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Debatte

A HELPING HAND OR A HIJACKING? How Nonprofits Can Respond to Ever-Increasing Corporate Involvement in the Community

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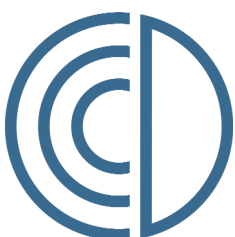
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CCCD – the Center for Corporate Citizenship Germany is a non-profit organisation at the interface between business, academia, and politics. In cooperation with leading companies, both domestic and foreign, academic institutions and civil society organisations, CCCD acts as a think space and competence centre, providing a platform for dialogue; acting as catalyst and host.

In this capacity, the CCCD arranges forums for exchange between corporate citizens, business, academia, politics and civil society, supplies and carries out applied research, facilitates learning processes through debate and skilling opportunities, and supports cooperation between businesses and partners from civil society, academia, and/or politics. Using workshops, publications and public events, CCCD also acts as a driving force for the corporate citizenship debate in Germany and for the practical efforts by businesses taking an active role in society.

CCCD is the German partner of the Center for Corporate Citizenship at Boston College, USA, as well as a partner of Business in the Community, UK.



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Executive Summary

In the past few generations, corporate involvement in the social sector has gone from fantastical, imprudent and – in many countries – illegal, to ubiquitous, strategic and expected. Businesses' new interest in the public good represents an opportunity to direct immense resources, including some very sophisticated resources, toward alleviating drug addiction, poverty, child abuse, obesity and all other social ills we face. The power of businesses dwarfs all efforts we have, thus far, dedicated to promoting the social good. Unfortunately, most nonprofit managers are not engaging businesses productively and, thus, this opportunity for greatly augmented social sector progress remains largely untapped.

Because nonprofit managers are unaccustomed to a corporate presence, nonprofit-business partnerships remain notoriously difficult. Still, there is no question that there are ways to succeed and that success often takes nonprofits to previously unimagined levels of impact. Indeed, there are enough successes (and failures) to identify five strategies that help ensure, not only that partnerships will not fall apart, but that they truly magnify the social sector impact:

- **Serve the Business.** Nonprofits will serve their interests better by pursuing win-win partnerships where companies “do well by doing good.” Partnerships can help companies increase employee morale, learn about new markets or strengthen the corporate brand, for example.
- **Spare the Cash.** Nonprofits with highly effective business partnerships do not request cash donations. These nonprofits focus on helping businesses leverage their full complement of resources – from employee skills to transportation fleets to technology platforms – toward accomplishing the nonprofit's social agenda.
- **Lead the Way.** Business leaders are as uncomfortable as nonprofit leaders with the convergence of the business and nonprofit sectors. A clear vision and firm direction from the nonprofit partner will facilitate a high-impact nonprofit-business partnership.
- **Manage Impeccably Well.** Philosophical divisions or clashes of values don't typically undermine nonprofit-business partnerships. Instead, research finds that the most common culprits of failed partnerships are mundane project management weaknesses, such as lack

of shared goals, unclear roles and responsibilities, miscommunications and parties not having the capacity to deliver what they committed. As trite as it might sound, strong project management is one of the keys to fully tapping into the benefits of corporate involvement in the social sector.

- **Stay True.** Successful nonprofit-business partnerships generate an unequivocal net positive public good. It is the responsibility of nonprofit managers to be stewards of this public good. Because businesses can be a force for harm almost as easily as they can be a force for good, this stewardship role includes thorny decisions that have both efficiency and ethical dimensions.

A handful of nonprofit leaders, including Billy Shore from Share Our Strength, Alan Khazei from City Year and Fred Krupp from Environmental Defense Fund, have applied the above strategies and revealed the tantalizing possibility that business partnerships might multiply the good that the nonprofit sector does several times over.

It's not surprising that many other nonprofit managers, however, are torn between resisting or accepting businesses' entrance into their territory. They are unsure if it's a hijacking or a helping hand. Indeed, the jury is still out on the social value of corporate community involvement and the debate will, and should, rage on.

What many nonprofit managers don't realize, however, is that their individual actions matter and that their collective actions will likely define the future of corporate community involvement. Whether or not corporate community involvement ends up elevating the collective lot of humanity is likely up to the leadership that nonprofit managers exert in this area in this generation.

If the past is any indication, in time, the global nonprofit sector will steer corporate involvement in the community on to a path that is unquestionably productive for the public good. After all, this is the sector that Harvard's Rosabeth Moss Kanter labeled “the beta site of innovation.” This is the sector that time and time again has seized opportunities to make a difference, from eradicating diseases to preserving culture. Certainly, the nonprofit sector can and will find a way to serve humanity better than ever, possibly better than we dare imagine, by harnessing the greatest man-made force to date: capitalism.

I. Too Good to Ignore

The New Business of Business

In 1881 an enterprising US corporation, Old Colony Railroad, gave a modest charitable contribution to a world peace and international music festival. In return, Old Colony Railroad was presented with a lawsuit.¹ Charitable contributions were considered to be against the interests of shareholders.

Today, try walking the cereal aisle at your local grocery store without running into corporate charity. Try finding a Fortune 500 company that does not engage in philanthropy. It's no surprise that scholars say few institutional practices have changed as dramatically as the way corporations treat charitable endeavors.²

Research indicates that nine in ten business leaders consider it a corporation's responsibility to balance returns for investors with the broader public good.^{3,4} Similarly, in a survey of global business leaders conducted by *The Economist* only 4% held the view that prevailed 40 years ago, famously expressed by Nobel Laureate economist Milton Friedman in a 1970 *New York Times Magazine* article, that the proper role of business was limited to the pursuit of profit.⁵

In three generations, corporate involvement in the social sector has gone from fantastical, imprudent and illegal to ubiquitous, strategic and expected. An analysis of the drivers behind this drastic change in the social contract is outside the scope of this article (for those interested, there are excellent accounts of this⁶). I will make the point, however, that the forces that have transformed the role of businesses in society are not superfluous or fleeting. Business involvement in the nonprofit world will likely not subside in our lifetime.

Whether you call it Corporate Social Responsibility, Corporate Responsibility, Corporate Citizenship, Sustainable Businesses or anything else, businesses have a new responsibility to benevolence. Issues once the exclusive domain of the nonprofit and government sectors are in the cereal aisle, the assembly line, and the corporate boardroom. Indeed, businesses are tripping over each other to do what was once illegal in the United States and in many other countries: support charitable causes.

The emergence of corporate citizenship has naturally led to the emergence of corporate-nonprofit alliances. Businesses need nonprofits to effect their corporate citizenship. The Boston College Center for Corporate Citizenship considers stakeholder relationships, where "stakeholders" are most often nonprofit partners, one of the seven defin-

ing dimensions of corporate citizenship.⁷ That is to say, partnering with nonprofits is vital to corporate citizenship, and corporate citizenship is increasingly vital to businesses. Thus, partnering with nonprofits is increasingly vital to businesses. Whether you are comfortable with it or not, businesses are now in your territory. You are in business territory.

Welcome to Your Corporate Nonprofit Job

As a nonprofit manager in the early 21st century, the world of for-profit business is your concern. If this doesn't sit right with you, that is to be expected. It's a new and fairly radical turn in the typical nonprofit manager's charge.

Clara Barton did not bother with corporate America when she founded American Red Cross in 1881; Ernest Coulter would have dismissed as ridiculous that private sector businesses were relevant to the establishment of a program that would become Big Brothers Big Sisters of America; and Tom Richards may have considered it heretical to work closely with business when he became president of The Nature Conservancy in 1965.

Again, for most of America's history, nonprofit alliances with businesses did not exist in any formal way. The few nonprofits that had corporate "partners" mostly considered them the institutional equivalents of great aunts. Businesses were approached rarely and for the sole purpose of issuing a check for a special event. Corporate partners were irrelevant to the day-to-day operations of the nonprofit.

No longer. The organizations Barton, Coulter and Richards managed with little regard for their business neighbors today have substantive relationships with businesses. American Red Cross has partnerships with hundreds of companies, including a licensing program with manufacturers and retailers to develop Red Cross-branded products

1 Sharfman, Mark. "Changing Institutional Rules: The Evolution of Corporate Philanthropy, 1883-1953." *Business & Society* 1994.

2 Sharfman, Mark. "Changing Institutional Rules: The Evolution of Corporate Philanthropy, 1883-1953." *Business & Society* 1994; p. 237

3 Blowfield, Michael, and Bradley K. Googins. *Step Up: A Call for Business Leadership in Society*. Chestnut Hill, MA: Boston College Center for Corporate Citizenship, 2006.

4 McKinsey. *Global Survey of Business Executives*. New York, NY: McKinsey, 2006.

5 Economist Intelligence. "Global Business Barometer." www.economist.com, 2008.

6 Googins, Bradley K., Philip H Mirvis and Steven A. Rochlin. *Beyond Good Company*. New York, NY: Palgrave Macmillan, 2007.

7 Googins, Bradley, Philip H. Mirvis and Steven A Rochlin. *Beyond Good Company*. New York, NY: Palgrave Macmillan, 2007.

such as emergency radios and latex gloves. The licensing program allows the organization to reach consumers with Red Cross products and mission-related messages. Big Brothers Big Sisters of America has over a dozen corporate partnerships, including one with Glamour magazine in which Big Brothers Big Sisters receives a \$1 corporate donation for every download of a Glamour Reel Moment short film, a project dedicated to helping women launch careers as movie directors by promoting their short films. The Nature Conservancy has robust partnerships with businesses, including one with Bank of America where the bank supports The Nature Conservancy's forest conservation work by donating \$1 for every Bank of America customer who chooses online statements instead of paper statements.

The world of business-nonprofit alliances has evolved to the point where it makes checkbook philanthropy look downright "lite." Take the case of Girls, Inc., a national nonprofit youth organization helping girls to "be strong, smart and bold." Girls, Inc. offers a summer camp that would be impossible without cosmetics company Lancôme. The corporate camp exposes girls to the Lancôme business environment. The girls, mostly from underprivileged single-parent homes, might never have known these corporate opportunities for women existed, much less tried their hand at product development. A chance to receive guidance directly from female executives was, before this camp, beyond their reach. Lancôme and Girls, Inc. have also partnered around a lip gloss product that is marketed through a cause-branding campaign that features Girls, Inc. Lancôme donated 20 percent of the profits from this product line to Girls Inc.

Girls, Inc., and Lancôme have the type of alliance that James Austin from the Harvard Business School has dubbed "integrative," because they work closely enough that aspects of each organization are meaningfully affected by the other organization. If Lancôme or Girls Inc. experiences a scandal or a high-profile success, so does the other. In these partnerships, engagement, magnitude, scope of activities, relevance to strategy and connection to organizational mission is high for both the business and the nonprofit.⁸

If a hundred years ago companies were like great aunts to nonprofits, today, companies – at least some of them – are more like spouses. The option of a significant, and invasive, partnership puts managing business engagement squarely within your job description as a nonprofit manager. If you aren't thinking now what you will do regarding business partnerships, it is a matter of time before a board member, business or other key stakeholder directs you to think about it. Lancôme could call you today, like it called Girls, Inc., in 2001. Are you ready to respond?

Why Bother with Businesses?

Why not buck the trend toward nonprofit-business partnerships? Why not simply say "no thank you" when Lancôme rings? After all, the nonprofit sector survived just fine before corporate interests arrived. You could operate independently of businesses.

The principal reason to consider corporate partnerships boils down to one word: impact. What is at stake is the scale of good the nonprofit field can generate. Current business involvement in the social sector represents a trickle of assistance from a mighty river. If the nonprofit sector properly taps into the torrent of energy and resources corporations have at their disposal, it could amplify the impact hundreds, maybe thousands of times over. It could serve millions more, transform communities, and accomplish feats that are currently relegated to pure fantasy.

Such unbounded hope for nonprofit-business partnerships might seem naïve. Yet, it stems directly from simple arithmetic: even a moderate percentage increase of a very large number produces a very large increase. The corporate sector is colossal. The US corporate sector is three to five times bigger than the entire nonprofit sector, local government, state government and federal government combined. The corporate sector dominates the global economy and is a substantial player in virtually every country. And this colossal sector could offer a lot more than it currently offers nonprofit causes. US corporations currently contribute only a fraction of a percent of their total revenue and less than two percent of their pre-tax profit to charitable causes.⁹ They don't share many of their non-cash resources with social sector causes either. For the most part, corporate employees, buildings, trucks and a plethora of other resources are dedicated exclusively to commercial aims.

A project that just one business, IBM, helped create illustrates the enormous potential of corporate engagement in the social sector. The World Community Grid is creating the world's largest public computing grid to tackle projects that benefit humanity but need high levels of computing power. The Grid relies on individuals and businesses around the globe to donate their computers' spare processing power while donors are away from their desks getting a latte. AIDS and cancer research and increasing rice yields are a few of the projects benefitting from this collective computer. This project might have been possible without IBM, but it is hard to fathom its success without a large multinational company that builds the servers that

8 Austin, James. *The Collaboration Challenge: How Nonprofits and Businesses Succeed Through Strategic Alliances*. San Francisco, CA: Jossey Bass, 2000.

9 Committee Encouraging Corporate Philanthropy. *Giving in Numbers*. New York, NY: Committee Encouraging Corporate Philanthropy, 2009.

run the project, donates the hardware and software, provides all the necessary technical services and expertise, leverages its own global marketing channels to recruit donors, and taps into its hundreds of thousands of employees to serve as project advocates. And IBM did all this without ever having to worry about over-extending itself. Indeed, this is one in a series of large-scale IBM community involvement projects.

Similarly, the cause of breast cancer was obscure, taboo and grossly underfunded before Avon took it on as a cause in the 1980s. Today it is hard to imagine the fight against breast cancer without Avon and the plethora of subsequent corporate partners with their array of pink products, from socks to kitchen blenders.

Nonprofit leaders are increasingly realizing the latent power of corporate partnerships. Bill Shore founded and built one of the nation's largest anti-hunger organizations, Share Our Strength (SOS), by rejecting what he calls the system of "settling for that tiny margin of the financial universe that consists of leftover wealth."¹⁰ He recognized that one more nonprofit competing for individual charitable donations, which make up over 90% of US nonprofit funding, was likely to simply redirect funds from an existing nonprofit to his. The net positive effect on hunger would be negligible.

Shore also knew that there were untapped sources of wealth, many of them corporate, waiting for the right

opportunity. Among Shore's successes is enlisting American Express in the early 1990's – before cause marketing became ubiquitous and expected – in the Charge Against Hunger, in which American Express donated three cents toward SOS for every use of an American Express card. Another way SOS taps into corporate resources is through The Great American DineOut. Participating restaurants donate a percentage of revenue collected during a designated DineOut week to SOS.

Recent research corroborates this contention that non-profit-business partnerships can substantially augment the impact of the nonprofit organization. Research to identify the highest impact US nonprofits and explain their successes found that one of the six practices that produced such results was that they "found ways to work with, and through, business to achieve more social impact."¹¹

The power of businesses dwarfs the power of all efforts we have, thus far, dedicated to promoting the social good. It is ludicrous not to leverage this for good. It seems narrow-minded to continue to confront hate crime, drug addiction, poverty, child abuse, obesity and the sobering long list of ills we face with one quarter of our collective might. Yet, that is what nonprofits do when they expect to receive their support from individual contributors, foundations and government. When it comes to using available resources to solve our most pressing societal problems, the status quo is grossly inefficient.

10 Shore, Bill. *Revolution of the Heart*. New York, NY: Riverhead Books, 1995; p. 77.

11 Cruthfield, Leslie and Heather McLeod Grant. *Forces for Good: The Six Practices of High-Impact Nonprofits*. San Francisco, CA: Josse-Bass, 2008.

II. Strategies for Successful Business Partnerships

Because a corporate presence in the social sector is still a radical development, nonprofit-business partnerships remain notoriously difficult. A study on partnerships funded by the Hitachi Foundation concluded that these “new ventures” are “especially challenging” and even “hazardous.”¹² Many of the participants in the Boston College Center for Corporate Citizenship seminar on corporate-community partnerships arrive with a history of disappointing ventures. Similarly, many of my Georgetown University nonprofit leadership students have their frustrations with corporate partners. The risks of partnering include stalled projects, adversely affected reputations, and investments that don’t pay off.

Still, there is no question that there are ways for nonprofit-business alliances to succeed. Furthermore, success often takes nonprofits to previously unimagined levels of impact. The youth leadership program City Year would be a shadow of the award-winning program it is today without its corporate partners. Boot and apparel company Timberland, for example, provides City Year clothing, employee volunteers, board service, assistance negotiating prices with vendors and a plethora of other forms of assistance. Similarly, several cancer institutes and clinics might not even exist without Avon’s contributions of awareness campaigns, events and funding.

Indeed, there are enough successes (and failures) to identify five strategies that help ensure, not only that partnerships will not fall apart, but that they truly magnify the social sector impact:

- Serve the Business
- Spare the Cash
- Lead the Way
- Manage Impeccably Well
- Stay True

Each is explained below.

Serve the Business

You might be thinking that while corporations might be rich in resources, as covered above, their resources are not available to your nonprofit. After all, companies use their resources to pay their employees, create product, buy equipment and run operations. Your experience might be that companies are often stingy with donations. This view has, historically, been correct. Corporate charity has depended on companies giving away “cash they don’t need.” It is widely expected that charitable donations increase in more profitable years; there is more cash lying around that is “not needed” and, thus, donations increase. As long as we continue to treat corporate char-

itable donations as contingent on surplus profits, company resources will remain beyond the reach of nonprofits. To meaningfully tap into corporate wealth, nonprofit managers need to stop asking for charity. Instead of asking business representatives to help with a needed cause, a dire situation or a heart-breaking tragedy, present a way for them to meet business interests by doing something that appeals to their charitable sensibilities or, better yet, to the collective charitable sensibilities of the company. In other words, help them serve the business through their support of your efforts.

Although the concept of a win-win corporate-community involvement is no more than a few decades old, it has won the respect of some of the world’s greatest business minds, including Harvard Business School competitive strategist Michael Porter. Porter argues that corporate citizenship “can be much more than cost, a constraint, or a charitable deed – it can be a source of opportunity, innovation, and competitive advantage.”¹³

Below are the five basic ways that a business can benefit from its support of a charitable cause.

1. Employee Morale/Engagement

Involvement in a charitable cause, especially if a broad range of employees participate, can enhance the corporate workplace culture. It can lead to employees who are more interested in working there to begin with, more likely to be happy with their work and more likely to stay. Several surveys support this premise. One survey conducted by Deloitte found that 62% of respondents prefer to work for a company that provides opportunities to apply skills to benefit nonprofit organizations.¹⁴ Similarly, a survey of graduating MBAs at top business schools found that 97 percent would be willing to make a financial sacrifice to work for a company that is socially responsible.¹⁵ Furthermore, several companies, including Aetna and Bank of America, have found statistically significant correlations between employee participation/awareness of the company’s community involvement and well-established, HR-developed measures of morale.

12 The Center for Youth and Communities, Heller School for Social Policy and Management, Brandeis University. *Learning from Business-Community Partnerships: A Cluster Evaluation Report*. Waltham, MA: Brandeis University, 2005.

13 Porter, Michael E., and Mark R. Kramer. “Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility” in *Harvard Business Review*, December, 2006. Reprint R0612D. p. 2.

14 Deloitte. “2007 Volunteer IMPACT Survey.” www.deloitte.com, 2007.

15 Montgomery, David B. and Catherine A. Ramus. “Calibrating MBA Job Preferences.” Working paper, 2008.

2. Capacity Building

Corporate-community involvement is a sound mechanism for a business to develop expertise. It allows companies to do "work" they would otherwise not do, and thus develop capacity they might not otherwise develop.

Several business management experts have suggested that businesses can develop core competencies, such as innovation and nimbleness, by tackling nonprofit sector issues.¹⁶ For example, IBM's partnerships with schools around its Reinventing Education initiative have helped IBM develop ground-breaking technological solutions.

The Environmental Defense Fund counts on its ability to build corporate capacity. It helps companies become environmentally sustainable in ways that help reduce costs and gain marketing advantages. In return, The Environmental Defense Fund keeps the rights to the technologies jointly developed and then helps spread these to other companies. The end result is that companies have a cost- and face-saving capacity to run a more sustainable business and the planet is greener.

The contribution of business knowledge and experience to support nonprofits, known as skills-based volunteering, is the most concrete way companies build capacity through community involvement.

One survey of HR representatives found that 91 percent of respondents agreed that skills-based volunteering would add value to training and development programs, particularly as it relates to fostering business and leadership skills.¹⁷ An increasing number of firms, including Ernst & Young, UPS and Wells Fargo, have service sabbaticals, where high-potential employees develop leadership skills by spending weeks or months volunteering for a nonprofit cause, their salary fully or partially covered by the employer. Similarly, Aetna includes volunteer positions in the competency-building tactics that form part of their employee development plans. Thus, Aetna employees looking to build one of the Aetna leadership competencies are presented with a volunteer-position way to achieve this. Possibly the most compelling sign that skills-based volunteering has become mainstream is its appearance in the Wall Street Journal as a desirable practice.¹⁸

In summary, a compelling reason for companies to partner with you is that it is likely a way for the company to develop desired capacity.

3. Competitive context

A partnership with a nonprofit can improve the external conditions under which a business operates, making it more competitive. One of the most common examples of this is a business supporting workforce development efforts in order to ensure that it will have an adequate workforce. For example, Exxon-Mobile supports science and math education to help ensure a future supply of engineers and scientists. Aetna strengthens its competitive context in a different manner: by supporting the local arts heavily, in part to make its hometown of Hartford more attractive for prospective employees.

4. Sales

Nonprofit-business partnerships can be a direct way to increase sales through two principal methods.

The first is cause marketing, where a commercial product is marketed in conjunction with promoting a cause. American Express started the cause marketing trend in 1983 when it offered a donation to renovate the Statue of Liberty every time someone used an American Express card. Card use increased by over 30 percent and, of course, the Statue of Liberty received needed funds. Since then, cause-marketing has become the fastest growing type of marketing.

The second way in which a nonprofit-business partnership can increase corporate sales is by providing access to untapped markets. For example, when Share Our Strength invites restaurants to serve food at its Taste of the Nation events, it is granting those restaurants access to a population to which they might not otherwise have access.

5. Reputation

Studies indicate that, if price and quality are equal, 87% of Americans would switch from one brand to another if the other brand was associated with a good cause (up 31% since 1993), that 92% value companies that promote social causes, and that 83% say companies have a responsibility to help support them.¹⁹

16 Kanter, Rosabeth Moss. "From Spare Change to Real Change: The Social Sector as a Beta Site for Business Innovation" in *Harvard Business Review*. May, 1999.

Porter, Michael E., and Mark R. Kramer. "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility" in *Harvard Business Review*, December, 2006. Reprint R0612D.

17 Deloitte. "2008 Deloitte Volunteer IMPACT Survey." 2008. www.deloitte.com.

18 Needleman, Sarah E. "The Latest Office Perk: Getting Paid to Volunteer" in *The Wall Street Journal*. April 29, 2008.

19 Cone, Inc. *2007 Cone Cause Evolution & Environmental Survey*. Boston, MA: Cone, Inc., 2007.

To be fair, compared to product price and quality, a company's corporate citizenship is a minor consideration in consumer purchasing decisions. Yet, in today's highly competitive environment marginal advantages can make a big difference in the bottom line. For example, researchers have found that companies with strong corporate citizenship fare better when they have gaps in product innovation than peers with weak corporate citizenship.²⁰

Avon and its association with breast cancer illustrate the powerful effect corporate citizenship can have on brand. Similarly, one of the reasons that Girls, Inc., is a good fit for Lancôme is that it helps the company brand itself as a source of empowerment for women.

Although strengthened reputation and brand are the most touted CSR benefits in the popular press, they are also the least effective in generating a meaningful high-impact partnership. Engaging business in your work because it will improve their reputation is a shallow way to partner, a questionable way to make an impact, and a good way to have the strategy backfire. Shallow because it most likely leads to the fruitless situation that experts have described as "a Faustian bargain in which companies donate money without demanding that social problems be solved, and nonprofits honor corporations for their generosity without interfering in their businesses."²¹ It's a questionable way to make an impact because it requires nothing more of the company than a check. And, finally, basing CSR on reputation is the most likely way to have the strategy backfire because the logical conclusion of its implementation is to maximize visibility, even at the expense of accomplishments. This leads directly to the situation Philip Morris found itself in where several corporate watchdog organizations denounced the company for spending more on the PR campaign about its charity than it did on charity.²²

The CEO of a Fortune 500 once told me that reputation was never a goal of their community involvement. He considered PR something that happens when companies achieve the ultimate goals of community involvement... like eliminating homelessness and inspiring employees to be part of the solution. This is the view of someone who has seen the limitations of hanging the value of corporate philanthropy on PR, and it represents wise counsel.

From a nonprofit partner perspective, helping the company exploit the PR benefits of partnership is, naturally, a smart move. But it is best presented as a bonus, not as the reason to partner. The more powerful and lasting hooks for involving businesses in your work are covered above.

In other words, the sweet spot for engaging businesses is enlightened self-interest. Nonprofit managers who successfully engage businesses are masters at identifying and presenting the moral high road to self-interest, and accompanying business on that road.

Take the Case of Operation Hope, a nonprofit that combats poverty. When Union Bank of California announced it would enter a low-income neighborhood with check-cashing offices, Operation Hope was displeased and concerned. Check-cashing services feed the cycle of poverty.

Operation Hope didn't picket Bank of California. Operation Hope didn't try to shame the bank's president to act out of pure charity. Instead, Operation Hope proposed an option that "freed" the commercial bank to be part of the poverty solution because the approach also supported business interests. As a result, the bank branch offers the full array of banking services, despite the bank's original analysis that this was commercially undesirable. Operation Hope, however, has an on-site office to provide financial literacy training to residents. This fights poverty, but it also teaches residents to use savings and investment accounts and other poverty-reducing services that Bank of California was hesitant to offer while increasing foot traffic into the bank.

Meeting commercial needs frees company representatives from the limitations of the "official" company budgets set aside for charity. It allows them to tap into the big budgets – e.g., corporate communications, HR, recruitment. Some nonprofits with highly successful corporate partnerships such as Kaboom!, which builds playgrounds, and Habitat for Humanity have internalized this lesson. They know how to serve the business all the way down to the details by, for example, ensuring their volunteer projects are team-building for employees and writing press releases featuring their partner companies.

In summary, the win-win approach to corporate partnerships, where companies "do well by doing good," is what makes available the corporate riches mentioned above for the nonprofit partner's social agenda.

20 Hull, Clyde Eirikur and Sandra Rothenberg. "Firm Performance: The Interactions of Corporate Social Performance with Innovation and Industry Differentiation" in *Strategic Management Journal*, 2008.

21 Kramer, Mark and John Kania. "Changing the Game: Leading corporations switch from defense to offense in solving global problems" in *Stanford Social Innovation Review*. Spring, 2006; p. 24.

22 Join Together. "Critics: Philip Morris Spends More on PR than Charity." <http://www.jointogether.org/news/headlines/inthenews/2000/critics-philip-morris-spends.html>, November 28, 2000.

Spare the Cash

The relationship between businesses and nonprofits is usually as follows: Businesses make money; businesses contribute money to nonprofits; nonprofits convert that money into salaried positions, equipment and other tools essential to the mission; and more of the nonprofit mission is accomplished.

This method is a good way to have poor results. It has two problems. First, it counts on businesses relinquishing the resource they have that is in highest demand; cash. A business can convert cash into almost anything it needs – more office space, higher morale, happier shareholders, more efficient equipment. Expecting that community involvement will trump all of these other demands is foolhardy. This explains why it is virtually unheard of for a business to give more than five percent of its pre-tax profit. But while cash is in high demand, trucks may lay idle over the weekend, prime location parking lots sit half empty, internal auditors might have slow times of the year, the cafeteria might have spare food and capacity. The list of available resources is staggering. These are resources that could do a lot of good and that the company could more easily part with.

Several years ago the Milwaukee Salvation Army learned that many malnourished men were not coming to the lunch program designed for them because they did not find the cafeteria enticing. These men wanted to eat with grandchildren, and other family and friends. The Salvation Army did not solicit businesses for monetary contributions to upgrade their cafeteria. Instead, it looked beyond cash and discovered that corporate partners could help feed this target population. The solution was partnering with Bill's Restaurant. The Salvation Army and Bill's put together a special menu of healthy fare that the Salvation Army's target population can order for free, while enjoying a restaurant-quality meal with family and friends.

Using a different strategy, the Environmental Defense Fund also eschews corporate cash donations for a more direct way to achieve its mission. To preserve the environment, the Fund doesn't solicit support from companies in the form of charitable donations. Instead, it asks companies to allow the Fund help them adopt more environmentally sustainable practices. The Fund keeps the rights to any innovations developed which it then takes to other companies. In this way it has reduced McDonald's packaging, greened the FedEx fleet and helped Wegmans serve eco-friendly farmed seafood.

The Salvation Army and Environmental Defense Fund solutions are more powerful and efficient ways to harness corporate resources than obtaining cash from business and then trying to effect the desired change. These business

partners would not have been able to underwrite with cash what they supported via non-cash contributions.

The second problem with the system of obtaining corporate cash and then expending it to achieve the nonprofit's mission is that, again, it is a very shallow touch point. That is, having a corporate giving officer in a company write a check does very little to connect the warm bodies within that company to your cause. It perpetuates the great-aunt style checkbook philanthropy that creates virtually no synergies between businesses and nonprofits.

In summary, highly effective nonprofit-business partnerships require that nonprofits stop requesting donations and start enrolling businesses to use their full complement of resources to move forward the nonprofit's social agenda.

Lead the Way

Business leaders need your help. A study of global business leaders found that they are often "uncertain, confused, and timid" on what to do regarding social issues outside the confines of their company.²³

Their condition is not surprising given their unenviable position. Society expects businesses to be more socially responsible than ever and occasionally punishes those who are not. Yet business leaders also know that corporate citizenship that does not benefit the "bottom line" is tantamount to throwing money down the drain. They get paid to meet quota, reduce costs, sell product and other bottom-line measures. In a time when the highly competitive global markets punish the smallest inefficiencies, large-scale unproductive corporate citizenship could be fatal.

To complicate matters, for all the hoopla around corporate citizenship there is no consensus on what it is, much less what business executives are supposed to do about it. As many have pointed out, corporate citizenship is not a discipline so much as a collective groping for an ideal.²⁴

Not surprisingly, researchers at the Boston College Center for Corporate Citizenship concluded that it takes sheer courage for business leaders to truly commit their companies to social sector aims.²⁵ So, instead of committing substantial resources and effort to these aims, most business

23 Blowfield, Michael, and Bradley K. Googins. *Step Up: A Call for Business Leadership in Society*. Chestnut Hill, MA: Boston College Center for Corporate Citizenship, 2006; p. 30.

24 Davis, Gerald F., Marina V.N. Whitman and Mayer N. Zald. "The Responsibility Paradox!" in *Stanford Social Innovation Review*, Winter, 2008.

25 Blowfield, Michael, and Bradley K. Googins. *Step Up: A Call for Business Leadership in Society*. Chestnut Hill, MA: Boston College Center for Corporate Citizenship, 2006.

leaders tinker in the margins. Fearful of being accused of doing nothing, but uncomfortable taking a bold stand, they end up with inexpensive window-dressing community involvement. Most companies are marginally part of the solution, but hardly a substantial part and certainly not the forces for good they could be.

Leadership in nonprofit-business partnerships does not mean making a compelling argument as to why donating to your nonprofit will help with an important cause. That's only half the job. It's the easy half. Leadership in nonprofit-business partnerships requires that you also help the company see how their involvement will support the business. This is what Bill Shore from Share Our Strength did to obtain American Express support; Alan Khazei from City Year did to win Timberland support and many other nonprofit managers can do to bring out the best in their own corporate neighbors.

Manage Impeccably Well

Nonprofit-business partnerships require more attention to management than other endeavors. Indeed, nonprofit-business partnerships are perfectly suited to stump even strong managers. Virtually everything about them is difficult. Their novelty makes them uncomfortable. Their cross-functional, inter-organizational and mixed-agenda nature breeds communication problems. Their concentration of power with the business partner (typically) sets up awkward relationships.

However, none of the above management challenges are insurmountable. To the contrary, strong thoughtful project management vanquishes them. Research finds that most culprits of failed partnerships are mundane project management weaknesses, such as lack of shared goals, unclear roles and responsibilities, miscommunications and parties not having the capacity to deliver what they committed.²⁶

In other words, it doesn't take extraordinary actions to manage a nonprofit-business partnership. However, their inherently challenging starting point makes them extraordinarily susceptible to small management failures. With a few missteps, these alliances can unravel quickly, often to the bewilderment of all involved.

The road to nonprofit-business partnership success, then, requires carefully developed and highly effective project management. The rewards for this extra care, however, are great. For example, until Feeding America (formerly America's Second Harvest – The Nation's Food Bank Network) entered the scene, most companies were unwilling to donate surplus food because they were not assured that the food would be handled properly. They feared lawsuits, food entering their commercial markets and PR

nightmares if food was not properly managed. In other words, a magnificent corporate asset was unavailable to alleviate a social problem because of weak management systems. One of the greatest successes of Feeding America is establishing clear agreements, a network of food banks and other components for the proper management of this corporate contribution. The result is that over 25 million people a year receive emergency food assistance.²⁷

The corporate sector is teeming with assets – cafeterias that could serve hot meals to the homeless, air-conditioned buildings that could be used as heat shelters for the elderly, security officers that could teach personal safety, etc. This list is endless. How many of these resources might become available if nonprofits were simply to establish systems to effectively manage their use for a charitable cause? As trite as it might appear, weak project management might be one of the greatest barriers to fully tapping into the benefits of corporate involvement in the social sector.

Stay True

The reason to engage in partnerships with businesses is to further the work of your nonprofit. Straying from this purpose is generally unproductive. This sounds obvious, yet corporate alliances often distract nonprofits from their best work and derail them from their mission.

First, nonprofits are often lured into off-mission activities to reap the benefit of corporate support. For example, at the request of a business, an art museum might find itself organizing highly-visible outdoor employee volunteer event focused on health or the anniversary of the company's founding. Engaging in these tangential efforts is sometimes inconsequential, but it can also be a costly distraction that hurts the organization's effectiveness. Because these efforts are not in the nonprofit's area of competency, the nonprofit is more likely to underperform and, thus, endanger the alliance such endeavors were meant to strengthen. The damage from an alliance gone wrong is likely greater than from an upfront declination.

In other words, agreeing to corporate requests in order to not "bite the hand that feeds" is not a productive long-term strategy. To the contrary, the nonprofits that are most effective at garnering corporate support appear to be to highly discriminating. City Year, an organization that obtains million of dollars in corporate support every year,

26 Boston College Center for Corporate Citizenship. *Enduring Partnerships: Resilience, Innovation, Success*. Chestnut Hill, MA: Boston College Center for Corporate Citizenship, 2002.

27 Cruthfield, Leslie and Heather McLeod Grant. *Forces for Good: The Six Practices of High-Impact Nonprofits*. San Francisco, CA: Josse-Bass, 2008.

turned down an offer from T-Mobile to work jointly on a project because City Year didn't see it as an effective way to support the youth in their program. City Year's declination has seemingly not hindered the long-term relationship as it is currently one of T-Mobile's two national non-profit partners.

Similarly, Girls, Inc., skeptical of a company that made cosmetics, peppered Lancôme with questions before even considering partnering. Girls Inc. made sure that the alliance would be true to the organization's belief that "Girls have the right to prepare for interesting work and economic independence." Happily, Lancôme passed the test because of its large number of female executives, workplace policies and willingness to take Girls, Inc.'s values seriously.

The second and more insidious way alliances can throw nonprofits off-mission or worse, counter-mission, is by inadvertently serving a corporate agenda that undermines the desired social cause. As hopeful as we may be about corporate citizenship, the cases of Enron, Arthur Anderson, Tyco and countless others leave no doubt that benevolence is not always the corporate agenda. This opens up the possibility that nonprofit alliances are a shrewd way to for corporations to simply maximize profit with complete disregard for social sector aims.

The current best practice of having alliances generate business benefits entangles the issue. If companies are supposed to reap benefits from the alliance, it can't be held against them that they sold more product or improved their image as a result of the alliance. The real issue at stake is whether the alliance served its primary purpose of furthering the social cause. If the alliance makes a positive meaningful contribution to the cause, the benefits to the company are irrelevant.

Yet, it's no simple matter to calculate the net positive effect of an alliance. Untangling the beneficial from deleterious is fraught with complications and contradictions.

Take the case of the Columbus Children's Hospital. When it agreed to name a new emergency department and trauma center after the locally-based retailer Abercrombie & Fitch in exchange for a \$10 million donation, many children's advocates criticized the decision. They contended that naming the center after Abercrombie & Fitch – known for its highly sexualized marketing that targets teens and preteens – sends a grievously wrong message. At issue is what serves the long-term interests of children better: having a new emergency department or protecting them from negative marketing? Clearly there is no way to calculate this net effect.

To further complicate matters, there is a matter of principle. Many object, on ethical grounds, to simply aiding a "bad" company no matter how much social good their alliance generates.

In summary, nonprofit managers are charged with selecting and then managing alliances to serve the social cause, as best possible. Some organizations, such as the Environmental Defense Fund, might decide to be very deliberate and selective about corporate donations to ensure that theirs "is advice and advocacy that money can't buy." The Fund does not accept donations from the businesses it helps to "green" and limits corporate donations to three percent of its budget. For other organizations, such as the Campaign for a Commercial-Free Childhood, devoted to limiting the impact of commercial culture on children, this might mean forgoing corporate support altogether. For organizations like the American Heart Association, it might mean partnering with any company, even if their product is "heart unfriendly," if it allows them to improve the heart health of its employees. The crux of successful corporate-nonprofit alliance is whether it serves the intended social purpose. It is the responsibility of nonprofit managers to be stewards of these social purposes. Because the businesses can be a force for harm almost as easily as they can be a force for good, this stewardship role includes thorny decisions that have both efficiency and ethical dimensions.

III. Conclusions

Over the eons society has transformed several times the way it pursues the public good. For most of world history the responsibility for caring for the sick, preserving culture, protecting human rights and otherwise pursuing the public good has rested with nobility and religion. In the last few centuries, modern government and the newly emerged nonprofit sector have taken the charge, and made great progress, in enhancing societal wellbeing.

The arrival of corporations in the social sector puts us at the brink of another great transformation in stewardship of the public good. Some enterprising nonprofit leaders aware of the opportunity this development represents are superb examples of what anthropologist Margaret Mead meant when she asserted that "a small group of thoughtful, committed citizens can change the world." A handful of nonprofit leaders, including Billy Shore from Share Our Strength, Alan Khazei from City Year and Fred Krupp from Environmental Defense Fund, have shaped the current state of nonprofit-business relations. Their start is auspicious. Working with courageous business leaders, they have revealed the tantalizing possibility that businesses might contribute to solving societal problems with unprecedented commitment. They have shown us the possibility that corporate involvement can multiply the good that the nonprofit sector does several times over.

Yet grave questions remain. A particularly challenging one is, how do nonprofit managers direct the bulk of cor-

porate wealth for the public good without allowing businesses to control the public good agenda for their own capitalistic aims? It's not surprising that nonprofits are torn between resisting or accepting businesses' entrance into their territory, unsure if it's a hijacking or a helping hand.

Indeed, the jury is still out and the debate will, and should, rage on. Whether corporate citizenship, in the end, will be a good thing remains to be seen. However, I don't see this as a waiting game, but rather a creation opportunity. Whether or not corporate citizenship ends up elevating the collective lot of humanity is likely up to the leadership that nonprofit managers exert in this area in this generation.

I believe, in time, the global nonprofit sector will steer corporate citizenship on to a path that is productive for the public good. After all, this is the sector that Harvard's Rosabeth Moss Kanter labeled "the beta site for business innovation."²⁸ This is the sector that gave every medical emergency victim across the United States access to quick, professionally-trained assistance by dialing 911, that made literature available to every US child through the public library system and that redefined safe driving as sober driving. This is the sector that time and time again has seized opportunities to make a difference. Certainly, the nonprofit sector can and will find a way to serve humanity better than ever, possibly better than we dare imagine, by harnessing the greatest man-made force to date: capitalism.

28 Kanter, Rosabeth Moss. "From Spare Change to Real Change: The Social Sector as a Beta Site for Business Innovation." *Harvard Business Review*. May, 1999.



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