Small Business–Nonprofit Collaboration: Locally Owned Businesses Want to Take Their Relationships With Community-Based NPOs to the Next Level

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Abstract

This two-part, mixed-methods study explored how and why small businesses engage in both philanthropic and transactional partner-ships with community-based nonprofits (NPOs), and what business owners expect from their nonprofit partners. Findings from focus groups and a survey indicate that U.S. small businesses (a) are interested in a higher representation on nonprofit boards; (b) are more likely to support NPOs that focus on the local community's needs; and (c) seek long-term, committed partnerships with NPOs to jointly address communal issues rather than one-time contributions or sponsorships. The study adds to the literature on nonprofit–business collaboration by applying the concepts of integrative (Austin, 2000) and communal (Cho & Kelly, 2014) relationships in the context of locally owned businesses and community-based NPOs rather than more commonly studied large corporations and national/international nonprofits. These findings also offer practical recommendations for the leadership of community nonprofits interested in enhancing their relationships with small businesses.

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INTRODUCTION

This two-part, mixed-method research was inspired by informal conversations with a group of nonprofit executives from a small town in the Appalachian region of the United States. Until recently, many community-based nonprofits (NPOs) in this region have relied almost exclusively on government grants to provide social services to the community. Confronted with the current instability of public funding on both state and federal levels, nonprofit executives are searching for ways to diversify revenue. Among other things, NPOs are seeking a greater engagement with small businesses. Some nonprofit executives, however, feel that small-business owners hold them responsible for local charities' overlapping scopes and destructive competition for the scarce community resources. While acknowledging the necessity to coordinate efforts with other community-based NPOs, nonprofit executives realize they need to mend their relationship with small businesses as well. The concerns expressed by those nonprofit executives in conversations with the researcher echo the literature describing the challenging environment in which many NPOs have been operating recently, both in the United States and elsewhere (Al-Tabbaa, Leach, & March, 2014; Bingham & Walters, 2012; Phillips, 2012).

The purpose of this research was to (a) look at the situation described in the aforementioned informal conversations, as well as in the literature, from the business-owners' perspective; (b) gain a better understanding of what motivates small-business community involvement during an economic downturn; and (c) explore ways of strengthening the relationship between community-based nonprofits and for-profits. This study was grounded in the philanthropy, nonprofit management, and nonprofit marketing literatures (Austin, 2000; Austin & Seitanidi, 2012a, 2012b; Burlingame, 2003; Cho & Kelly, 2014; Seitanidi, 2010; Seitanidi & Ryan, 2007; Wymer & Samu, 2001, 2003a, 2003b). Unlike most previous research studies that focused primarily on large corporations and national NPOs, this study contributes to the literature by extending the theoretical types of nonprofit–business collaboration (Austin, 2000; Austin & Seitanidi, 2012a, 2012b) and corporate donor–charitable organization relationships (Cho & Kelly, 2014) to locally owned businesses and community-based nonprofits.

LITERATURE REVIEW

The scope and evolution of collaborations between nonprofits and for-profits have been documented in the literature from both the NPOs and businesses' perspectives (Al-Tabbaa et al., 2014; Cho & Kelly, 2014; Galaskiewicz & Sinclair Coleman, 2006; Madden & Scaife, 2008; Seitanidi, 2010; Seitanidi & Ryan, 2007; Wymer & Samu, 2001, 2003a, 2003b). From the corporation's perspective, partnerships with nonprofits meet societal expectations, grant legitimacy, and improve reputation, whereas from the NPO's perspective, partnerships with businesses provide additional resources and increase public awareness of the cause (Berger, Cunningham, Drumwright, 2004; Dacin, Oliver, & Roy, 2007; Simpson, Lefroy, & Tsarenko, 2011). The term *corporate community involvement* is often used in the philanthropy and corporate social responsibility (CSR) literature to describe the company's interactions with nonprofits, such as corporate philanthropy (e.g., monetary giving, nonmonetary giving, and employee volunteering), transactional partnerships (e.g., sponsorships, and cause-related marketing), and social or strategic alliances (i.e., partnerships focused on societal issues rather than mutual benefits) (Berger et al., 2004; Dacin et al., 2007; Madden, Scaife, & Crissman, 2006; Seitanidi & Ryan, 2007; Wymer & Samu, 2001, 2003a, 2003b). To emphasize the nonprofit's vantage point, the terms *collaboration, partnership, relationship*, and *collaborative relationship* are more common in the nonprofit management and marketing literature (Austin, 2000; Austin & Seitanidi, 2012a, 2012b; Cho & Kelly, 2014; Seitanidi, 2010).

Austin (2000) conceptualized the collaboration between nonprofits and businesses as a continuum ranging from corporate philanthropy to commercially based initiatives to integration between businesses and nonprofits. Austin (2000) distinguished three theoretical stages of partnerships: (a) philanthropic (i.e., corporations make charitable contributions to NPOs); (b) transactional (i.e., corporations and NPOs enter in a mutually beneficial exchange such as cause-related marketing); and (c) integrative (i.e., corporations and NPOs align their missions and activities for a common societal good). Austin and Seitanidi (2012a, 2012b) further extended the continuum by adding a fourth stage, transformational collaborations. Austin and Seitanidi (2012a) described this emerging collaboration type as a convergence between corporations and NPOs to bring about a major societal change.

Building on Austin's (2000) collaboration continuum and Hon and Grunig's (1999) typology of organizational relationships, Cho and Kelly (2014) proposed three theoretical types of relationships between corporate donors and charitable organizations: (a) patronizing/philanthropic, (b) exchange/transactional, and (c) communal/integrative. Cho and Kelly's (2014) model highlights the complexity of NPO–business partnerships by adding to Austin's (2000) description of collaborative activities Hon and Grunig's (1999) description of the nature of association between a nonprofit and a for-profit. In a patronizing/philanthropic relationship, the corporation is a powerful donor, whereas the NPO is a dependent recipient (Cho & Kelly, 2014). The exchange/transactional relationship is based on a *quid pro quo* expectation (Cho & Kelly, 2014). In a communal/integrative relationship, both organizations are highly invested and committed to mutual benefits (Cho & Kelly, 2014). Applying the coorientation model to examine the type of relationships between leading U.S. corporations and NPOs, Cho and Kelly (2014) found that both corporations and NPOs perceive their partnerships as more communal rather than patronizing/philanthropic or exchange/transactional. At the same time, Cho and Kelly (2014) found that NPO executives underestimate the expectations of their corporate partners, assuming that corporations enter partnerships with quid pro quo expectations.

Both theoretical models (Austin, 2000; Cho & Kelly, 2014) are rooted in empirical research. Types, motives, and extent of nonprofit–businesses collaboration, as well as the effects of such collaboration on the nonprofit's and company's stakeholders, have been studied extensively (Berger et al., 2004; Hall, 2006; Rumsey & White, 2009; Simpson et al., 2011). However, most research studies looked at philanthropic or transactional collaboration between large (often multinational) corporations and large (often national or international) nonprofits (Amato & Amato, 2007; Fitzgerald, Haynes, Schrank, & Danes, 2010; Litz & Samu, 2008, Madden et al., 2006; Madden & Scaife, 2008; Niehm, Swinney, & Miller, 2008; Raymond, 2004). Fewer studies examined all three types of collaboration/relationships between small businesses and small NPOs (Russo & Tencati, 2008).

While small businesses are less likely than large corporations to engage in strategic philanthropy or see a direct link between event sponsorship and financial success, research shows that small, family-owned businesses have begun to realize benefits from their involvement in the community (Fitzgerald et al., 2010; Litz & Samu, 2008; Niehm et al., 2008; Russo & Tencati, 2008). In economically vulnerable areas in particular, family-owned businesses assume more responsibility for the community development and contribute substantially with financial and technical assistance (Amato & Amato, 2007; Fitzgerald et al., 2010). On the other hand, NPOs traditionally found it easier to raise money from large corporations than from small companies (Burlingame, 2003). According to Burlingame (2003), nonprofits appear to have difficulties articulating benefits to local owners, even though businesses are more likely to support nonprofits that operate in the same territory as the company.

In an attempt to fill the aforementioned gap in research, this study explored all three types of nonprofit–business collaboration/relationships (Austin, 2000; Cho & Kelly, 2014) in the context of small, local communities in the United States. Specifically, this study applied Austin's (2000) and Cho and Kelly's (2014) models of nonprofit–business collaboration to look at small-business community involvement and business owners' attitudes toward small, community-based NPOs. *Locally owned small businesses* and *community-based nonprofits* were operationalized in this study based on the definitions by the U.S. Small Business Administration (2013), an independent agency protecting interests of small business concerns, and the National Center for Charitable Statistics (2013), the national repository of data on the nonprofit sector in the United States.

Two out of three U.S. private sector jobs are said to be provided by small businesses (U.S. Small Business Administration, 2013). The term *small business* is defined as an independently owned and operated for-profit organization that is not dominating its industry on a national or international scale (U.S. Small Business Administration, 2013). The number of employees or the annual revenue of a small business varies depending on the industry. The term *locally owned business* is used in this study to underscore that small businesses participating in this research operate at a local, community level.

An estimated 2.3 million nonprofit organizations operate in the United States (Roeger, Blackwood, & Pettijohn, 2012). While all U.S. nonprofits are exempt from paying federal taxes, about half of them, known as charities, operate under Section 501(c)(3) of the Internal Revenue Code (National Center for Charitable Statistics, 2013). Section 501(c)(3) also provides tax relief to individual and corporate donors that make charitable contributions to 501(c)(3) NPOs (National Center for Charitable Statistics, 2013). Unless specified otherwise, in the U.S. nonprofit literature and in this study, the terms *nonprofit, NPO, charitable organization*, and *charity* are often used interchangeably and refer to 501(c)(3) organizations. Although U.S. 501(c)(3) organizations account for much of the nonprofit sector's finances, the majority of U.S. NPOs are small (i.e., reporting less than $100,000 in gross receipts) (Roeger et al., 2012). The term *community-based nonprofit* is used in this study to underscore the small size and local focus of NPOs mentioned by participants.

Based on the earlier-mentioned conversations with nonprofit executives, as well as on the literature, the following research questions were explored in this mixed-method study:

RQ_{1a}: What is the extent of small businesses' engagement in (a) philanthropic, (b) transactional, and (c) integrative partnerships with NPOs?

RQ_{1b}: What motivates small businesses' community involvement?

RQ_{2a}: What do small businesses expect from their community involvement?

RQ_{2b}: What do small businesses expect from their nonprofit community partners?

RQ_3: What types of relationships do businesses seek to establish with community-based NPOs: (a) patronizing/philanthropic, (b) exchange/transactional, or (c) communal/integrative?

METHODS

Two approaches and methods were employed to collect data for this exploratory research—a qualitative (i.e., mini-focus groups) and a quantitative (i.e., a survey). The focus group method (a) places participants in natural settings and encourages a discussion stimulated by peers' comments; (b) allows the researcher to ask probing questions; and (c) ensures face validity of results (Krueger & Casey, 2000). The survey method enhances the richness of qualitative data by allowing the researcher to collect standardized responses from larger samples (Tashakkori & Teddlie, 2003). The mini-focus groups were conducted to (a) gain in-depth understanding of how and why small businesses engage in the community; (b) develop the survey instrument; and (c) help interpret and clarify quantitative data about small businesses' community involvement (Brannen, 1992; Collins, Onwuegbuzie, & Johnson, 2012; Tashakkori & Teddlie, 2003). The survey was conducted to (a) further explore the concepts of corporate community involvement and business–nonprofit collaboration; and (b) measure attitudes of a larger groups of small-business owners vis-à-vis those concepts.

Sampling and Participant Profiles

Nonprobability (i.e., purposeful and convenience) sampling was used in both studies. Two purposeful samples were drawn from the membership database of a local chamber of commerce. Participants were recruited in person, by e-mail, and by phone. Two mini-focus groups of three participants in each (i.e., 13.33% response rate) were conducted to accommodate each participant's time preference, and 52 business owners and/or general managers of locally owned businesses took part in the survey (i.e., 17.33% response rate). Both the size of the focus groups and the number of survey respondents were considered sufficient to provide satisfactory data for this research because (a) all business owners were sampled from a small community, (b) all participants possessed specialized knowledge of the small businesses' concerns, and (c) the study was conceived as exploratory (Krueger & Casey, 2000; Onwuegbuzie, Dickinson, Leech, and Zoran, 2009).

Focus Groups Demographics

Participating businesses included two restaurants, two bed-and-breakfasts, one bakery, one retail store, one outdoor tourism firm, and one Christmas tree farm. While half of these are traditional, "Main-Street" businesses, the other half are more specific for the local community, which is known for its tourism and outdoors activities. All but one participant were male.

Survey Demographics

The two best-represented industries were retail/grocery stores (30.8%) and professional services (i.e., accounting, engineering, and law firms) (25.0%) (N = 52). The respondents also represented food services (13.5%); lodging and tourism (5.8%); farming (3.8%); and real estate (1.9%). Other businesses ranged from a car dealership to a hair salon to a tanning salon, and from a tattoo parlor to a gym to a PC repair shop. More than 70% of businesses employ from 1 to 10 people, whereas the remainder employ either 10–20 people (15.4%) or more than 20 people (13.5%). The gender ratio of participants was 62.5% male and 35.8% female.

Research Instrument, Data Analysis, Reliability, and Validity

The focus group interview guide included three question routes: (a) types and motives of community involvement; (b) expectations from the community involvement and from NPO partners; and (c) the desired type of relationship with community-based NPOs. Each mini-focus group ran for about 90 minutes and was moderated by the researcher. Discussions were audio-recorded and notes were taken by two research assistants. The transcripts were analyzed using classical content analysis technique (Onwuegbuzie et al., 2009). The mini-focus group findings were then used to design the survey instrument. Before administering the survey, the content validity of the instrument was informally assessed by a social science researcher and deemed adequate. The data were analyzed using SPSS. To ensure the quality of collected survey data, internal consistency reliability was measured by calculating Cronbach's coefficient alpha for seven items assessing small businesses' perceptions about community-based NPOs.

The use of mixed approaches and methods, as well as of two separate samples, reduced personal biases and added breadth and depth to the analysis. The focus group findings not only guided the survey design, but also facilitated the interpretation of quantitative results. In turn, the survey findings reinforced the accuracy and scope of qualitative data. The mixed-method approach also allowed the researcher to switch roles between an insider and an observer (Collins et al., 2012), thus offsetting the limitations of this research and enhancing the quality of data analysis. Additionally, in retrospect, the constancy of findings from both studies increased the between-methods validity of this research (Brannen, 1992).

FOCUS GROUP RESULTS

Types of Community Involvement

While businesses frequently give cash to local charities, the nonmonetary contributions prevail. With a few exceptions, monetary giving consists of one-time donations of $10–$50. Larger cash gifts go to local chapters of established national or regional organizations (e.g., the United Way). Participants reported the following forms of in-kind giving: (a) gift certificates to be auctioned or included in a raffle; (b) food for fundraising events; (c) rent of facilities for events; and (d) in-store display of items provided by nonprofits. While most participants are aware of their employees' personal involvement in the community, only the retail store offers paid time off to its employees for volunteering. Nevertheless, some participants consider employees' choice of charities in making decisions on their company's community involvement. Regarding their transactional relationships with local NPOs, all participants reported that they had at some point sponsored or at the time of the focus group were sponsoring a community-based cause (e.g., bicycle races, sports teams, etc.). The retail store is the only business that had participated in cause-related marketing initiatives in conjunction with its corporate vendors.

For some businesses, community involvement is informal, whereas others plan their community involvement for the year ahead. Although few of the participating businesses have a "set-in-stone" philanthropy budget, many follow a strategy, which includes at least one or all of the following principles: (a) the form and amount has to suit the type and size of business; (b) business owners have a clear idea about which community-based NPOs they want to support; and (c) business owners have a clear idea about which community-based NPOs they will turn down and why. "We decided we wanted to give in a more structured way. We didn't want to spread too thin," said a restaurant owner (May 26, 2011). A bakery owner explained:

> We always have some flexibility in the budget, but we've been in this community long enough to know the causes we're interested in supporting. Once we've committed to supporting a handful of organizations on an annual basis, we don't have a lot of flexibility. If other people ask for donations, we tell them we have already made our charitable budget for the year. We can offer gift certificates, although it isn't anything big, but we don't change a lot every year. (May 26, 2011)

Community Involvement Motives and Expectations

Motives

Participants underscored that they are more likely to support a nonprofit that (a) fits with the nature of their businesses, (b) relates to their core products and services, or (c) provides marketing opportunities for their businesses. Nearly all businesses are also more likely to give to or establish a transactional relationship if the NPO is willing to offer the company some sort of exclusive, long-term exposure. A retail store owner shared: "We try to focus on how many times we are committed to do an event. It's better for us, for the nonprofit, and for our relationship with that organization" (May 26, 2011).

Furthermore, businesses prefer supporting nonprofits that address the most urgent local community needs. "I believe it's important to support families and people locally. I'm not going to give donations to some nonprofit that is not going to give back to the community," asserted a participant (May 24, 2011). A restaurant owner related:

> The only time I turned something down recently is when somebody wanted me to donate for a community in Peru. I said, "We have the highest unemployment rate ever, the highest taxes ever, failing businesses, foreclosures, and you want to raise money for the people in Peru? What about the people here?" (May 24, 2011)

Another reason businesses give is because they have personal relationships with nonprofit staff and board members. Nevertheless, while willing to support their acquaintances from the third sector, business owners expect some reciprocation:

> We have to support one another, especially in this weak economy. If I'm going to come in to your business and ask you for money, I'm going to make sure I support your business. Otherwise, I have no business walking into your business, (May 24, 2011)

Most businesses are also motivated by personal values. However, those motives seem to come into play particularly when business owners are not comfortable with a cause. Participants stressed that they want to serve the public good and act as responsible corporate citizens.

Expectations

All participants expect both intangible and tangible benefits from their corporate community involvement. Some hope their corporate reputation might improve. Some believe their corporate giving creates public awareness of their goods and services. Others see charitable giving and sponsorships as an investment that might increase sales. Nearly all participants stressed the importance of reciprocity from community-based nonprofits.

A bakery owner explained his expectations:

> Giving and marketing tie in together. If some of our giving can be used as marketing, it's an added benefit. We make a charitable contribution because we believe in what they are doing, and we give even more because we feel it brings some return on investment. If you separate the two, you get less. But if this is going to help us with our marketing, this is going to help us build our position in the community, and we are passionate about this, then let's take it to the next level and do something big. (May 26, 2011)

Types of Relationships Sought With Nonprofit Partners

With a few exceptions, businesses do not do research on the nonprofit unless the donation is significant or they enter into a long-term sponsorship with the NPO. Some business owners read the nonprofit's newsletters, but few check the annual reports or know the nonprofit's budget. However, all participants wish they had done more research on the nonprofits they donate to or partner with. A retail store representative related:

> It should be done, but being in business means you are busy. We should know how far our donations go and how effective they are. But at the end of the day, it isn't my job to deal with that money after it's gone. Although, absolutely, we care. (May 26, 2011)

Most participants rely on the reputation the nonprofit enjoys in the community or on its affiliation with larger organizations (i.e., the United Way). A business owner explained:

> We use the reputation of those organizations that have been in this community for 10–20 years. Maybe we should dig down a little bit deeper, but we trust their history and their reputation. Other than that, I don't know exactly what [name of the local nonprofit]'s budget is and where its money goes, but I get their newsletter, . . . and I see the results of their work. I don't know the dollar value per result, but I know they get things done. (May 26, 2011)

Business owners criticized nonprofit executives for not asking them for support in person. One participant explained,

> If I have something important to communicate to another business owner, I don't email, I don't send a staff person. I go and talk to that person, which shows how important it is to me. Not all the time can you send your CEO or your board member to do that, but it definitely conveys importance. It does make a difference. (May 26, 2011)

Business owners think that some community-based NPOs do a poor job of expressing gratitude and spreading awareness about their corporate sponsors. Nearly all participants suggested that local NPOs need to foster long-term relationships with locally owned businesses. "It's a partnership where we can use our resources to help a nonprofit make money, instead of us just writing a check. I'm much more interested in that," said a participant (May 26, 2011). Many participants are more likely to support the nonprofit if its staff or board members patronize the business. A bakery owner elaborated:

> If somebody walks in the door and I've never seen them as a customer and I don't recognize them, it's a long shot. . . . It's hard for me to turn down a regular customer and somebody that I have developed a relationship with. For me, building a relationship is a key. You can't just cold-call into a business and ask for money. In my business, it isn't going to work. I don't have enough money to give to organizations that I like and know people at, much less to ones where I don't know anybody. (May 26, 2011)

In addition to their corporate efforts, participants talked about their personal service to the community. It isn't uncommon for business owners to volunteer at community events. Some business owners have served or currently are serving on committees in trade associations or chambers of commerce, and one was holding an elected position in the county government at the time of the focus group. Only two participants have been members of a 501(c)(3) organization's board. Most participants agreed with regret that they rarely, if at all, get invited to serve on nonprofit boards.

SURVEY RESULTS

Types, Motives, and Expectations of Community Involvement

A total of 83.0% of businesses donate cash to charities; 67.9% give in-kind; 56.6% sponsor charities; 37.7% participate in cause-related marketing; and 30.2% engage in employee volunteering. A total of 39.6% have a long-term relationship with one or more community-based nonprofits. The trends for both charitable giving and transactional partnerships appear to apply across the board by industry and by company size. Estimating the share of each form of community involvement in their budgets, 35.8% said nonmonetary giving is the largest item (M = 1.94, SD = 1.17), and 32.1% reported that monetary giving is the largest item (M = 2.21, SD = 1.47). Regarding their transactional partnerships with NPOs, 7.5% reported sponsorships as the largest item, and 20.8% said it is the second largest item (M = 2.83, SD = 1.32), whereas 13.2% ranked cause-related marketing second (M = 3.38, SD = 1.32). In describing how strategic their community involvement is, 41.5% of participants said they do not plan for the year ahead; 24.5% do not plan ahead but have an informal strategy; 22.6% plan ahead but are flexible in their budget; and 5.7% plan ahead and have no flexibility in their budget. A relationship between this variable measuring corporate involvement strategy and the firm's size was found, however weak ($\chi = 14.01$, df = 6, Cramer's V = .374, $p \leq .03$).

Across the board by industry, most respondents cited personal values as motives for corporate philanthropy and sponsorships (88.7%); 60.4% cited a good fit between the business and the NPO; and 37.7% cited the NPO's

TABLE 1 Percentages for Community Involvement's Motives, Expectations, and Decision Making (N = 52)

	%
Top 3 motives*	
Personal values	88.7
Fit between the nature of my business and the cause	60.4
Proximity of the NPO to my community	37.7
Top 3 expectations*	
My community will perceive my business as socially responsible	62.3
Our giving will generate greater awareness for our goods/services	60.4
Our company's overall reputation will improve	37.7
Top 3 decision-making factors*	
I go by the NPO's reputation in the community	58.5
I'm personally acquainted with the NPO's executives and/or board members	45.3
I try to find third-party testimonials about the effectiveness of NPO's programs	17.0
Top 3 reasons to say no*	
There is no fit between my business and the cause	50.9
The NPO doesn't focus on local causes	43.4
The NPO/its leadership has poor reputation in the community	28.3

*Respondents were asked to check as many as apply from a list consisting of 6–8 items.

proximity (Table 1). Other motives cited were: nonprofit leadership are customers (30.2%); nonprofit leadership are acquaintances (26.4%); employees' preferences/suggestions (22.6%); and the NPO's focus on local causes (9.4%).

Some 62.3% of businesses expect to be perceived as socially responsible; 60.4% expect publicity for goods and services; 37.7% expect improved corporate reputation; 34.0% expect increase in sales; and 20.8% expect personal recognition (Table 1). The decision-making reasons about supporting an NPO included: NPO's reputation in the community (58.5%); personally acquainted with nonprofit leadership (48.07%); third-party testimonials (17.0%); and research on the NPO (i.e., annual reports, executive compensations, etc.) (11.0%) (Table 1). The businesses decline NPOs' requests in the following instances: no fit between the business and the NPO (50.9%); the NPO doesn't focus on local causes (43.4%); the cause goes against personal beliefs (37.7%); NPO's unfavorable reputation in the community (28.3%); and NPO's leadership don't patronize the business (11.3%) (Table 1).

The majority of respondents (62.3%) don't serve on a nonprofit board. While 54.5% of those said they were not interested, the other half are not only interested, but have never been asked and would join if asked. No relationship was found between the board membership and industry (Cramer's V = .443, *ns*) or the firm's size (Cramer's V = .173, *ns*).

Perceptions and Expectations of Community-Based Nonprofits

Perceptions about community-based NPOs were measured by asking a set of Likert-scale questions. Only 27.0% think there are too many overlapping

TABLE 2 Means and Standard Deviations for Perceptions About Community-Based NPOs (N = 52)

Variables	Mean	SD
Our community has too many nonprofits, and their programs overlap*	2.81	.77
I hear from most local nonprofits only during fundraisers*	2.20	.95
Nonprofits don't seek long-term, mutually beneficial relationships with local businesses*	2.52	.85
Nonprofits' executives/board members rarely, if at all, ask business owners for support in person*	2.79	1.11
Nonprofits' executives/board members don't patronize local businesses frequently*	3.12	.92
Fundraising staff/volunteers do a poor job at explaining what they are raising money for*	3.25	.84
Fundraising staff/volunteers fail to explain how my business might benefit from supporting their cause/nonprofit*	2.62	.82

*Responses were coded 1 = strongly agree, 2 = agree, 3 = neutral, 4 = disagree, 5 = strongly disagree.

NPOs in the area (M = 2.81, SD = .77). An overwhelming 76.9% hear from local NPOs only during fundraising campaigns (M = 2.19, SD = .95). A total of 44.3% believe that community-based NPOs are not interested in establishing long-term relationships with small businesses (M = 2.52, SD = .85). Almost half of the respondents (48.0%) said that nonprofit leadership rarely, if at all, ask business owners for support in person (M = 2.79, SD = 1.11), whereas only 25.0% agreed that nonprofit leadership do not patronize locally owned businesses (M = 3.12, SD = .92). A mere 15.3% think that NPOs do a poor job at explaining what they raise money for (M = 3.25, SD = .84), but 50.0% of respondents agreed that NPOs fail to explain how the business might benefit from supporting their cause (M = 2.62, SD = .82) (Table 2).

A Pearson's correlation coefficient assessed the relationship between the seven variables measuring perceptions about NPOs (i.e., overlapping efforts; visibility only while fundraising; no interest in long-term relationships with businesses; no in-person asks by leadership; not patronizing businesses; poor fundraising job; and failure to explain mutual benefits) and the firm's corporate involvement strategy, as well as respondents' NPO board membership (Table 3). Moderate negative relationships were found between the board membership and no in-person asks by leadership (r = –40, $\leq$ .01), and not patronizing locally owned businesses (r = –.34, p $\leq$ .01). Relationships were also established between the variables measuring perceptions about NPOs (Table 3).

A Cronbach's alpha reliability coefficient suggested that these seven items have acceptable internal consistency (α = .76) (Gliem & Gliem, 2003). As the sample size (N = 52) meets a reasonable absolute minimum (Costello & Osborne, 2005; de Winter, Dodou, & Wieringa, 2009), an exploratory factor analysis (EFA) of the seven variables measuring perceptions about NPOs was conducted (KMO = .744, $\chi^2(7, N = 52) = 78.11$, $p \leq .001$). The orthogonal

TABLE 3 Pearson's Correlations Coefficients for Perceptions About Community-Based NPOs, Company Size, Industry, and Corporate Involvement Strategy

Variables	2	3	4	5	6	7	8	9	10	11
1 Our community has too many nonprofits, and their programs overlap*	.45[a] (.001)	.19 (.188)	.25 (.073)	.14 (.313)	.17 (.235)	.29[c] (.041)	.10 (.465)	−.03 (.848)	.09 (.551)	−.03 (.809)
2 I hear from most local nonprofits only during fundraisers*	—	.48[a] (.000)	.36[b] (.010)	.27 (.057)	.33[c] (.016)	.40[b] (.003)	.22 (.120)	.11 (.448)	−.12 (.422)	−.18 (.191)
3 Nonprofits don't seek long-term, mutually beneficial relationships with local businesses*		—	.29[c] (.041)	.30[c] (.033)	.42[b] (.002)	.38[b] (.006)	.02 (.877)	−24 (.092)	−.10 (.507)	−.05 (.705)
4 Nonprofits' executives/board members rarely, if at all, ask business owners for support in person*			—	.52[a] (.000)	.38[b] (.006)	.08 (.567)	.26 .063	.16 .249	.14 .349	−.40[b] .003
5 Nonprofits' executives/members don't patronize local businesses frequently*				—	.29[c] .036	.16 .246	.20 .152	.043 .762	−.01 .942	−.34[b] .013
6 Fundraising staff/volunteers do a poor job at explaining what they are raising money for*					—	.34[b] .013	.12 .414	.02 .909	.02 .869	−.06 .672
7 Fundraising staff/volunteers fail to explain how my business might benefit from supporting their cause/nonprofit*						—	−.03 .857	−.12 .409	.06 .663	.−21 .132
8 Industry**							—	−.09 .548	.−14 .333	.−20 .162
9 Company size***								—	.45[a] .001	−.17 .242
10 Corporate involvement strategy****									—	−.19 .178
11 Board membership*****										–

*Responses were coded 1 = strongly agree, 2 = agree, 3 = neutral, 4 = disagree, 5 = strongly disagree.
**1 = farming, 2 = manufacturing, 3 = food services, 4 = retail and grocery stores, 5 = lodging, tourism, resorts and recreation, 6 = car dealership, 7 = real estate and construction, 8 = property management, 9 = professional services, 10 = other.
***1 = 1 to 10 employees, 2 = 10 to 20 employees, 3 = more than 20 employees.
****1 = My business doesn't plan our charitable budget for the year ahead, and we don't have a formal corporate giving strategy, 2 = My business doesn't plan our charitable budget for the year ahead, but we have an informal giving strategy, 3 = My business plans our charitable budget for the year ahead, but we are flexible in our spending, 4 = My business plans our charitable budget for the year ahead and we have little flexibility in our spending, 5 = Our budget is strategic, and we earmark our charitable contributions for tax deductions, 6 = Other.
*****1 = I serve on the board of a local NPO, 2 = I don't serve on the board of a local NPO.
[a]$p \leq .001$.
[b]$p \leq .01$.
[c]$p \leq .05$.

varimax rotation produced two uncorrelated factors (41.10% and 16.33% of total variance explained): (a) Factor 1, NPOs as corporate partners, included all seven variables; and (b) Factor 2, nonprofit leadership as peers, included three variables (i.e., no in-person asks; not patronizing businesses; and failure to explain mutual benefits) (Table 4). Because three items coincided in both factors (i.e., no in-person asks; not patronizing businesses; and failure to explain mutual benefits), the oblique promax rotation method was applied to see whether the two factors might be correlated (Costello & Osborne, 2005), yielding two rotated factor loadings with a similar total variance explained. However, the number of item loadings were different: (a) Factor 1 included three variables (i.e., visibility only while fundraising; no interest in long-term relationships with businesses; and failure to explain mutual benefits), and (b) Factor 2 included two variables (i.e., no in-person asks, and not patronizing businesses) (Table 4).

Table 4 Factor Analysis of Perceptions About Community-Based NPOs

	Varimax Orthogonal Factor Rotation Principal Component Analysis		Promax Oblique Factor Rotation Principal Axis Factoring	
Variables	Factor 1 NPOs as corporate partners	Factor 2 Nonprofit leadership as peers	Factor 1 NPOs as corporate partners	Factor 2 Nonprofit leadership as peers
Our community has too many nonprofit organizations, and their programs overlap*	.53		.42	.06
I hear from most local nonprofits only during fundraisers*	.75		.69	.09
Nonprofits don't seek long-term, mutually beneficial relationships with local businesses*	.70		.58	.10
Nonprofits' executives/board members rarely, if at all, ask business owners for support in person*	.64	−.57	−.08	.96
Nonprofits' executives/board members don't patronize local businesses frequently*	.59	−.58	.10	.53
Fundraising staff/volunteers do a poor job at explaining what they are raising money for*	.66		.42	.23
Fundraising staff/volunteers fail to explain how my business might benefit from supporting their cause/nonprofit*	.58	.53	.71	−.19
Eigenvalues	2.88	1.14	2.88	1.14
% of total variance accounted for	41.10	16.33	41.10	16.33

*Responses were coded 1 = strongly agree, 2 = agree, 3 = neutral, 4 = disagree, 5 = strongly disagree.

A cross-tabulation further explained the relationship between Factor 2 (i.e., respondents' perceptions about nonprofit leadership) and their own participation in NPO boards. There is a relationship between board membership and no in-person asks ($\chi = 9.21$, df = 2, $p \leq .01$), and not patronizing businesses ($\chi = 9.18$, df = 2, $p \leq .01$).

DISCUSSION AND CONCLUSION

This mixed-method study looked at the corporate community involvement by small U.S. companies. While some of its findings lend support to past research (Amato & Amato, 2007; Fitzgerald et al., 2010; Litz & Samu, 2011; Maiden & Scaife, 2008; Neihm et al., 2008; Wymer & Samu, 2003b), other findings bring to light new aspects of the existing or desired relationships between locally owned businesses and community-based nonprofits in the U.S. context. Both the focus group and survey results provide evidence that small businesses are ready to go beyond philanthropy or sponsorships. This desire of small businesses to establish longer-term and more committed relationships with nonprofits strengthens theoretical models of business–nonprofit collaboration proposed by Austin (2000) and Cho & Kelly (2014).

Research Questions 1_a and 1_b addressed the forms and motives of corporate community involvement. Consistent with the literature (Amato & Amato, 2007; Fitzgerald et al., 2010; Litz & Samu, 2011; Maiden & Scaife, 2008; Neihm et al., 2008; Wymer & Samu, 2003b), this study suggests that small businesses engage in both corporate philanthropy and transactional partnerships with nonprofits. In-kind contributions of goods and services represent the largest share in corporate philanthropy budgets. Low percentages for employee volunteering are explicable, considering that most participating firms employ fewer than 10 people. Sponsorship is the most popular form of transactional collaboration with NPOs. The survey results also indicate that the more companies spend on sponsorships the less they might be spending on philanthropy. Community involvement tends to be unsystematic, with more than half of small businesses not planning their philanthropy and transactional partnerships for the year ahead. Even those businesses that plan their giving and sponsorships are rather flexible in their budgets. While personal values greatly motivate corporate giving and sponsorship, businesses are also more likely to support a cause that ties in with their business. Two other strong motives include the nonprofit's proximity to the community and patronizing of the business by nonprofit leadership.

Research Questions 2_a and 2_b addressed businesses' expectations from their community involvement and from their nonprofit partners. Business owners expect that their community involvement would result in a perception of their firms as socially responsible, a greater awareness of their goods and services, an improved overall corporate reputation, and an increase in sales. Echoing Fitzgerald et al. (2010) and Niehm et al. (2008), this study found that, overall, small-business owners would like to be perceived as committed philanthropists who primarily support the local community. As a focus group participant pointed out, business owners intend to spend the rest of their lives raising families in the community. This statement alone explains why businesses support those NPOs that focus on the community's needs. It also helps explain why businesses favor long-term, mutually beneficial partnerships over one-time donations to community-based NPOs.

Research Question 3 explored what types of relationships with NPOs are sought by small businesses. Businesses expect some quid pro quo benefits from both their philanthropic and transactional partnerships with nonprofits. Locally owned companies would like to be recognized for their community involvement and endorsed by their nonprofit partners as socially responsible, which in turn might generate more business. At the same time, neither the philanthropic nor the transactional type of partnerships appears to satisfy businesses' expectations fully. By shedding light on how business owners view nonprofits' fundraising practices and nonprofit executives' behaviors, the findings indicate that the existing partnerships, or lack thereof, do not always meet small businesses' needs and aspirations. While most business owners do not think their area has too many nonprofits, they believe the third sector's impact in the community could be improved—from a better recognition of corporate donors or sponsors by nonprofits to more personal requests for funds by leadership to mutually beneficial partnerships with businesses. A staggering 77% of respondents hear from community-based NPOs only during fundraisers. Nearly half of business owners agreed that nonprofit executives and board members rarely, if at all, ask businesses for support in person. Almost half of those surveyed think that NPOs fail to explain how the business would benefit from supporting them. And just about half of respondents believe that community-based NPOs are not interested in establishing long-term relationships with locally owned businesses.

These results represent an alarming picture suggesting that nonprofits might need to mend the existing relationships with small businesses in their communities. The survey also confirmed the important focus group finding on the nonprofit board membership: More than 60% of respondents do not serve on a board. Many business owners have never been invited to join but would definitely consider it. The implied underrepresentation of small businesses in nonprofit boards indicates the need for NPOs to review their membership strategies. Moreover, the board membership variables appear to be correlated with the perceptions by business owners about nonprofit leadership (i.e., Factor 2). Business owners who are not board members tend to have a more negative perception about nonprofit leadership. At the same time, those business owners who criticize nonprofit executives for not engaging in one-on-one fundraising and for not patronizing local businesses (i.e., Factor 2) seem to be more interested in joining nonprofit boards.

Because the factor analysis of perceptions about NPOs carried out in this study is by definition exploratory (i.e., EFA), no inferential conclusions can be drawn from the suggested relationship between Factor 2 and respondents' board membership (Costello & Osborne, 2005). Nevertheless, these results (a) add to Austin's (2000) and Cho & Kelly's (2014) theoretical assumptions on nonprofit–business collaboration and (b) deserve a closer examination by the nonprofit community.

This study contributes to the literature on nonprofit–business collaboration by providing a snapshot of partnerships between small businesses and community nonprofits in the U.S. context. Previous research tended to focus on large corporations and national/international nonprofits (Amato & Amato, 2007; Madden & Scaife, 2008; Russo & Tencati, 2008). The integrative/communal relationships in particular (Austin, 2000; Cho & Kelly, 2014) are more commonly associated in the literature with larger organizations. This research indicates that small U.S. businesses might be ready to consolidate their missions and activities with NPOs serving the local community for the communal good. Further research is necessary to assess the extent of their readiness and whether both small businesses and community nonprofits are well equipped to take their relationship to the next level. Nonetheless, as the theoretical frameworks of nonprofit–business collaboration (Austin & Seitanidi, 2012a, 2012b; Cho & Kelly, 2014) are still being developed, this study enhances the understanding of the third stage of the collaboration continuum (Austin, 2000) and the third type of corporate donor–charity partnerships—the communal/integrative relationship (Cho & Kelly, 2014).

The findings also have direct implications for nonprofit leadership. The explicit interest in supporting local causes and joining nonprofit boards, along with reasonable expectations of more exclusive and mutually beneficial partnerships, indicates that small businesses in the United States would rather invest in forging long-term collaborations with community-based NPOs. Nonprofit executives and board members might need to consider reallocating some of their efforts from cultivating philanthropic and transactional collaboration to building integrative/communal relationships with select business partners. As this research demonstrates, a first step in developing such types of partnerships could be for the executive director and/or chairperson of the board to walk into a local business and ask its owner to join the board.

LIMITATIONS AND FUTURE RESEARCH

The sample size of both the mini-focus groups and survey, as well as the use of convenience, nonprobability sampling procedure, preclude the researcher from generalizing the findings. The study's results shed light on how a small number of business owners make decisions about their corporate community involvement and feel about the nonprofit community in a town that is not necessarily representative of small-town America. Nevertheless, all participants were deemed to have firsthand knowledge of the research subject (i.e., corporate community involvement and partnerships with nonprofits) thus rendering these findings adequate for this exploratory study. All mini-focus group participants and 47 survey respondents own and operate at least one small business. Two of the focus group participants own two businesses each, and five of the survey respondents are general managers of small companies. Such participant profiles (i.e., the majority is small-business owners and a handful manages small businesses) achieved through purposeful sampling ensures external validity of the mixed study. In addition, the number of industries in the mixed study sample (i.e., at least a dozen industries, from such "Main Street" staples as food services and professional services firms to lodging and tourism services) are not only representative for one local community, but also sufficiently diverse and similar to most U.S. rural communities of comparable size.

Although neither the qualitative data nor the quantitative results from this small sample size can be generalized, the main purpose of this research was to (a) explore the applicability of the nonprofit–business collaboration theories in the context of small businesses and small nonprofit organizations, and (b) provide nonprofit executives from one small U.S. town with some specific recommendations regarding their collaborations with locally owned businesses. As stated earlier, the findings from this study add a new aspect to the literature on nonprofit–business collaboration by describing how small businesses and small nonprofits collaborate, and provides a rich context for developing practical recommendations for nonprofit practitioners in comparable U.S. communities. The exploratory nature of findings suggests that the nonprofit–business partnerships on a community level require further scholarly examination involving larger, national samples of small-business owners and comparisons with practices by small businesses in other countries. Future research also needs to look at the community-based nonprofit executives' and board members' perspectives on their relationships with small businesses both in the United States and elsewhere.

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