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**The Impact of the Global Financial Crisis on
Corporate Community Involvement Initiatives**

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Introduction

- The recent global financial crisis (GFC) had a devastating effect on businesses globally.
- A recent report by the London Benchmarking Group shows the amount of cash giving through corporate community involvement (CCI) in Australia is decreasing (*Bromby, 2009*).
- In 2007, about 70 percent of CCI effort was in the form of cash, falling to 62 per cent in 2008 and to 53 per cent in 2009.
- The GFC also affected non-profit organisations (*Hutton, 2008*).

Literature Review

- CCI can be identified as the provision of goods, services, time and internal resources to non-profit organisations and community projects (*Burke et al., 1986; Hess, Rogovsky, and Dunfee, 2002; Matten and Crane, 2005; Waddock and Boyle, 2002; Wymer and Samu, 2003; Varadarajan and Menon, 1988; Zappalà, 2004*).
- There are three types and stages of relationships in CCI (Austin, 2000):
 - (1) 'Philanthropic Stage'
 - (2) 'Transactional Stage'
 - (3) 'Integrative Stage'
- In an economic downturn, previous research shows that companies are going to be looking for every means possible to differentiate themselves from competitors; and to make themselves more attractive to customers and talented employees. Companies that already have a meaningful commitment to CCI are maintaining those commitments (*e.g. Sargeant and Wymer, 2007; Rangan and Djordjija, 2009; Wallace, 2009*).

Methodology

- In-depth interviews were carried out over a period of eight months with CSR managers and CEOs Corporate Foundations and their non-profit partners.
- The companies were from a variety of industries (e.g. materials, financials, telecommunication services, and energy) and the majority are listed on the Australian Stock Exchange (two companies are a subsidiary of a holding company listed in the U.K. Stock Exchange).
- A total of 27 interviews were conducted from 13 companies and 11 non-profits. The analysis was complemented by reviewing the CSR reports published by the companies as well as internal surveys and guidelines from the organisations.

Result and Discussion

- **More 'in-kind' and less 'cash donations'**

- It shows that companies are reducing their cash donation and increase their in-kind donation of goods and services rather than cash.
- A study in the US shows that two-third of public charities receiving donations saw decreases in 2008 (*Giving USA, 2009*).
- A recent study in Australia shows that in-kind giving has risen from 14 per cent to 33 per cent in three years (*Bromby, 2009*).

"So rather than actually providing cash we're providing resources and we're happy to provide computers and people for periods of time. It's a great development programme for our own people because they really enjoy it and they get out of their comfort zone and they actually get to work in a totally different type of business and see how something is run from a different view point, and they get other skills coming from it" (Company 5, Financials, Manager Regulatory Affairs and Policy).

Result and Discussion

- **More 'integrative', less 'philanthropic'**

- Companies tend to maintain an initiative that they have developed over time. An integrative approach reflects a more stable, long term commitment to CCI which is more likely to have a meaningful impact on the community (*Austin, 2000; Pearce and Doh, 2005*).
- Companies are declining new partnerships and reducing various unnecessary philanthropic initiatives.
- This will create a challenge for small and medium size non-profits who are searching for new corporate partners.

"We have made a conscious decision that we won't be doing any new funding but we haven't walked away from that commitment and we are still continuing to match it. So our financial commitment is going to still be considerable, but it probably won't be at the same level as say the previous years" (Company 3, Financial, Head of the Foundations).

Result and Discussion

- **More rigorous evaluation**

- As companies become more selective in their CCI, they require more rigorous evaluation and reporting criteria in order to produce greater benefits for all parties involved (i.e. business and communities).
- Companies are increasing their efficiency and effectiveness in meeting the needs of the community.
- This often poses challenges for non-profits who are strapped for resources and unable to fulfil the rigorous evaluation criteria.

"I think it is going to be more, I think it's maturing, particularly for the GFC it will mature even further. So become more disciplined and more rigour applied to things like evaluation and being more strategic about not just what is the real benefit for the company but where can we make the greatest difference in the community" (NFP partner with Company 6, CEO).



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Conclusion

- This study offers an insight into the impact of the recent GFC on CCI:
 - We suggest that there is need to find a better fit between companies and non-profits. Small and medium non-profits can collaborate to offer better fit with companies which will produce stronger 'integrative initiatives'. It shows that 'integrative initiatives' better withstand a crisis than 'philanthropic initiatives'. Integrative initiatives, particularly long-term ones that are built on a realistic understanding of the strengths of both sides have a greater opportunity of being successful and sustainable.
 - Companies need to develop a simple and standardised reporting requirement that will not place an undue burden on non-profits.



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Thank you...

