

Social Responsibility Framework and Business-Nonprofit-Government Partnerships

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Abstract

The cause-related marketing (CRM) concept has typically focussed on how business corporations might relate to nonprofits. Public-private partnerships (PPPs) have normally stressed business and government collaborations in obtaining intended goals. A voluminous literature focuses on the subject of government-nonprofit partnerships. Relatively little research has examined partnerships between businesses, nonprofits and the government for solving social problems. This paper argues that social responsibility will be implemented more effectively if business, nonprofits and the government collaborate simultaneously. A social responsibility framework is suggested to illustrate the significance of business-nonprofit-government relationships. The paper contributes to the existing literature by extending the research on business-nonprofit-government relationships for social purposes.

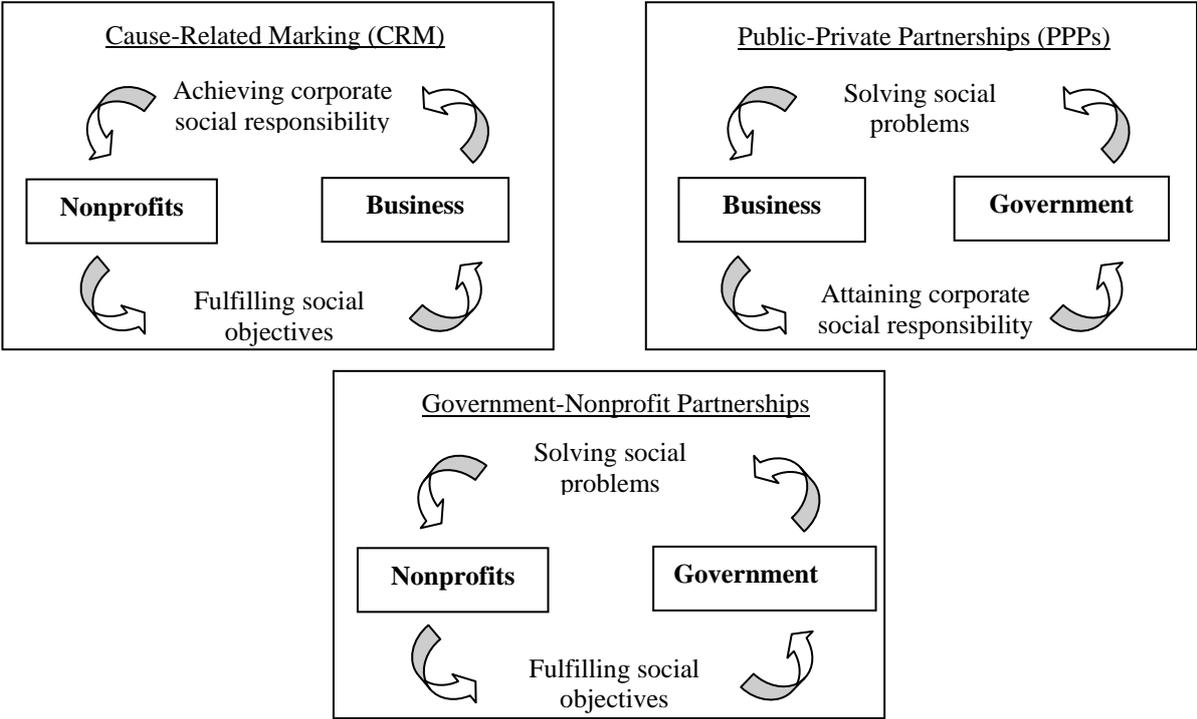
CRM, PPPs and Government-Nonprofit Partnerships

For decades consumers have purchased products and services from charitable nonprofit organisations which exploit their positive image when they develop a trading operation (Bennett and Gabriel, 2000). Nonprofits, in making their appeal, draw on a secondary motivation. The consumer might choose a charity's products or services over a private firm because any revenue that the nonprofit makes goes to a 'good cause' (Chetkovich and Frumkin, 2003). Altruism, corporate responsibility and philanthropy are often used to describe cause-related marketing (CRM), an activity in which businesses join with charitable nonprofit organisations or causes to market an image, product, or service for mutual benefit. Chaney and Doll (2000) define cause-related marketing (CRM) as a marketing strategy whereby the firm makes a contribution, financial or otherwise, to charitable non-profit organisations contingent upon the customer engaging in a revenue providing exchange that satisfies business and individual objectives. This involves associating a charity's logo with a brand, product or service to encourage sales of the product as well as raising funds for the charity. Lichtenstein, Drumwright and Braig (2004) argue that a corporation's socially responsible behaviour can positively affect consumers' attitudes toward the corporation. Thus, an association with a charitable nonprofit organisation can also build strong social or community values to a product or service, reflecting a company's proven commitment to a worthy cause.

The public-private partnerships (PPPs) model has emerged rapidly in the last few decades (Makin, 2003; Wright, 2000). PPPs allow profit-making private companies to build, own and operate public projects on behalf of the public sector (Nisar, 2007). The partnerships often appear in contractual basis with specifically designed performance criteria. Through PPP contracts, the government, as the funding provider, achieves value for money for projects delivered by private companies which are often perceived to be able to offer expertise knowledge, systems and networks for specific projects. Private companies, on the other hand, gain financial rewards if they meet the performance criteria as set in the PPP contracts. PPPs are not limited to business oriented projects, but also projects that aim to solve social problems. Today, social services such as employment services, services for homeless youths and healthcare are delivered through PPP contracts (Carney and Ramia, 2002; English, 2005).

The approach that the government contracts out its social services to nonprofits became the main trend since the 1980s as it is perceived to be an effective way of delivering services to people in need (Alford *et al.*, 1994; Bevir, Rhodes, and Weller, 2003). There is also a voluminous literature on the subject of government-nonprofit partnerships (Brinkerhoff, 1999; Brinkerhoff, 2002; Krishna, 2003; Osborne *et al.*, 2005; Smillie and Helmich, 1999). There is a similarity between PPPs and government-nonprofit partnerships as the government is the funding provider for both partnerships. However, private companies may see achieving corporate social responsibility as an approach to attain competitive advantage (Porter and Kramer, 2006) while social dimension is often the *raison d'être* of nonprofits' existence (Ryan, 1999). Figure 1 briefly shows the concepts of CRM, PPPs and Government-Nonprofit partnerships.

Figure 1 – Concepts of CRM, PPPs and Government-Nonprofit partnerships



As can be seen from Figure 1 above, the three concepts have a common key motive. That is to make a difference by tackling social issues in the society. This paper argues that business, nonprofits and the government will likely achieve more in terms of solving social and ethical issues if they form a strategic partnership focusing on social responsibility as their key component in their partnership. Selsky and Parker (2005) urge that more research on trisector partnerships is needed in order to strengthen the conceptual underpinnings of this particular type of partnerships. This paper proposes a business-nonprofit-government social responsibility conceptual framework which helps to strengthen this multidisciplinary field. The benefits of the framework will be discussed in this paper. A short case study of tourism program in Thailand after 2004 Asian Tsunami was used to illustrate how the framework may benefit all parties involved in a strategic partnership between business, nonprofits and the government.

Benefits of Cross-Sector Partnerships: Reputation, Responsibility and Relevance

Governments often play a key role in community development as they regulate policies to both for-profit firms and charitable nonprofit organisations. Government agencies often have the ultimate responsibility in addressing societal issues and, in many cases, are the funding providers for social service and community based nonprofit organisations (Huxham and Vangen, 1996). The government can provide incentives to business firms which promise a certain monetary donation each time the firms' products or services are sold. An example of this incentive may include tax exemptions. One of the advantages that business and nonprofit gain by partnering with the government is the government's ability to bring together stakeholders representing interests on national, regional, and local geographical scales. Partnerships are often led by a convenor, and they may well be more successful when this facilitator is perceived to have legitimate authority (Parker, 2000). Governments in many countries endorse the use of partnership arrangements in planning for, such as, tourism and infrastructure development. Among the reasons for the growing interest in inter-organisational collaboration is the belief that it may lead to the pooling of knowledge, expertise, capital and other resources, greater coordination of relevant policies, increased acceptance of the resulting policies, and more effective implementation (Pretty, 1995).

On the other hand, business firms often find themselves more likely to achieve better performance if they are able to enter into partnership with nonprofits with a similar agenda (Lafferty, Goldsmith and Hult, 2004; Porter and Kramer, 2006). Embracing a cause makes good business sense. With today's increasingly hard-to-please consumers, marketing managers recognise that partnering with nonprofits can be a powerful marketing tool to gain a competitive edge through a positive corporate reputation. All other things being equal, many consumers would rather do business with a company that stands for something beyond profits (Andreasen and Kotler, 2003).

Like their for-profit and public sector counterparts, nonprofits are increasingly forming partnerships both within and across sectors to achieve their social objectives (Andreasen and Kotler, 2003; Guo and Acar, 2005; Sagawa and Segal, 2000; Salamon, 1999). Social service nonprofits' primary social objective is to serve people in need. If nonprofits would like to continuously gain support and legitimacy from the funding providers and the public, they must follow ethical principles that are broadly supported by a major portion of society (Bryson, Gibbons, and Shaye, 2001). In other words, they must demonstrate to their funding providers and the public that what they are doing is relevant to the society. This also reflects that these charitable organisations have an obligation to develop sound and balanced relationships with all their stakeholders which include both the government and corporations but not just focus on their fund providers. As the environmental turbulence such as social and economic problems generates unintended consequences which exceed the scope of a single organisation can tackle (Mulroy, 2003; Selsky and Parker, 2005), nonprofits may gain benefits such as sharing resources and risks, increasing efficiency, enhancing co-ordination, facilitating mutual learning and nurturing expertise from working collaboratively with other stakeholders (Huxham and Vangen, 2005). One way of achieving a balanced stakeholder relationship is by engaging a strategic partnership with business, nonprofits and the government. Table 1 shows the potential benefits of a business-nonprofit-government strategic partnership through the lens of reputation, responsibility and relevance.

Table 1 – Potential benefits of implementing social responsibility framework through the lens of 3Rs

	Business	Nonprofits	Government
Reputation	<ul style="list-style-type: none"> ✓ Enhance corporate reputations ✓ Create customer loyalty ✓ Increase in corporate sales ✓ Differentiate firms in consumers' minds ✓ Counteractive negative image 	<ul style="list-style-type: none"> ✓ Provide a legitimate cause ✓ Promote nonprofit brands ✓ Generate financial resources directly from donor firms ✓ Attract higher consumer's based donations ✓ Attract prospective employees and volunteers ✓ Obtain managerial assistances from firms ✓ Increase publicity and generate more awareness 	<ul style="list-style-type: none"> ✓ Improve government image ✓ Develop community commitment and trust
Responsibility	<ul style="list-style-type: none"> ✓ Achieve corporate social responsibility ✓ Achieve social profits ✓ Create trust among stakeholders 	<ul style="list-style-type: none"> ✓ Fulfil social mission ✓ Increase the number and scope of community development project 	<ul style="list-style-type: none"> ✓ Protect vulnerable citizens ✓ Solve social and ethical issues ✓ Managing environmental crises ✓ Regulate social policies
Relevance	<ul style="list-style-type: none"> ✓ Behave in social responsible ways ✓ Gain competitive advantage ✓ Achieve social profits 	<ul style="list-style-type: none"> ✓ Gain financial supports ✓ Solve social problems Community development 	<ul style="list-style-type: none"> ✓ Reduced financial pressures for social problems ✓ Solve social and ethical issues

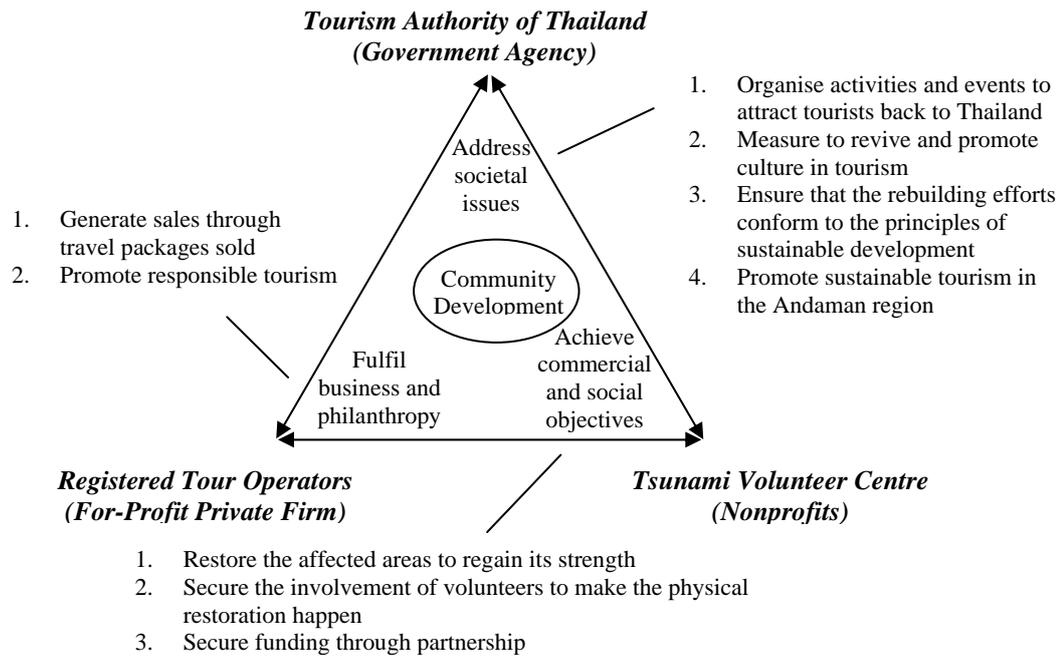
Developing Cross-Sector Partnerships: A Case Study of Tourism Industry in Thailand after 2004 Asian Tsunami

In the wake of tsunami, many nonprofits have formed strategic partnerships with business firms. For example, the Habitat for Humanity Thailand is partnering with Bank of Ayudhya, one of Thailand's leading financial groups, and publicly-listed building materials maker Siam City Cement Public Corporation to provide permanent shelter for more than 250 people left homeless by the December 26 tsunami. In a business-nonprofit-government strategic partnership, business firms act as major funding providers. Through the strategic partnership, business firms gain a reputation which focuses not only on profit, but also social issues that concern community development. An improved reputation likely increases sales and revenues. In other words, a business-nonprofit-government strategic partnership assists business firms to fulfil both business and philanthropic objectives. For nonprofits, the strategic partnership likely assists the organisations to generate higher income or revenues which give the organisations greater self-sufficiency (Guo, 2006). Such self-sufficiency gives the organisations the ability to achieve more social objectives. However, given the important role of the government, particularly in the tourism industry which involves many players, a formal strategic partnership between business, nonprofits, and the government should be emphasised in order to maximise all parties' efforts which help to speed up the recovery and the tourism industry as a whole.

Although such strategic partnership may open new opportunities, it is important to put a caution when the concept is applied. Consumer may be sceptical that business firms that link their products or services to a cause are taking advantage of nonprofits. For-profit private firms' motivation may be distorted by high financial returns and thus often focus on particular groups of consumers, a select number of key competitors and suppliers and environmental

elements that play a role in maximising profit (Hill, 2002). To avoid such potential drawbacks all parties must enter a strategic partnership with good faith and fair deal. For instance, business firms must be careful not letting their business objective outweighs the motive for doing social good to the community. This is also why partnerships with the government must be emphasised as the government can take the role of regulating and monitoring as well as setting limit for such establishment to prevent any harmful act to the community and promote responsible and sustainable tourism. Figure 2 illustrates how a business-nonprofit-government strategic partnership works in a tourism program for the 2004 Asian Tsunami in Thailand.

Figure 2 – A Business-Nonprofit-Government Social Responsibility Framework Tourism Program



Conclusion

Cause-related marketing is an alternative fundraising method for the non-profit which draws on the assistance and marketing knowledge of the for-profit organisation. It is a strategic option that links the for-profit and non-profit organisation, sharing both publics and outcomes (Varadarafan and Menon, 1988). By choosing a cause that the target audience is passionate about, cause-related marketing can be emotionally fulfilling.

Due to the complexity of the tourism industry, and the needs for crisis management after the tsunami in Thailand, a formal relationship between business-nonprofit-government should be sought. In this strategic partnership arrangement, business serves as major source of fund. For business, the potential benefits of partnering include enhanced company image, increased sales volumes and higher brand recognition, while charity benefits through a new source of contributions and increased public awareness of the organisation. Working jointly with business and charity will enable the government to respond to the local community's needs at the time of crisis—to restore the affected areas from the damage in a faster pace and to put the tourism business back to the affected areas.

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