Argyll and Bute Third Sector Interface
Corporate Fundraising – the basics

Partnership with businesses can bring many benefits. They can provide much needed funds from marketing or community budgets, good PR, brand awareness, expertise and gifts in kind. However, they do take work to get right, and without the correct preparation they can cause problems and conflicts. Putting the right things in place at the setup of the relationship will ensure a smooth partnership that will bring benefits for your charity and a successful outcome for a corporate partner.

There are many different forms of corporate partnerships, which can include:

- staff fundraising
- charity of the year
- supplier fundraising and fundraising from other stakeholders
- licensing - i.e. use of charity name and/or logo in conjunction with the sale of goods/services
- cause-related marketing – i.e., a commercial activity by which businesses and charities or causes form a partnership with each other to market an image, product or service for mutual benefit
- sponsorship - i.e. cash or in kind fee paid in return for access to exploitable commercial potential
- Payroll Giving
- donations/matched giving
- secondments
- employee involvement and volunteering
- gifts in kind
- royalties
- affinity relationships
- product endorsement
- events
- recycling

It is important to regard the relationship as a joint endeavour, and one that needs to work for both parties. Both parties will have scope to negotiate. A charity should not just accept without questioning the terms proposed by the company. It is important to be aware that the value of a partnership may far outweigh the direct cost to a company.

Preparation and process
Research
Whether a charity is approaching a company or vice versa, it is important to learn as much as you can about the organisation, and to undertake a full assessment to identify why it might be inclined to support you before making an approach and setting up a partnership. The process of due diligence is as important in the charity sector as it is in the corporate sector.

As part of any assessment of the impact of a relationship, questions you might like to ask are:

- Is the company a PLC, private company or in fact neither; perhaps an unincorporated association or a partnership?
- If it is a company, does it have a parent company and who is it? Which organisations should the relationship be built with?

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- Is the company financially sound? (A charity may want to take up credit references. Your auditors could offer advice here.)
- Is it a new or start up business?
- Is there a history of charitable support or charitable giving within the company? If so what was it, when was it, and was it successful? (Check with the previous charity partner if possible).
- What are the company's motives for corporate giving?
- Do the values and ethics of the company and its subsidiaries complement those of the charity?
- Are you dealing at the right level, with the right department and is there high-level commitment to partnership with a charity?
- Is more than one level of company management committed to the partnership?
- Both the company's and the charity's brands should be regarded as valuable assets to protect. With this in mind, will the association enhance or damage the charity's brand?
- The company and the charity should be equal partners, although this may not always be feasible. Both charity and company should be clear about the benefits they expect to gain from the relationship.
- Is what the charity is expected to bring to the partnership a fair exchange for what the company is offering in return?
- Will the company exercise due diligence on behalf of the charity and be responsible for all of the costs?
- What is the public's perception of the company and its brand?

Decision-making process

A policy on working with companies, agreed by the trustees, is essential for a charity to be able to engage effectively with the corporate sector. The policy should define the parameters of associations across all types of corporate and partnership activity. However, this is just the first step. There needs to be a process for decision-making, including a clear delegation of responsibilities, since working with companies is the classic example of where value judgements need to be made. All those responsible for the development of these relationships should be given specific instruction on the charity's boundaries on corporate engagement and at what point the decision-making body decides whether or not an initiative should proceed. The complexity of the issues that need to be addressed will define the process.

Communicating and Marketing Plans

Assuming part of the reason for going into a corporate/charity relationship is – in part - publicity, thought should be given as to how it is to be communicated externally and internally within both of the organisations. It is advisable for a communications plan to be written at an early stage that gives the necessary amount of information to the necessary amount of people. Both sets of employees should be informed about the relationship and nature of the partnership. In the plan the messages ought to be agreed by all concerned and adhered to. It is good practice for it to be clear what both the company and the charity do independently and what they are trying to achieve together.

Communications to the public and customers should always include the aims of the partnership and what the relationship is about. It is important that each party respects the other's branding guidelines, and that both parties agree the final procedure for press releases and media liaison, being aware of each other's needs and timescales.

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Conflicts of interest and managing risk

Conflicts of Interest

It is important that a charity is driven by some kind of mission. This will help define what its aims are as an organisation. It will also help establish the right kinds of companies to be associated with. When selecting a company, a charity should establish that there are no conflicts of interest.

Good partnerships often result from common interests and agendas. It can be a fine line between common interest and conflict of interest. The kinds of conflicts that can arise and that may affect a relationship are where:

- ethical considerations carry different weight with the charity and the company
- a company is working with two charities in the same sector
- a charity is working with two companies from the same sector
- a company provides a product or service that helps achieve the mission of a charity (e.g. a pharmaceutical company supplying, in a commercial arrangement, anti-cancer drugs to a hospice and supporting that hospice 'philanthropically' at the same time)
- a company wants a partnership to be exclusive
- the company wants access to charity supporters
- a company is both a supporter and a supplier to a charity (for example, bank providing banking services and also fundraising for a charity)
- an employee or non-executive director is also a trustee of the charity, and wants to exercise influence over artistic aims/product
- a company wishes to link direct material benefits for their product through the association with the charity (for example, implying a health benefit from a product through the association with a medical charity).

Risk Assessment

Using a clear process of risk assessment, it is advisable for a charity to identify at an early stage the element of risk involved in any activity. Working with a company brings with it many benefits but there is almost certainly an element of risk. Research will unearth issues that could adversely affect the charity and action can then be taken at an early stage to negate any risk.

Participating Duties, Obligations and Rights

Within a business/charity relationship, like any other, there are both legal and moral obligations. Where the law does cover the position, the issues are clear cut (i.e. the need for a commercial participator agreement where financial gain is evident for the corporate), but clarity may be required where the law does not cover the position. In setting up an association with a company it is still necessary to make clear certain issues at the outset and their implications, for example:

- the use of the brand and the charity's name and logo
- who owns what: copyright, events, services, products, brands and logo's
- who is going to do what, and when it is to be done
- how the relationship is going to be presented to the outside world and what is going to be said about the company and the charity
- the duration and clear terms of the relationship (for instance whether that should include exclusivity agreements or allow access to a supporter database)

Key legal points

It is important that charities always consider the following points:

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- There must be a written agreement governing the relationship between the company and the charity/trading subsidiary concerned (even where this is not strictly legally required). This ought to be approved and understood by all parties
- If the company falls into the definition of a 'commercial participator' by selling goods or services and promising a fixed donation to a charity, then the specific rules need to be followed
- Tax and VAT issues must be considered very carefully to ensure that the charity does not unwittingly undertake taxable trading. A good basic test is to ask whether the commercial third party concerned will receive any benefit from the relationship – for example, increased profile for the company's activities or products
- VAT can be a minefield and a charity must seek to identify circumstances where VAT will be chargeable (broadly where taxable supplies can be identified). If sums are paid to a charity without charging VAT, and VAT is subsequently discovered to be payable, the amount actually received by the charity will be reduced
- Above all, a charity ought to take advice if at all unsure about any tax or legal aspects arising out of a fundraising partnership with a business.

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