

Nonprofit and Business Sector Collaboration in Albania

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Abstract

Collaborative relationships between businesses and nonprofits have grown tremendously in the last few years in the world. These cross-sector alliances include corporate philanthropy, corporate foundations, licensing agreements, sponsorships, transaction based promotions, joint issue promotion, and joint venture. The aim of this paper is to indicate, what is the situation in Albania? What relationships exist between nonprofit and business sector? What percent of NPOs are funded by private businesses? How are encouraged private businesses to allocate funds for charity? These questions and others are given the responses through processing of data obtained from questionnaires and depth interviews. For data processing computer program SPSS is used.

Keywords: Nonprofit sector, business sector, collaborative relationships, sponsorships, philanthropy

1. Literature Review

Business organizations represent another source of funds for nonprofit organizations¹. Businesses may have a special interest in supporting NPOs as a project of marketing orientation. The charity can satisfy a number of corporate goals: changing the image of a corporation, establishment of alliances that gives corporate a public support in times of crisis such as ecological disasters or problems with products, creation of knowledge and interest to prospective customers and employees, ensuring the involvement of employees and distributors in projects that improve their work by doing something greater than just providing money associated with increased sales as in the case of Coca-Cola company that dealt with issues related to marketing

Types of Business-Nonprofit relationships are several forms²:

Corporate Philanthropy

Business support of causes or nonprofit organizations in the form of monetary or nonmonetary contributions is corporate philanthropy. Usually the support is financial. Some large companies allocate funds to a corporate philanthropy budget, and claim these disbursements as tax-deductible charitable contributions. Corporate philanthropy also includes allowing employees to volunteer (known as corporate volunteering) for local nonprofit organizations. In corporate philanthropy, the business's interest in the relationship is in supporting a nonprofit organization and its mission. Compared with other types of business-nonprofit relationships, corporate philanthropy requires the least commitment in terms of business resources and managerial involvement. In addition to supporting a worthy cause, a business may also wish to help its target markets and its employees identify with it by supporting causes they care about. The primary benefit to the participating business is favorable publicity, enhanced public goodwill, and greater public awareness of the business or its brand.

¹ Adrian Sargeant (2005) "Marketing management for nonprofit organization", (2nd ed), Oxford University press (Chapter 9)

² Walter Wymer, Patricia Knowles, Roger Gomes (2006) "Nonprofit Marketing. Marketing Management for Charitable and Nongovernmental Organizations" Sage Publication, (Chapter 12)

Any subsequent increase in sales would be an indirect effect of the relationship because the link between the product and the sale is mediated by the effects of customer recognition of the business-nonprofit relationship. A primary motivation for recipient nonprofit organizations is additional funding. In some instances, announcing large funding from major corporations is prestigious, publicly demonstrating the worthiness of one's cause, and may improve the ability of the nonprofit to raise funds from other sources in the future.

Corporate Foundations

The corporate foundation (or corporate-sponsored foundation) is a nonprofit entity created by a company to manage its philanthropy objectives. As in corporate philanthropy, this type of corporate involvement with the nonprofit sector emphasizes the nonprofit's mission or cause. In most cases, the foundation establishes a directive that specifies the types of causes the foundation is seeking to fund.

Foundations are usually created by large corporations. Although supporting worthy causes is the primary motivation of corporate foundations, they may also wish their good works to be noticed by their target markets and their employees. The risks and motivations of foundations are similar to those of corporate philanthropic programs, but the creation of a foundation reduces the risk of shareholder and employee resentment during periods of business down cycles. It is also possible for a foundation to establish an endowment, which can compensate for fluctuations in business cycles and therefore reduce stockholder and employee resentment of corporate giving during periods when stockholders' stock values are not increasing and employees are austerity measures. For nonprofits seeking grants from corporate foundations, funding and publicity would be key motivations, and they would face little risk of reputation damage and little risk of the unexpected withdrawal of corporate support.

Licensing agreements: In this type of business-nonprofit relationships, non-profit organization allows businesses to use its name or logo in return for a flat fee and/or a royalty. Business look for nonprofit organizations with strong, favorable images, names, brands in mind of important market segments.

A typical company is primarily interested generating sales from its licensing agreements with nonprofits. Therefore the business focus is primarily on itself, secondarily on the nonprofit or its cause. It is unlikely, however that a business would enter into a relationship with a nonprofit that it is opposed to, leading to the conclusion that the business views supporting the nonprofit favorably.

A business will typically have a great deal of operational control in this type of relationship. The business must perform the marketing activities necessary to generate sales from the licensing agreement. A nonprofit organization's control is generally limited to how its name is presented. Benefits of participating for profit organizations are publicity, public relations, customer/employee goodwill, and increased sales. However businesses are using the nonprofit's favorable images to attract new customers by leveraging the loyalty that exists within the nonprofit's sphere of influence. Businesses place more emphasis on the marketing aspects of this nonprofit-business relationship. Nonprofits are using the licensing agreement as a revenue source and benefit in terms of increased funding, greater publicity, and recognition.

Sponsorships: Through sponsorships business pays a sponsorship fee to use the business's brand name in the nonprofit's advertisements or external communications. There are two components of sponsorships: (1) the sponsor pays a NPO fee for the right to associate itself with the activity sponsored, and (2) the marketing of the association by the sponsor. Both activities are necessary if the sponsorship is to be a meaningful investment.

A business participating in sponsorship is primarily interested in promoting its brand or company name, although sponsors also want to fund/promote the event. Nonprofits are concerned about protecting their favorable public images and will generally have preponderance of control about how the sponsors advertise their association. Sponsors however have paid for the right to associate their name with the event and will exercise some power in the alliance as well.

Transactions-based promotion: A corporation donates money, food, equipment depending on the level of sales to a certain limit. Transactions based promotion also known as cause-related to marketing and defined as "the process of formulation and implementation of marketing activities characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage revenue providing in exchanges that satisfy the objectives of the organization and individual.

A key characteristic of TBPs is that a business contribution to the nonprofit is linked and proportional to sales. TBP are characterized as being primarily controlled by the business partners. Besides contributing money to the nonprofit, businesses also promote their association with the cause through promotional/advertising activities. Businesses may spend much more on advertising their association with a favorable cause than they actually contribute to the cause. Businesses that participate in TBPs are interested in supporting the cause. However they are also interested in exposing market segments to favorable images of the company and its brands.

Joint issue promotions: In cases of joint issue promotions businesses and nonprofit organizations working together to support an issue. Instead of a business giving money to a nonprofit to support its activities, business involved in activities to further the cause. A characteristic of joint issue promotions is that the business and nonprofit partners are jointly advertising for the purpose of furthering the nonprofit cause. The contribution of participating business is promotional and operational.

When supporting a worthy cause is the business's primary motive for entering into this relationship, a secondary motive is generating favorable publicity directed toward a desirable market segment. Nonprofits are motivated to joint this relationship because it is directed at achieving their goal and objectives. By tapping into the resources and capabilities of companies, nonprofits are able to bring much greater awareness to their cause than would otherwise be possible.

Joint ventures: A business - nonprofit joint venture is a new nonprofit entity established by a partnership of organizations to achieve mutually desirable objectives. For example environmental groups educate the public about the environmental hazards and socially irresponsible business practices. Previously, businesses saw the environmental groups as their opponents, today they cooperate with them to form a joint venture that provides more favorable results than opposing them.

Some businesses are forming joint venture with former nonprofit adversaries. The purpose is to evaluate certain aspects of the businesses operations formerly criticized by watchdog organization. This trend has been most prevalent between manufacturers and environmental groups. Typically the joint venture is responsible for developing standards, for monitoring business compliance and for the management of certification program.

2. Methodology

In purpose of research, were used three instruments of methodological research: questionnaires, focus groups and depth interviews. Questionnaire was designed to identify the percentage of NPOs funded by private businesses by type and location of NPO's; ways of funding from private businesses; the benefits provided by businesses that financing NPOs and, NPOs-Business relationships. Depth interviews and focus groups were designed to provide detailed information on questions. Depth interviews and focus groups were conducted after processing the survey in order to argument the findings by its own nonprofit organizations.

For sample selection were based in the database that District Court of Tirana disposed on the registration of all NPOs in Albania. Object of study were NPOs that operate in Tirana, in the North and South area of Albania

3. Data Analysis and Presentation of Findings

From the sample selection (fig 1) 66% of the NPOs interviewed said they are not funded by private businesses, and only 34% claim to be funded. Financing by private sector is partial to a low percentage and funding a small number of projects.. From the responses provided by focus group the reasons are:

- Private businesses are not encouraged to allocate funds, and
- there is a lack of confidence on their part

31.6% of nonprofit organizations (fig 2) that operate at center of Albania are funded by private businesses, and 68.4% are not financed. 58.3% of northern NPOs are not funded by private businesses and 70.6% of South NPOs as well. The situation is the same for all the studied areas, a large percentage of NPOs are not funded by private businesses. The reasons are:

- * Lack of confidence by private businesses.
- * There is no culture of charity

- * Businesses are discouraged in providing funds for charity.
- * There are no efforts by NPOs to ensure funds from private businesses

If we look at the importance of the relationship between financing of private businesses and their location conclude that the connection has not statistical significance chi square test is 0.64, which means that funding from private businesses do not depend on the location of the NPO. If we look at fundraising by type of NPOs conclude that 55.6% of foundations funded by private businesses (fig 3). This does not mean that they have received in total funds from private businesses for the project, but are funded partly in an amount not large. 37.5% of associations are funded by private businesses and 23.3% of centers.

From 34% of NPOs declaring that are financed by private businesses, 86.2% of them simply take funds from private businesses, while 55.2% of them are sponsored for any event, 3.4% of them provide volunteers staff, and none of them provides payment for training (fig 4). Since NPOs know that businesses are not encouraged to allocate funds due to lack of confidence, they do not try to submit applications for fundraising in the relevant fields. Yet more should be done by NPOs to encourage private businesses to provide funds.

A high percentage of nonprofit organizations, 96.6% of them think that benefits for private businesses are increase of image, and 82.2% of them increase the number of links and partnerships (fig 5). 41.4% of NPOs believes businesses benefit from tax revenues, and the rest is skeptical about this. Profitable private businesses are encouraged by the benefits they will provide by giving funds and it is the duty of NPOs to highlight the benefits. Providing a qualified staff none of NPOs does not see as profitable for private businesses, it is the duty of NPOs operating in the field of education to emphasize the benefits that private businesses will have in the future if sponsor NPOs which operate in the field of education.

If we see (fig 6) conclude that the relationships between NPOs and private businesses are of forms of corporate philanthropy 88.5%, and sponsorship at 51.9%. A small percentage of NPOs are financed by corporate foundations and only 3.7% of them are in the form of joint promotions where NPOs and businesses cooperate to support a common cause. The lack of relationship forms such as joint ventures or transactions based promotions, is responsibility for businesses that have no interest to have such relations because they have no credibility, as well as nonprofit organizations that do not attempt to have such cooperation relationship.

Conclusions

A small percentage of NPOs declare that are financing by private businesses, and funding from private businesses does not depend on the location of the NPO and nor of its type. Some of the reasons are:

- * Lack of confidence by private businesses,
- * Lacks a culture of charity,
- * Businesses are discouraged in providing funds for charity,
- * Not more effort are made by the NPOs to provide funds from private businesses

Ways of financing from private businesses are:

- * Providing funds for charity,
- * Sponsoring an event
- * Providing volunteer staff.

Forms of business-nonprofit relationships are:

- * Providing funds for charity,
- * Sponsoring several events,
- * Providing donations from foundations and businesses,
- * Joint issue promotions.

Other forms of business-nonprofit relationships that don't exist in Albania are:

- * Joint ventures,
- * Licensing agreements,
- * Transactions based promotion.

Lack of these relationships is the responsibility not only of profitable businesses that have a lack of confidence but of NPOs that do not make efforts to have such collaborative relationship. At this moment needs the existence and role of marketing personnel

Lack of funds is one of the reasons for a low stability of the sector. In these conditions it is recommended that other sources of funding should be taken into consideration. Actually funds from private sector and government are very small. In these conditions it is necessary to improve the current fiscal legislation in order to provide incentives for private businesses to support the activities of NPOs

Establishment and strengthening of business-nonprofit relationship requires building trust between sectors by increasing:

- * Level of information exchange,
- * Quality of services provided by NPOs
- * Capacity of staff of NPOs and business in the organization of activities of common interest.

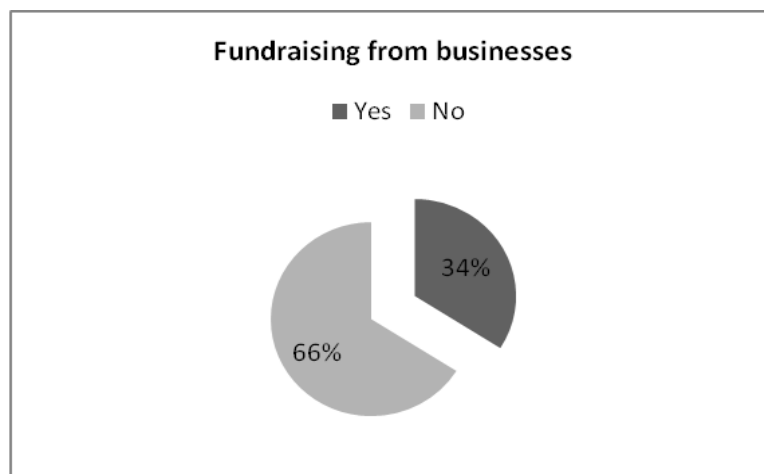


Figure 1. Fundraising from private businesses

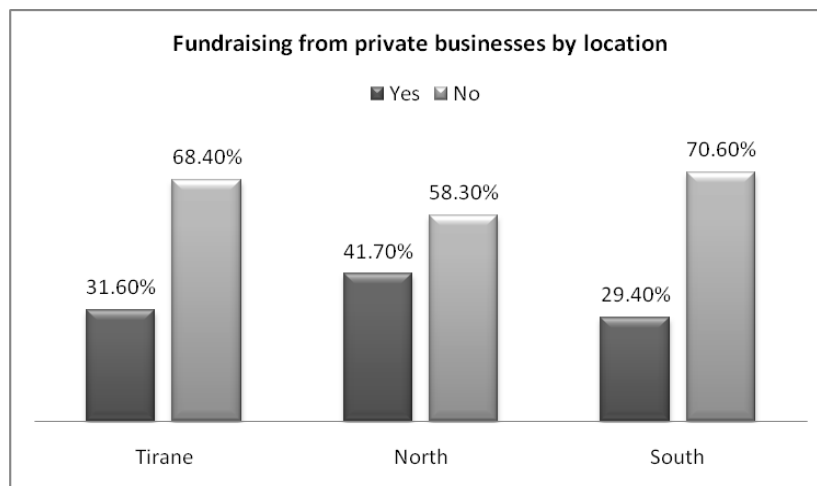


Figure 2. Fundraising from private business by location

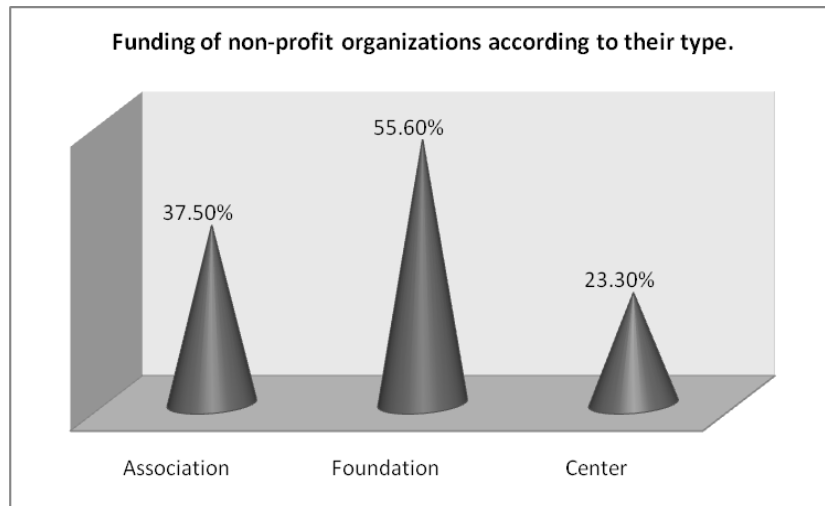


Figure 3: Fundraising by type of NPOs

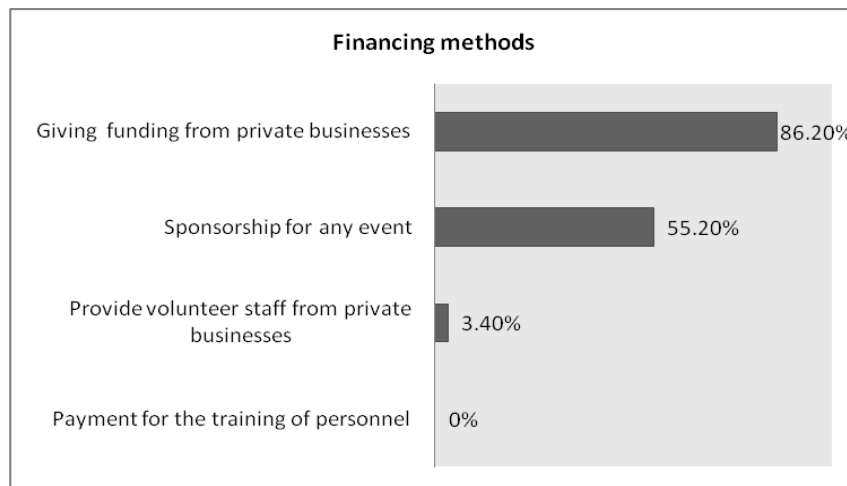


Figure 4: Financing methods by private businesses

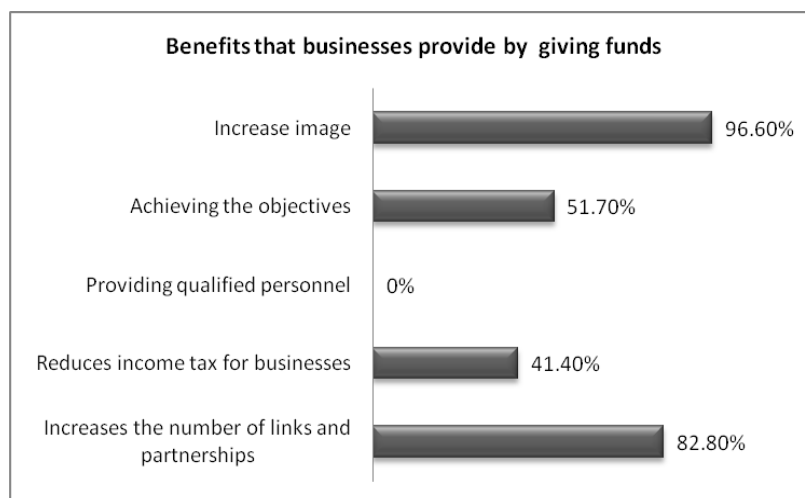


Figure 5: Benefits businesses provide by giving funds

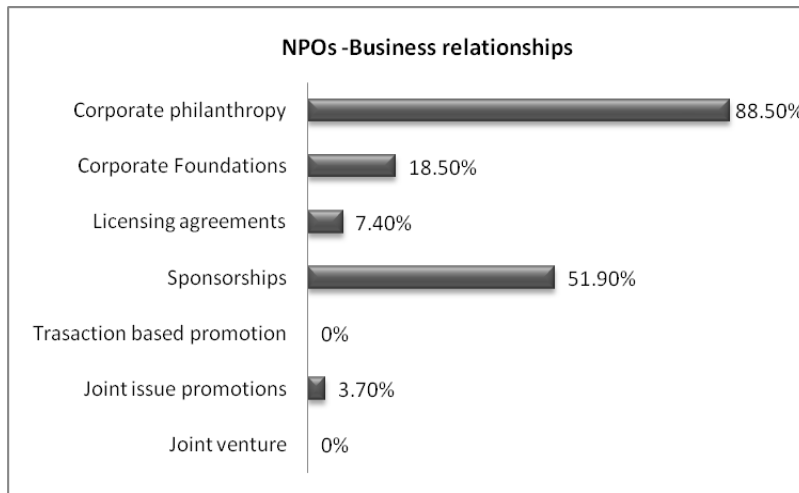


Figure 6: Business-nonprofit relationships

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