

Symbiotic Philanthropy or “Giving, getting involved and the Fourth Sector”

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Abstract:

This submission is designed to address two points of the terms of reference:

- consider options for improving the efficient and effective delivery of government-funded services by community organisations, including improved funding, contractual and reporting arrangements with government, while having regard to the need for transparency and accountability
- examine the changing nature of relationships between government, business and community organisations in recent times, their general impacts, and opportunities to enhance such relationships to optimise outcomes by the sector and its contribution to society

In doing so the submission proposes an idea on encouraging more philanthropy in Australia with an emphasis on a corporate - community business partnerships, utilising the taxation system to encourage a greater involvement. This submission proposes a model for a new direction in philanthropy in Australia that moves governments away from the bulk of their direct involvement in social programs and provides a strong incentive for the corporate sector to be directly involved in building a sustainable social sector, called the fourth sector.

Introduction:

It is in the best interest of government to attract private sources of funds and to ‘spread’ the load in regard to social programs, rather than have the government wholly responsible.

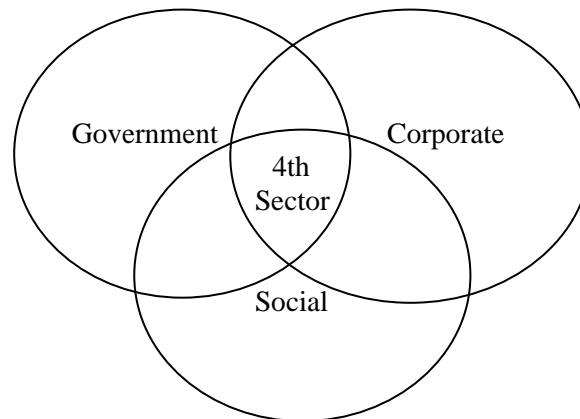
The social sector is defined as individuals or organisations that deliver support to society, in areas such as health, housing, lifestyle and for the community, in general. While this term may seem limiting it covers all activities which are performed primarily for no profit. This doesn’t limit profits from being gained, but the primary purpose is not a profit making venture.

The proposed ‘Symbiotic Philanthropy’ model moves much of the responsibility for social sector programs from government to the corporate sector, in a way that builds a permanent, direct link between these two sectors, thereby creating the Fourth Sector. The involvement of the corporate sector has been well documented, particularly in the United States (Alter, Kim, 2007), with examples of corporates providing ‘socially responsible’ support for the social sector. Symbiotic Philanthropy is a paradigm shift in how the three sectors relate to each other.

This submission outlines how this model would work, investigates research around the model and if it has been successful elsewhere. Finally an analysis will be made of the advantages and disadvantages of the model.

The Model:

The model involves the three sectors – Government – Corporate – Social, where the three come together in building a long term sustainable social sector which will benefit all parties. The model provides an area where there is an intersection of all three sectors and it is here that an integrated approach can occur:



Current situation:

- **The Government:** Provides the bulk of the funds for social programs, funding individual non profit organisations to carry out social programs on behalf of the Government. The Government decides the policies, the priorities, funding and manages the administration of funds.
- **The Corporate:** Provides limited funds to the social sector, with some programs involving corporate staff volunteering their time in social programs.
- **The Social:** Sources funds from government, corporate and other philanthropic bodies. Depending upon the source of funds has to meet a mix of criteria across a variety of different areas or programs. Funding is normally on an annual basis which, in some cases, drives resources towards continually applying for funding, rather than delivering the services.

The new model involves a shift in the way programs are funded and managed:

- **The Government:** Government(s) would no longer be the major provider of funds for programs, but would offer taxation incentives to corporate organisations to fund social programs directly. This is an alternative use of taxpayer's funds similar to current schemes in the research and development area, where corporates can receive a greater deduction for the funds they provided. It is suggested that a range of between 125 - 200% tax deduction be provided for every dollar that a corporate provides to a social sector partner, as a mechanism for leveraging funds into the sector, depending upon the program involved. Government(s) would provide direction in the areas of spending that would be eligible for the deduction.
- **The Corporate:** The corporate organisation(s) partner a single or a number of social sector enterprises and provide funds for their operation to train staff in the social sector, as well as training social sector staff in business skills. All of this involvement will provide for income tax deductions.
- **The Social:** The social sector enterprises are able to form long term relationships with corporate organisation(s), be provided with funds for an extended period and provide formalised training to the corporate organisation(s) staff within a social sector setting. This then reduces the reliance upon government(s) for funding and direction and forges greater long term relationships with corporate organisation(s).

How this Would Work:

The proposed model is an attempt to shift the focus away from government(s) and provide a much more focused delivery of service where the main parties (corporate and social) benefit directly from the relationship, with the government(s) providing general direction and tax incentives to develop these relationships.

The model is simple, in terms of the mechanics at a macro level, but the application of the detail required to institute the model will provide for an interesting shift in focus. Overall the model would:

- 1 Provide funding to the social provider for direct service, from the Corporate.
- 2 As part of this funding the social provider agrees to train staff of the Corporate in the area of service delivery they operate in, providing accredited training courses to the staff (this is a more structured approach and reaches beyond mere volunteering).
- 3 The corporate agrees to allow the employees the time to be involved, with a requirement that the skills learned by the staff are utilised in their role with the Corporate. The corporate also recognises that their management and staff have significant business skills that can be utilised to assist the social provider achieve their mission.
- 4 Money provided to the social sector provides a taxation deduction of between 125 - 200% of expenditure (including staff time) to the Corporate.
- 5 Government provides policy outlines for areas that are eligible for funding. These will be global areas of need, with detail dealt with at the social – corporate program delivery level.
- 6 There will be an increase in the amount of funding provided by governments as the result of the tax deduction and governments will have to provide increase revenues for this, however will make savings in administration of schemes.

Key Elements:

- 1 Communication and openness will have to be high on both sides to ensure the “working together” is realised as a benefit.
- 2 Clearly defined outcomes need to be established from the beginning, with both parties able to “set boundaries” of operation.
- 3 Agreement must be reached about the funding stream, prior to commencement, along with milestones that both parties are expected to achieve.
- 4 An exit strategy needs to be developed prior to commencement, with both parties able to ensure benefits beyond the agreement.
- 5 Government policy has to be directed at areas of need, which are established in consultation with both the corporate and social sector players.

The development of the fourth sector in this manner could be seen to be a radical shift in the way that social programs are currently funded and carried out. The government would have to accept a reduced role in the direct provision of services in the social sector, but a vital role in providing policy direction. The corporate sector has to give up its idea that the social sector has ‘nothing to offer’ them in their business and that they are not an integral part of the world they live in. The social sector has to give up their reliance upon government and learn to build close relationships with the corporate sector and understand the connectedness between what they do, how the corporate sector operates and the world we all live in.

If the model can do this, then it will have achieved a great deal in shifting the thinking and action of all three sectors into the fourth sector. As a result society is likely to be provided with better funded and targeted programs that will benefit everyone.

Research in This Area:

Utilisation of tax incentives scheme

International

Several examples were found where the use of tax incentives has led to an increased flow of funds into a particular sector. One such example was in the UK in the 1990's; businesses who supported the Arts received a 150% tax deduction (Research Australia, 2005)

Another example of the utilization of tax incentives to specific organizational forms, such as NGOs or public benefit organizations (PBOs) has been found in Hungary. Corporate donors giving to PBOs may deduct up to 20% of pre-tax profits; corporate donors giving to prominent PBOs may deduct 150% of the donation up to 20% of pre-tax profits (Moore, 2004).

Australia

Similar tax incentives strategies have been utilised in Australia during the 1970's and 1980's to increase investment within the Australian film industry and rural industries sector. In addition views from pharmaceutical companies in Australia suggest that incentives, particularly tax incentives, would be favourably received by industry and other corporate givers looking at donating research funding. However, the Australian government has resisted calls for taxation incentives, preferring a more targeted approach to supporting research and development.

Utilization of 'Matching Schemes'

Government matching programs are initiatives that encourage private donations to specific sectors by matching them with public funds. Such programs have had successful implementation in 24 states within the US, Singapore, Canada and Hong Kong. Typically such programs are used to raise funds within the high education sector and only run for short periods of time 2-5 years.

Matching grant schemes have been utilized where the philanthropic activity is relatively mature but also in environments that require a 'kick-start' or extra funding from the community.

Matching funds are not to be used as a substitute for public funding but as a lever to build strategic links between individual donors and corporate donors and not for profit organization (Volunteer Match, 2009).

Utilization of non-financial giving

Employee volunteering, a mode of corporate community investment that also engages staff with their employer's corporate responsibility, has the potential to play a greater part in skills transfers to NFP partners and capacity building.

Fifty two per cent of NFPs report that corporate volunteers are already involved in skills transfer and capacity building activities, and 42 per cent say corporate volunteers are involved in their governance (Boards, oversight and management committees).

Orienting more of the 70 per cent of employee volunteering described by not-for-profit organisations as unskilled towards capacity building and skills transfer, would be highly beneficial to NFPs across the nation, and meet the demand of these organizations for assistance to build their capacity to achieve their mission (Relationship matters, 2009).

Giving people opportunities to engage in community-investment programs is a great way to make a difference in the local community, enhance the skills of professionals and build teams that create positive outcomes for all involved (Thomlinson, 2008).

But, keep in mind, developing the type of program that will be most effective in your organization will require a great deal of careful thought, informed planning and strategic customization; there is no set formula. (Deloitte, 2009, [Key Considerations for Launching a Skills-Based Volunteer Program](#)).

“Several studies have shown that Gen Y employees want to make a positive difference in society, and, at the same time, nonprofits need help dealing with business and organizational issues in order to better deliver their social missions,” said James H. Quigley, chief executive officer of Deloitte & Touche USA. “Companies that connect these two important realities, and encourage their people to contribute knowledge and experience to nonprofits, will make a difference by giving back to the community – and at the same time build the skills and morale of their people.” (Deloitte, 2009).

CASE STUDY — ENGINEERS WITHOUT BORDERS AND VOLUNTEER PLACEMENTS

Engineers Without Borders (Ewb, 2008) ‘works with disadvantaged communities to improve their quality of life through education and the implementation of sustainable engineering projects’. It relies heavily on volunteers who work on projects in Australia and throughout the world.

Engineers Without Borders recently participated in Vodafone Australia’s World of Difference program (Vodafone, 2008). The program allows individuals to nominate a registered charity or NFP organisation with deductible gift recipient status where they would like to work for a year. The NFP is involved in the application process and must agree to the placement.

Engineers Without Borders accepted a volunteer working as a Project Director for 12 months. His role was to help develop new projects in Australia and assist in placing volunteers in overseas locations. Vodafone pays the salary for a year and provides a laptop and mobile phone. It also allows Engineers Without Borders to claim expenses such as insurance, work-related travel or other work expenses that the volunteer requires during the year.

The Vodafone Australia Foundation has funded about 15 placements in organisations such as KidsSafe, Northern Queensland Conservation Council, The Oakfree Foundation and Wildlife Victoria (Ewb, 2008).

Advantages and Disadvantages:

Advantages

Many advantages will flow from this model which provides positive incentive for business to give support to the social sector – both financial and human resources.

More money will be available in the system, i.e. tax incentives will encourage corporations to give significantly more funds to the social sector, more than outweighing the potential reduction in government funding of social programs. It will reduce the labour and recruitment costs for many social sector organisations ([www.volunteermatch](http://www.volunteermatch.com)). There is also real potential for corporate leaders to use their power, influence and networks to leverage resources from other sources for the benefit of the social sector.

The report ‘Relationship Matters: not-for-profit community organisations and corporate community investment’ ([www.fahcsia](http://www.fahcsia.gov.au) 2008) looks at the current state of play in partnerships between large businesses and not-for-profit organisations (NFPs) in Australia. While some ‘partnerships’ are still at a purely financial donor-recipient level (to achieve enhanced corporate reputation) a greater number are functioning as true partnerships that exchange resources and are mutually beneficial. There is a move in Australia and overseas ‘towards an integrative stage of collaboration, in which partners create new services and activities as a result of their collaboration’. The report identifies that ‘outcomes produced by so-called integrative partnerships include better societal outcomes, and improved delivery of services at a local level’.

There will be greater involvement in the civil society. Both employers and employees at corporations that partner social sector organisations will develop a greater understanding of, and involvement in, the civil society.

There will be a greater sense of community at all levels. Employee volunteer programs have been shown to increase job satisfaction, teamwork and communication within and between departments ([www.volunteermatch](http://www.volunteermatch.com)) so there is both a greater sense of community at work and of being an important part of a wider community. It will help to highlight community needs and demonstrate to the social sector that they’re not going it alone.

Knowledge and skills exchange is a significant benefit of encouraging businesses to provide human resource provision as well as financial support. The model provides corporate volunteers with meaningful training in social sector skills that can be used in their work and private life as well. The social sector can also acquire skills from business to increase their capacity. Brown (2004 p. 151.) describes strategic philanthropy ‘that links a company’s business strengths with community needs. ...able to unleash the power of our expert employees and to have far more impact in the community.’

Another benefit of the model is that it provides corporations with an opportunity to demonstrate their public benefit as opposed to excessive focus on short term shareholder profits. White (2009) argues that the global financial crisis is an opportunity to redefine the corporation.

‘The first step is questioning the corporation’s purpose. This means abandoning the prevailing notion that shareholder value is the core purpose of a company. We must instead imagine the corporation as it was two centuries ago, an entity authorized by the government to harness private interests –innovation, competitiveness, wealth creation – to serve the public interest. Public interest can mean job creation, beneficial technology, or community building.’ ‘Shareholder interests excessively influence company decisions, a situation incompatible with how wealth is actually created – namely, through the joint and inseparable contributions of employees, communities, suppliers, and government.’

The tax incentives offered will make it easier for corporations to convince their shareholders that there could be benefits in partnering with a social sector organisation.

Disadvantages

Not all social programs will be appealing to corporate involvement. Some causes will find it harder to match with a corporation that is a 'good fit'. However it is envisaged there will always be a role for private philanthropy as well as more limited, but still significant, government support for the sector. The income stream of some organisations may not be any more secure than at present.

Corporate and social sector executives come from different world views, which can cause problems with alignment. Some commentators (Silverman & Taliento, 2006) argue that business executives underestimate the complexities of running nonprofit organisations and that it's actually harder to succeed in the nonprofit world.

The practicality of knowledge and skills transfer is a potential disadvantage. There is presently limited experience in most Australian social sector organisations of running true partnerships or employee volunteer programs. Managing effective volunteer programs will take extra resources, especially to begin with, that will need to be provided by the corporate partner.

A misalignment of government priorities is possible if the ATO is slow to change tax incentives in response to changing social sector circumstances.

Organisations may not live in the spirit of the scheme. An example of philanthropy as marketing is seen when in 1999 Philip Morris spent more advertising their charitable giving than they had given away - \$100m on advertising versus \$75m donated (Porter & Kramer, 2002). There is a risk that many corporations will be slow to appreciate the value of a partnership as anything other than a pure marketing exercise.

Conclusion:

The examples above have demonstrated the positive impacts of either government or corporate programs whether they be tax incentives, matching program, payroll giving or volunteering. Our proposed model will look to embrace all the benefits of these models to generate the success of the fourth sector.

As a result of this success, the rate and manner in which corporate philanthropy in Australia will grow will be of benefit to society as a whole.

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