-for-Profit Sector*
 29. Clark, Hannah, 'Beyond Philanthropy', *Forbes*, 31/5/2006
 30. The Allen Consulting Group, 'Global trends in skill-based volunteering', 2007
 31. Volunteering Australia, 'Two Way Street: Corporate Volunteering in the Not For Profit Sector
 32. Philanthropy Australia, 2006, *Improving Employee Volunteer Programs: A View From Both Sides*
 33. The Centre for Volunteering, 2008, *A Frontier of Opportunity: Critical success factors of Employee Volunteering Programs for the Small-to-Medium Not-for-Profit Sector*



- One-off projects** : One-off projects are well contained and very short-term (often only one day). This type of volunteering is often team based and can involve giving advice or providing a specialized knowledge training day. There is limited scope for this type of skilled volunteering.
- Project based part-time assignments**: This is a longer-term project than a one-off project, but is clearly defined with an agreed completion date. This seems to be the most popular form of capacity building skilled volunteering amongst business partners. This is primarily due to the time constraints imposed by volunteer leave policies. There are some innovative NFP groups overseas, such as Taproot in the USA,²⁵ that organize and facilitate project based skilled volunteering.
- Regular ongoing commitments**: These are longer-term program, where a continuing relationship between a CSO and business is established. A popular and constructive form is mentoring, where individuals from businesses are paired up with people from the community. Business leaders can be paired up with NFP leaders, such as the Australian Business Community Network's Partners in Learning Program, which pairs CEOs with school principals.²⁶ Macquarie Bank's Big Buddy Program sends volunteers weekly to schools to read with children.²⁷ Mentoring strongly engages employees, complies with volunteer leave policies and is very effective at providing different perspectives and tangible outcomes to the community.
- Governance**: Executive level corporate volunteers can bring business awareness to NFP boards. This is a well established form of volunteering

25. www.taprootfoundation.org

26. <http://www.abcn.com.au/what-we-do/109/>

27. Macquarie Foundation Annual Report 2006

for imparting value to the community. One solution that has been widely proposed is skilled volunteering.

Skilled Volunteering

Skilled volunteering is commonly cited as a key trend in CSR.²¹ There are two main types of skilled volunteering: Pro Bono and Capacity Building volunteering.

Pro bono volunteering

Pro bono is the most established form of skilled volunteering, particularly amongst law firms. It is similar to resource sharing, in that the business partner donates its key product, in this case a service. It is most appropriate for corporations with highly skilled work forces, such as law, accounting, IT, etc. Pro Bono volunteering is very efficient, as it overcomes the volunteer value gap. It allows CSOs to access key skills and services that are either out of their reach, or make up a significant proportion of their operating costs. Pro Bono volunteering also fits in with corporate volunteering timetables, as it allows short term engagements. However, it does not allow the degree of novelty and team building that is often the corporate focus of EVP. The other practical issue of Pro Bono work is that there is limited scope for activity in any one CSO so it is well suited to the clearinghouse model, such as PILCH in Melbourne.²²

Capacity building skilled volunteering

Pro bono volunteering typically entails the provision of a service, whereas capacity building volunteering is an alternate form of skilled volunteering that focuses on transferring, rather than providing, systems and skills to the CSO.²³ It uses, as a model, a partnership and project based approach where both the CSO and the corporation contribute members to a team to achieve the project goal. There are a few key types identified:²⁴

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21. Points of Light Foundation, 2006, Top Seven Trends Affecting Employee Volunteer Programs
 22. www.pilch.org.au
 23. The Allen Consulting Group, 'Global trends in skill-based volunteering', 2007
 24. The Allen Consulting Group, 'Global trends in skill-based volunteering', 2007

Employee Volunteer Programs (EVP)

Employee volunteering is the major growth area of CSR and the subject of much of the current literature. Employee volunteering is very attractive to corporations as it is highly visible and engages employees, which is a major push factor behind CSR (particularly from Generation Y employees).¹⁴ EVPs have the capacity to provide great value to business partners, employee volunteers and CSOs, however, if implemented badly, they have the potential to drain resources and be counter productive. There are two major types of EVP: unskilled volunteering and skilled volunteering.

Unskilled volunteering

Unskilled, or "extra-pair-of-hands", volunteering is the most established and widest used form of employee volunteering.¹⁵ The most common activities are fundraising (41%), clerical work (28%) and maintenance (21%).¹⁶ Unskilled volunteering typically suits corporate expectations of CSR as it is suited to out-of-the-office, team based activities where large numbers of volunteers can get involved. Importantly, unskilled volunteering is compatible with volunteer leave policies, which is seen by many corporations as one of the

major challenges in implementing an EVP.¹⁷

The volunteer value gap

One of the core problems with unskilled EVP is that there is a gap between cost of the volunteers and the benefit to the CSO. This comes about when highly skilled people do low skilled volunteering work, which is currently common.¹⁸ A *Points of Light Foundation* study in the USA found that the value of an average volunteer for the CSO is US\$18.05 per hour.¹⁹ Highly skilled employees might be worth US\$150 an hour to the corporations.²⁰ This disparity between cost of employee volunteers and the value that they impart to CSOs represents a huge amount of lost opportunity

14. Trunk, P. 2005, 'Grassroots volunteering draws younger people', *The Boston Globe*, 29 May 2005
15. Points of Light Foundation, Top Seven Trends Affecting Employee Volunteer Programs
16. Volunteering Australia, 'Two Way Street: Corporate Volunteering in the Not For Profit Sector
17. Volunteering Australia, 2006, *Corporate Volunteering Survey*
18. The Allen Consulting Group, 'Global trends in skill-based volunteering', 2007
19. Points of Light Foundation, Calculating the economic value of volunteers, <http://www.pointsoflight.org/resources/research/calculator.cfm>
20. Hochberg, E. 2006, 'How to get an extra \$1-billion from business', *The Chronicle of Philanthropy*, 12 October, Vol XIX, No. 1.

Section Two: Modes of Engagement

There is no one-size-fits all approach to CSR. This section will discuss the most common forms of corporate engagement. The needs and capacities of both the corporation and the CSO will be important in determining which modes of engagement are most appropriate.

Financial donations

This is the traditional form of corporate giving which still forms the mainstay of corporate involvement, with a 2005 study by *The Prime Ministers Community Business Partnership* finding 68% of corporate giving was in the form of direct financial donations (\$2.21 billion).¹⁰ However, corporations are looking beyond ad hoc financial philanthropy to partnership-based strategic corporate investment. Financial contributions will still remain important but they will be increasingly part of a more comprehensive program, most likely in tandem with employee volunteering. This trend is driven by limited financial resources available to corporate CSR programs¹¹ and an increased focus on employee engagement.

Non-financial resource sharing

There is a conspicuous absence of literature on non-financial resource sharing despite the fact that approximately 16% (c.\$520 million) of corporate giving was through the donation of goods.¹² It is likely that a large proportion of donations are from small to medium sized enterprises (SME) making ad hoc donations of goods and services to local community groups (e.g. donation of prizes to a school raffle).¹³ The other major source of resource sharing is likely to be donations of goods to a particular partnership project in conjunction with financial aid and employee volunteering.

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10. The Prime Ministers Community Business Partnership, 2005, *Giving Australia: Research on Philanthropy in Australia*
 11. Philanthropy Australia, 2006, *Improving Employee Volunteer Programs: A View From Both Sides*
 12. The Prime Ministers Community Business Partnership, 2005, *Giving Australia: Research on Philanthropy in Australia*
 13. *ibid*

insuring people against changing weather patterns. It then identified its core competencies that it could bring to addressing the problems of climate change – its “resource of historical data” and access to its customers who are affected by weather. It then strategically partnered with community organizations (e.g. NSW Fire Brigade) to raise awareness and develop solutions for combating the effects of changing weather patterns. The objective is to decrease property damage, which affects both IAG and the wider community.⁸ Some other examples of strategic community investment are: banks working with financial literacy programs; Optus building a relationship with Kids Help Line and Diago (an alcohol company) working with responsible drinking campaigns.⁹

8. Mostyn, S. 2003, *Walking the Talk: Corporate Social Investment in Action*

9. Centre for Corporate Public Affairs. 2007, *Corporate Community Investment in Australia*

measure the tangible inputs rather than the intangible impact of their CSR programs.⁵ This means that the CSO sector has to play a proactive role in managing their CSR relationships to ensure that they get their desired, mutually beneficial outcome.

One of holes in the CSR literature is defining exactly what the community sector wants out of CSR. The objectives of CSOs are to meet the needs of their clients, expand their operations and minimize their costs. CSR is recognized as being of great assistance, with the capacity to meet these objectives. However, there seems to be difficulties in understanding and communicating exactly how CSR best achieves these goals; and what modes and methods are required to do this most effectively. Research does show that financial contributions and resource sharing play a key role in CSOs financing their operations. It has also been found that well structured corporate volunteering that is comprehensively planned and on the CSOs terms can add great value and fulfill objectives that money sometimes cannot. Some CSOs have also shown a desire for the publicity (and legitimacy) that can come from establishing a CSR relationship with a leading corporation. However, much of the dialogue on CSR engagement and management comes from the corporate perspective.

The trend toward Strategic Community Investment

One approach to overcoming the potential misalignment of incentives is the current trend away from ad hoc financial philanthropy toward strategic community investment. Strategic community investment suggests that businesses can create “shared value” with the community as well as unlocking strategic competitive advantage through effective CSR programs.⁶ A business should identify a key issue that is important to both itself and the wider community. The business should then create close, carefully matched community-corporate partnerships, where the focus is on aligning stakeholders and objectives. The business should then identify its “core competencies” and apply them to the CSR project.⁷ A good example of strategic community investment is Insurance Australia Group’s (IAG) approach to CSR. It identified a key issue, climate change, which affected wider society but also had a direct impact on its business operations, through the increased cost of

5. The Boston College Centre for Corporate Citizenship, 2001, *Measurement Demystified: Determining the Value of Corporate Community Involvement*

6. Porter, M. Kramer, M. 2006, ‘Strategy and Society, The link between competitive advantage and corporate social responsibility’, *Harvard Business Review*, December, p.78-92

7. Kramer, M. Karnia, M. ‘Changing the Game: Leading Corporations Switch from Defense to Offense in Solving Global Problems’, *Stanford Social Innovation Review*, Spring 2006

Section One: Understanding the Business Case

The business case for CSR

Corporate Social Responsibility has acquired a prominent position in current corporate thinking. It is important for CSOs to understand the needs and motivations of corporations in order to attract and retain them in mutually beneficial CSR relationships. A study by *The Centre for Corporate Public Affairs* found that 93% of large corporations surveyed required a business case for CSR investment.¹ The key reasons for corporation engaging in CSR are: employee engagement (100%), reputation enhancement (92%), implementing core mission (78%) and improving social conditions of local communities (61%).²

The literature shows that, increasingly, corporations don't just want to invest in community organizations; they want their employees to have hands on involvement. A recent Australian survey of corporations found that "staff participation... is fundamental to the [CSR] program's reason for being."³ There seems to be awareness amongst CSOs that volunteering is a core need, and often a prerequisite, for business involvement in CSR.

A CSO perspective

One of the key challenges for CSOs engaging in CSR is aligning corporate interests with their own. Business partners are under pressure to justify their community investment by the value it creates for their business. The CSO is looking to provide the highest quality of service to its clients. It is well documented in the literature that corporations can be quite inward looking when designing, implementing and measuring CSR. A *Volunteering Australia* report notes that corporations can "engage... without necessarily understanding the potential impact that their requests... might have on the not-for-profit organizations."⁴ A study by *The Boston College Centre for Corporate Citizenship* notes that "few companies have mechanisms to track and record the outcomes of their efforts" and that they typically

1. Centre for Corporate Public Affairs. 2007, *Corporate Community Investment in Australia*
2. The Centre for Volunteering. 2008, *A Frontier of Opportunity: Critical success factors of Employee Volunteering Australia, 2006, Corporate Volunteering Survey*
4. Volunteering Australia, 'Two Way Street': *Corporate Volunteering in the Not For Profit Sector*

Introduction

This literature review is designed to review what has currently been written on Corporate Social Responsibility (CSR) from the perspective of the Not-For-Profit (NFP) Sector/Community Sector Organizations (CSO) in Australia. The literature on CSR falls into three broad categories: academic literature, materials designed to explain and market CSR to corporations, and research done by CSR advocacy organizations (such as Volunteering Australia, The Business Council of Australia and Points of Light Foundation). This literature review seeks to synthesize these three perspectives with a focus on practical application. This literature review will begin by looking at the business case for CSR from the CSO perspective. Then the different modes of CSR engagement will be explored and analyzed. CSR Program Design will then be examined by looking at common barriers to implementation and common success factors. The literature review will conclude by suggesting some questions that could be considered going forward.

One of the key limitations in this literature review is that most of the current research into CSR focuses on the corporate perspective. Whilst the research acknowledges many of the implementation obstacles that CSOs face (and often proposes solutions), it does not always clearly focus on what, exactly, the NFP sector wants out of CSR. One of the problems may be that CSOs are often portrayed as the recipients of CSR rather than as true partners.

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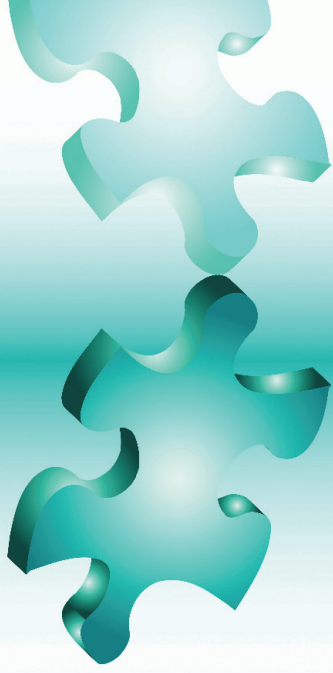
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Corporate Social Responsibility:

*A Not-For-Profit Perspective
Literature Review*



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