The Corporate Community Investment Project
(CorCom)

ETHICAL ISSUES IN PARTNERSHIPS BETWEEN BUSINESS AND NONPROFIT ORGANIZATIONS

Report of a Seminar held on
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Washington, DC

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INTRODUCTION

The mission of the Corporate Community Investment Project (CorCom) is to stimulate linkages between businesses and nonprofit organizations to pursue mutual interests in sustainable development. The project calls for a strategy of educating businesses about the advantages of working with nonprofit partners to help nonprofit organizations become more businesslike in their work and to make appropriate connections that can lead to partnerships.

As corporations move beyond philanthropy to community investment overseas, they need nonprofit partners that know the community and that are skilled in training and community organization and knowledge of local customs and laws. Workers who enjoy access to proper health care, child care, housing, and other services are productive and dependable. Their productivity and dependability help cut production costs and enable businesses to avoid some of the risk inherent in working overseas.

Many businesses make charitable contributions to nonprofit organizations, but CorCom promotes activities that build on the resources of both business and nonprofit partners. These activities go beyond philanthropy to joint ventures that help business reduce risk, increase profits, and expand markets while providing jobs, health care, schooling, quality child care, and other services to those who work for a partner company or live in the community where a partner company’s factories and plants are located.

CorCom sponsors seminars on specific issues that move beyond rhetoric about the value of partnerships to practical ideas for making partnerships work. This report summarizes one such seminar. The day-long seminar was held in Washington, DC, on June 24, 1998. The Seminar was opened by Dr. Shirley Buzzard, followed by presentations from Laurie Regelbrugge, Vice President of The Hitachi Foundation, Joan Dubinsky, President of The Rosentreter Group and Richard Campanelli, Partner with the law firm of Gammon and Grange, P.C. The presentations were followed by a discussion between the Presenters and Seminar Participants, highlights of which are included in this report.

In addition to the seminars, CorCom sponsors a learning network of practitioners, both for-profit and nonprofit, who meet periodically to share experiences, learn from each other, and help build new alliances and partnerships that are sustainable and meet the needs of all stakeholders. They recently prepared a list of lessons learned from the cases presented in their meetings this year. These lessons learned are included with this report.

In 1996, Shirley Buzzard, a professional consultant with 15 years experience in development, and Martin Hewitt of USAID/BHR/PVC started CorCom. They noted that there is no body of knowledge about how partnerships between business and nonprofit organizations actually work or even why they fail. Despite considerable rhetoric from academicians and donors about the advantages of partnerships, there is little information about how to make them succeed, how to start them, what to avoid, and the associated ethical issues. CorCom fills that gap.
The situation is that an agriculture PVO is approached by a chemical company to use herbicides, but that company also produces unsafe products. “Should you work with them?” “Can businesses sponsor community work and be honest and open?” “Can you work for a corporation and still be an honest broker?” These are real issues that have come up within the CorCom Network.

Ethics are very important.....and issues around them arise within corporate boardrooms as well as for PVOs. Some of those issues arise around ‘conflicts of interest’ or the ‘appearance of a conflict of interest.’ In other cases, issues arise when there is a good solid program that is worth doing, but it is not part of the work of the corporation.....or in other cases, not part of the mission of the PVO.

Seminar participants responded to the question, “Why do PVOs engage with corporations?” with the following: 1) to engage corporate resources, 2) to influence business culture and operation to make them more socially and environmentally responsible, and 3) to build employee capacity to strengthen civil society in which corporations can be allies.

A FRAMEWORK FOR ETHICAL CONSIDERATIONS IN NGO PARTNERSHIPS WITH CORPORATIONS
There is a framework for thinking about ‘ethical considerations in NGO partnerships with corporations. Most important and the first step is to ‘know your organization: core values, mission, objectives, etc.’
A FRAMEWORK FOR ETHICAL CONSIDERATIONS IN NGO PARTNERSHIPS WITH CORPORATIONS

KNOW Your Organization’s Mission and Identity - Be clear about who you are, what you do, and why.
- What is the mission of your organization, and what are your goals and objectives?
- What is the nature of your activities?
- What are your rationale and strategies?
- What are the causes of the circumstances you are addressing?

RESEARCH the company or companies with which you wish to partner, or which might be good prospects for partnerships given their strategic interests.
- What companies operate in our geographic region?
- What companies address related issues in their business?
- What companies have operations that would be contradictory to our mission and approaches?

DETERMINE WHY you want a corporate partnership.

DETERMINE WHY the company wants or might want a relationship with your organization.

DISCUSS the nature of the relationship, the target activities, the desired outcomes, and processes for decisions, updates, and resolving differences.
- How and by whom will decisions about the partnership or joint project be made?
- What outcomes are we seeking that are the same, and what outcomes are we seeking that are different?
- Is there anything about the proposed relationship, activities, or environment for the partnership that is illegal? Anything that strikes you as unethical?

ANTICIPATE best- and worst-case scenarios for your involvement with this company.
- If there was a scandal involving the company, how might this affect the partnership and/or your organization?
- Do company operations threaten or contradict your work or could they jeopardize outcomes?
- How will the company communicate about the partnership?

ACT if there are signs of trouble in the relationship that might jeopardize your organization in some way.

‘Opportunity knocks’ and personal relationships exist, or other things, that make you want to jump into a corporate relationship without doing the research that might be valuable. The relationship becomes serendipitous rather than based on research. If such a relationship develops, then begin doing your research and learn about the corporate organization with which you might be working. Then begin looking at your geographical partners who might be supportive of your work, etc. For example, a lot of companies produce products that might contribute to your product or they could be allies with whom you could have a strong working relationship. It is also important to look at other companies who might have contradictory relationships. For example, a company produces firearms and you do youth programming. Therefore, the relationship between your organization and the firearms company might be contradictory.....or it may be that it is just perceived to be contradictory by the general public.

Forget about changing anybody in a relationship by going into the relationship. Any change will be over time, not ‘overnight.’
CASE STUDIES
What follows are ‘real life’ examples that have happened within the past year illustrating ‘gray area’ situations. Each case is presented, followed by a discussion between the presenter and the participants, and concluded with ‘what happened.’

EXAMPLES OF THE “GRAY AREA” IN ETHICAL CONSIDERATIONS
IN NGO PARTNERSHIPS WITH CORPORATIONS

— Case 1
A small, Catholic liberal arts college received a $25,000 donation from a major tobacco company. A board member sent an advertisement for the company’s cigarettes to the college president and suggested that perhaps the morality presented in the ad was at odds with the mission and philosophy of the college. What should the president do?

Discussion.....What should the president do?

Participant: If I were president, I would want to know where the money actually came from and how it got there. Additional investigation would be needed.

Participant: I would want to know why the cigarette company wanted to make the donation. WHY is very important.

Participant: He should gather more information and impressions of what the board members thought and try to lead the discussion beyond the context of just one cigarette company and look at the bigger issue since it does not seem that a college would be looking at every donation it received and screen it as to the quality of the donor.

Participant: He should look to see if the donation is being made just for the school or if the donation is going to be used some how by the cigarette company to further its own purposes by indicating in some way (through an ad, or some communication to the general public, a promotional, etc.) that they have made the donation.

Participant: A point was made to consider the student body as ‘stakeholders’ in the process, not just the board of the university or the staff. This is especially important since students have ‘demonstrated’ (marched) in the past against universities for investment they have made or money they have accepted.

→ Here’s What Happened
What did the president do? The president, an ethics professor himself, raised the issue with his class. 18 of 20 students said the funds should be returned with a letter of explanation. The remaining 2 students agreed that there was an inherent conflict, but that the school desperately needed the funds and, therefore, should keep the donation. The board agreed with the student majority, and the funds were returned with a letter. The letter found its way to the chairman of the company who was appalled by the situation. He subsequently checked the ad, held a meeting with top executives and the ad firm, and the company pulled the ad. The company then sent a new check to the college, reporting that the ad had been pulled and asking that the college now accept the donation. The college accepted.

— Case 2
A volunteer center with extensive corporate and nonprofit members developed an interesting E-mail survey and database for tracking corporate volunteerism. One of its corporate partners (members) asked that a tailored version be developed for its operations, offering, of course, to pay the volunteer center appropriately for the revised product. Prior to entering into a contract, a company representative mentioned that it would like to pay for the services through a grant from its foundation. What should the volunteer center respond?
Discussion.....What should the volunteer center do?

Participant: They might want to enter into a dialogue about other partners because it would be some special services for one company. The mission of the volunteer center should be looked at. This activity was not the core of what they wanted to do and did the volunteer center want to become the type of agency this is providing these services?

Participant: There are other ways for NGOs to use their assets to generate revenue and this brings up the case of looking at the policy. Another issue is that this activity is a ‘fee for service.’ In which case, there are tax implications for the organization, and therefore, is it legally appropriate for the NGO to be engaged in this activity?

Participant: This issue is a big one for the CorCom members because many of the organizations are dealing with this issue because they provide ‘services for a fee.’

→ Here’s What Happened
While the company is used to supporting the volunteer center through grants that are tax deductible, these standard grants support the center’s operations and programs. The issue in this case is that the volunteer center is being asked to support work that will benefit the company directly. The self-dealing regulations enacted through the IRS codes for foundations and corporate foundations state that foundation funds cannot be used to provide direct benefits or services to the company. In this case, the IRS could rule against this transaction being paid for through a grant, and the volunteer center should keep this in mind. The difficulty is that the IRS does not often review cases like this that would help the field get a better sense of where in the gray area the line runs.

Case 3
A nonprofit serving Native American communities in the U.S. and indigenous communities in other parts of the world receives substantial support from a tobacco company, one that also produces a wide variety of food products. Another supporter wrote a letter objecting to the organization’s acceptance of this support. What should the organization do?

Discussion: What should the organization do?

Participant: One of the things you may not do is put the organization in jeopardy. Also, it seems likely that this type of thing has occurred before and there’s probably a standard answer for the ‘folks.’

Participant: Increasingly large companies are doing many more things - products and services - from where they started. It is impossible to keep up with the product changes, as well as mergers and acquisitions that increase/decrease product lines and services. So, different PVOs are going to need to look at this issue and come up with their own operating policies or frameworks for looking at the companies with which they may be interested in partnering. These should be frameworks, and not absolute policies around the situation.

→ Here’s What Happened
The nonprofit was somewhat amused by the letter, since it was from a religious order that had been involved with what can be characterized as questionable treatment of American Indians in the 1800s and early 1900s in the U.S. Consequently, they wrote back to this supporter and stated that the funds received from the tobacco company went directly to nutrition programs on the reservation that were highly important. In addition, the relationship allowed the nonprofit’s executives services to company representatives to discuss issues of social investment, community development, and social well-being.

Case 4
A senior executive from a global company asked the Chief Executive of the company’s foundation to make a grant to a local health institution that had provided exemplary services to an important customer. What should the foundation executive do?
Here’s What Happened
The foundation did not fund health institutions within its funding areas. Therefore, the executive concluded that the transaction could only be interpreted as serving company interest directly and, therefore, declined. It did not make the company executive happy, but it seemed the only ethical response.

Final Discussion from Cases Presented

Participant: What criteria did the Hitachi Foundation apply to scrutinizing/screening when they started?

Presenter: The Foundation (Hitachi) did not find much data to guide them in setting up a criteria; they have had to do it over time. PVOs need to be part of a networking situation and to get and build that information.

Participant: Is there any place to start getting some information or to do research about certain businesses?

Presenter: Yes, there are several places. One such place is the Better Business Bureau, or Nader’s information. There’s also the Business for Social Responsibility Association in San Francisco, which screens its clients.

CONCLUSION
Engaging Corporations in Strengthening Civil Society, by Laurie Regelbrugge, goes well beyond what was discussed during the presentation (copies were distributed to seminar participants of Chapter 8 of Sustaining Civil Society: Strategies for Resource Mobilization, Edited by Leslie M. Fox and S. Bruce Schearer).

A final point was made by Shirley Buzzard that during the Seminar it should be noted that not just PVOs have ethics.
What does the corporate sponsor with whom we are (or might be) working already know?
How can we have a realistic conversation with those corporations?
Do I really want this company to “be my bed partner?”

This is the perspective of the PVO.

The corporations ask the same types of questions.

There are a lot of issues within organizations that are base issues which are set out by law. However, there are a lot of areas beyond the ‘laws’ which are gray areas. One such example was the ‘Tylenol’ scare of a number of years ago where overnight the product was pulled off the shelves.

In another case, Levi Strauss was mentioned. A number of years ago, after looking at the ‘principles and values’ of the organization, it made an ‘ethical decision’ not to do business in China. With this decision came an organizational mechanism for reviewing such issues. As an ‘ethical decision’ that is now being revisited. By now, however, there is a mechanism in place for reviewing ‘ethical’ issues for the corporation.
STARTING WITH PHILOSOPHY

- “The unexamined life is not worth living.”
  -- Socrates
- “About what do the gods disagree?”
  -- Plato
- “Fire burns, here and in Persia.”
  -- Herodotus

EXCUSES ABOUND

- Short-term problem solving
- Missing rules and vague standards
- Individual and corporate barriers to ethical action are high: Arrogance, defensiveness, denial, intellectual superiority, private gain, retribution and retaliation
- “Doctrine of relative filth”
- Compliance is tedious, difficult, and boring!

ETHICS AND COMPLIANCE ARE PARALLEL, BUT NOT IDENTICAL

- Ethics is a philosophical discipline that describes and directs moral conduct. Ethics focuses on what we OUGHT to do and provides a framework for weighing standards of right and wrong. Ethics recognizes that reasonable people may resolve dilemmas differently.
- Compliance is a legal discipline that describes rules by which we determine whether or not actions are acceptable. Compliance eliminates ambiguity and reduces risk. Compliance focuses on what OUGHT NOT to be done, and establishes penalties for non-compliance.
WHAT CAN WE EXPECT FROM COMPLIANCE?

- Corporate Compliance will not
  - eliminate all misconduct
  - provide an absolute defense against litigation or prosecutions

- Corporate compliance will
  - deter illegal activity
  - provide reporting mechanisms
  - support internal investigations
  - generally result in more favorable treatment if illegal conduct is reported

BUT . . .

- “It is not an adequate ethical standard to aspire to get through the day without being indicted.”
  -- Richard Breeden
  -- Former Chairman, S.E.C.

THREE BASIC ELEMENTS FOR A BUSINESS ETHICS PROGRAM

- Compliance: Spread knowledge of rules and ramifications and increase likelihood of proper action

- Ethics: Nurtures right conduct based on common values and enables decision maker to explain why a difficult choice was made

- Training builds common vocabulary and grants permission to disagree
RESPONSIBLE DECISION MAKING
OR
HOW TO AVOID PARALYSIS

THE INTUITIVE BELL CURVE

Good Enough

Base

Excellent

TRUTH TELLING
IS MORE TRUE ALWAYS BETTER?

STEPS FOR ETHICAL DECISION MAKING

- Verify
- Identify
- Clarify
- Evaluate
- Resolve

VERIFY

- Make sure you have the significant facts
- Distinguish between the facts
  - you would like to know
  - those you are sure of, and
  - those you may never know
IDENTIFY

- Who are the stakeholders?
- List the individuals and groups who have a stake in the outcome.
- Evaluate their interests in your situation.

CLARIFY

- Describe and analyze the issues.
- What are the legal, technical, and management implications?
- Which ethical values are involved?
- Describe the dilemma succinctly!

EVALUATE

- Identify several options.
- Consider acting and not acting.
- With whom can you discuss the situation?
- For each option, ask: is it legal? does it reflect sound business judgment? Is it the right thing to do?

RESOLVE

- Select the resolution that is fair and just.
- Can you present and explain your resolution to others?
- Have you treated similarly placed stakeholders in similar fashion?
- Would you willingly trade place with each stakeholder?
- Can you look yourself in the mirror tomorrow?
IF WE DON’T THINK LIKE A PHILOSOPHER
AND ACT LIKE A MANAGER,
WE ARE DOOMED TO ARGUE
– NEVER TO AGREE.
The Oak Knoll Boys and Girls Club has struggled for years to raise enough funds to support its programs and services. The local United Way has reduced its appropriation by 23% over the last two years. The local economy is stagnant. Many of the major employers have laid off employees during the last five years. Bert Deal, the Club’s paid manager, was approached by Warren Roving, a Board member, with a novel fundraising idea. Warren, a local attorney in private practice, was recently appointed to serve on the Board. He also represents the local sports coliseum.

Warren proposed that the Oak Knoll Coliseum donate to the Club part of its proceeds on the sale of beer at six upcoming sports events. Convinced by previous sales figures that the revenues generated would more than cover costs, he thought the Club could pay the coliseum $3000 for the first night and $2000 for each of the remaining nights in exchange for the beer service concession. For these six evenings, the Club would pay the Coliseum a total of $13,000 for the privilege of running the concession stand. The coliseum would guarantee that the Club would net at least $500 each night.

Bert discussed the idea with Lonnie Goldstar, the Chairman of the Club’s Board of Directors. The Board concurred. A week after the last of the six events, the Club received $3000 net profits in cash from the coliseum.

At the next Board meeting, Warren proposed that the Club enter into a much more formal relationship with the coliseum. Several clauses of the contract were discussed, including:

1. The Oak Knoll Boys and Girls Club will apply for a Class A Liquor License to sell malted beverages at the O.K. Coliseum. The Coliseum will furnish the arena’s beer service facilities, fixtures, supplies (exclusive of the malted beverages) and utilities for $2800. The coliseum will provide 19 people to operate the concession stand at the rate of $7.85 per hour per person. All personnel shall be supervised and controlled by the Club, and shall be trained to dispense malted beverages.

2. During each event, the Club shall have on site at least two of its own Board members who will supervise the concession operation.

3. The coliseum will provide the Club with eight tickets per event for its exclusive use.

4. The coliseum will indemnify and hold the Club harmless for any claim or cause of action whatsoever arising out of the Club’s activities pursuant to this agreement.

5. The coliseum guarantees that the Club will net at least $500 per sporting event.

The Club’s Board was now uniformly enthusiastic about the proposed contract. With a flourish, Warren and Lonnie signed the contract on behalf of both the coliseum and the Club.

The Plot Thickens
Lonnie’s husband was the editor of the O.K. Herald, the community’s daily newspaper. Over dinner, Lonnie discussed her plans of how the club will use its new source of revenue. She invited her husband to use one of the tickets and help her out at the concession stand. She was convinced that the Club could generate very positive publicity and community support if this new business relationship received appropriate recognition. Lonnie
CASE STUDY DISCUSSION

Presenter: “What’s their motive for doing this?”

Participant group: There’s a concern of trust for the ‘deal’ and a certain level of discomfort. In part, because ‘they’ - the participants were not involved in the final process. There is something immediately distrustful about the corporation that come’s calling.

Participant group: There’s a conflict of interest because Warren is wearing two hats on this deal. The deal was pushed through; someone was feeling ‘ripped off.’

Presenter: “As a rule of thumb, follow the money.” Some things to think about are: the amount of money the coliseum grosses a night - $5,000, plus, plus, plus. Saavy ‘folk’ do the numbers before getting into an agreement and sign anything.

Participant group: Not beer, but something else might be ok. Then what else should we be doing? If we don’t do beer, do we do hot dogs, candy? Is that more appropriate?

Participant group: Another issue that comes up is that NGOs have to made decisions in a time of survival (financially) that they may not make at another time in their financial history. Another, perhaps bigger, issue is should you be putting your efforts as an NGO into another area? Does the corporate relationship, or whatever you are proposing to do, divert your attention away from what you are intending to do as an organization?
INTRODUCTION
Hopefully, there’s not a line between the law and ethics!.....

Mr. Campanelli noted that he felt that people at the corporate level would be shocked to hear that the NGOs were questioning whether they are being ‘ripped off’ by corporations (a comment made by a participant in an earlier presentation on that day). The point is that both of the groups have their own self-interest when they come to the table. It is not that business is sophisticated and the nonprofit is not. It is that the corporation is more sophisticated just about business; not about the non-profit world. Business does not know the constraints under which NGOs operate these days. They have become so regulated!

A question to the audience indicated that all participants had a 501 (c) (3) status.....which must be dedicated to nonprofit services (see section 2, The Regulatory Framework, p. 2 of his paper).

An example was given of an ‘unrelated business activity’ (see section 2.2, p. 2 of his paper) being explored by a hospital:

Hospital “X” has excess capacity with their laundry service when its not in demand. The hospital then wanted to start a laundry business, but local for-profit laundry services objected strongly saying that it was ‘unfair competition’ because the hospital is a nonprofit and, therefore, their costs would be different. (They could then undercut the local laundries.)

The question that goes with this is, “when is unrelated income too much unrelated income.” This is not clear with the IRS and with the nonprofit community. And, the question becomes, “how much activity are you engaged in which takes you away from your nonprofit purposes?” As a rule of thumb, he takes a hard look if the amount is more than 20%.

Something to ask yourself in doing your ‘for-profit’ activity within the NGO, ‘is there a for-profit out there than is already doing this?’ (See section 2.2.1, p. 2 of his paper.)

An issue to keep in mind is that if you have a trade or business that is mixed in with a non-profit trade or business, it can get so intermixed that it becomes impossible to tell them apart. Ask the question, “do I do this routinely?” For example, if you run a golf event as a fundraiser once a month or with some other ‘regular’ timing, then it will be regarded as a ‘regular trade or business’ (see section 4, Joint Ventures Between For-Profit and Nonprofits, p. 4 of his paper).

An example and a question from one Participant from Save the Children was, ‘what if an organization dedicated to children sets up a currency speculation unit for the purpose of income producing and the revenue goes for the children? Is the substance of what the organization is doing related?

This is an important question because in this case the NGO must go back to their charter. It doesn’t matter what their mission statement says. Just by saying that they are in the business of currency speculation is not going to ‘fly’ because it is not part of their intended work as stated in the charter.
For the nonprofit, you must show that the business activity is furthering what is in your charter.

A for-profit subsidiary can be developed. This area of the organization then pays taxes which won’t compromise the 501(c)(3) status.

A Participant posed a question about implications for the Board Members and Staff of NGOs who are engaged in ‘compromising’ their 501(c)(3) requirements. It was indicated that for tax purposes, and other things, there can be up to a 200% fine for the manager who oversaw or started the activity and there are other personal implications as well. The point of this is that NGOs should take care not to compromise their nonprofit status.

Dr. Buzzard commented that several CorCom members are distributing products to the community (such as toothpaste or ORT). Is it better for them to charge a fee for doing this or charge a percentage of product sales? The answer, in either case, is that the NGO is making a promise to do something for a fee. The argument then comes in, ‘to what degree is the product/service in which the NGO is engaged related to what they do as an organization?’ The more removed you get (in the type of product) from what the NGO does, the bigger the problems gets.

As a final point, ‘termination leverage’ is to ensure that you have drafted the contract clearly enough so that you can terminate the contract if what was supposed to happen does not. As a nonprofit, you have your reputation to preserve and if something is going wrong, you need to be able to get out of the contract (see section 5, Contract Issues, p. 5 of his paper).

Mr. Campanelli’s paper in its entirety can be found in Appendix A.

**DISCUSSION WITH THE SPEAKERS**

Laurie Regelbrugge, The Hitachi Foundation
Joan Dubinsky, The Rosentreter Group
Richard Campanelli, Gammon & Grange, P.C.

**Q.** A question was posed to Rick Campanelli about his familiarity with social marketing programs and how that fit in with the topic at hand. The example given was for “condoms” which were packaged and sold at one price for a profit and another package that was sold at a lower price (perhaps, at cost).

**A.** In this case, the NGO probably has a good case with the IRS because the business activity generally furthers the charter of the NGO. Much of this will depend on how the charter is actually worded (remember that it does not matter what is in the mission statement). (RC)

**Q.** How much trouble is it to get the charter amended?

**A.** The biggest problem is getting the Board to agree on what is supposed to be in the charter and then the mechanics are fairly simple after that. (RC)

**Q.** What is the process for getting the charter amended?

**A.** Joan is working with one organization that is involved in a 3-year process in which the organization has had one ‘divorce’ and has had lots of problems in sorting out what eventually is to happen. One big issue is that there’s an assumption that if the nonprofit wants to do a for-profit spin off, there’s some suspicion that they want to do something illicit. (JD)

**Comments:** If the board and staff have agreed together to commit to the process, then it has a chance of going forward. (JD) In summary, amending the corporate charter can be done in a week and then it is submitted to the IRS. (RC) A big factor is education within the organization -- for the board, staff and employees.
**Miscellaneous Comments:** Conflict of interest issues -- those of you that do business with government are bound by how you bid for that work. If you are caught in an organizational conflict of interest, you might run into trouble. For example, if you were giving advice to the government as to what to buy and your subsidiary is doing the ‘selling,’ you are looking at a conflict of interest. (RC)

If an organization changes its legal structure, then it needs to pay attention to that legal structure, and not to continue ‘doing business’ in the same old way.

**Q.** What are the prospects for getting more Japanese companies in these types of partnerships?

**A.** “Slim to none” because of the business situation currently in Japan. On the flip side, Japanese development assistance is pretty good. (LB)

**Q.** Is CorCom, or something else, working with the NGOs in getting to ‘first’ base, which is really looking at valuing your services.

**A.** There has been a seminar on valuing your services, but there is much more to do. An issue mentioned by Shirley Buzzard is that big companies, such as Nike shoes wants to work with such organizations as CARE because they are big and known. Joan also made a point about ‘selling’ the name of the NGO. She gave an example of the ‘AMA’ that was supporting something with Sunbeam.

**Miscellaneous Comments:** The Body Shop and Ben and Jerry's Ice Cream requested a ‘social audit’ and impact evaluation. The results indicated that there were some issues. One of the suppliers of The Body Shop indeed tests on animals and for Ben and Jerry’s, it found that some of the money was being subtroverted that was to be going for the people who grew the ‘nuts’ as suppliers for Ben and Jerrys.

Another comment was made about ‘child labor’ and types of issues. One point pertained to ‘soccer balls’ being made by children for a large well-known company. Social responsibility is a process. As organizations do business around the globe, there are many different moral concepts and precepts where the US standard does not apply in many contexts. One participant raised the issue that there are ‘human rights’ norms even if the US working norms are not appropriate as a world-wide standard.

One of the problems for US businesses is that they send someone well-educated, etc., to go to work in a poor country. That person is sent there to make his/her quota, but get absolutely no exposure to the cultural or cross-cultural issues, business issues, etc. Some corporations do a better job with this than others, and some do nothing at all.

The fortune 100 companies have been doing this for a while. The next tear down of companies is just getting around to doing global business. There are opportunities for doing business with them just in the cross-cultural training for working/living in another country. The NGOs have knowledge that the corporation does not have and that is a potential for partnerships.

**Q.** What’s next for CorCom? Since this is the last seminar in a series of three, participants indicated continued interest. Probably not more seminars similar to the three. They would like to see it go in a direction of dialogue between NGOs and the corporate sector, perhaps with cross-education. The PVOs who are involved in partnering could contribute by bringing in their situation, and their corporate partner. One of the things in which participants are interested is a package of ‘tools’ for the PVO --- in how to look at their own situation, in how to evaluate a corporate partner, etc.
Lessons Learned by the CorCom Network

The CorCom Network is a group of 15 U.S. based development organizations, all of whom have corporate partners. The group held a series of monthly meetings between February and June of 1998 to hear case studies and discuss issues raised by the seminars. The cases included a range of roles for NGOs including marketing of products (agricultural supplies, condoms, fortified foods), facilitating contracts with artisans and local producers, economic development (microcredit programs), housing for factors workers along the Mexican border, and community development near oil refineries. The cases came from Latin America, former Soviet Union, Africa, and India.

The following lessons emerged from the discussions. The lessons learned are a work in progress and will be revised as more experience is added.

- As governments shrink, it is not expected that the private sector can take up all the things governments used to do. There are business solutions to some problems such as job creation, employee health and education, and natural resource problems. But there will always be some problems that require a government solution including national programs of education, family planning, and health services. As this is a new model for development, we do not yet know what is limits are. The private sector can do much more but it can not do it all.

- An important role government can play is the facilitation of partnerships, bringing together key players from all sectors to make the best use of all resources. Governments also must establish regulatory frameworks and licensing procedures that are socially responsible and provide incentives for business to have NGO partners. Governments in some countries have an important role to play in helping to privatize state-owned businesses.

- A critical role NGOs can play overseas is in advocacy and influencing public opinion. NGOs can pressure business to be socially responsible and they can influence government regulations and policies. NGOs have very high credibility, more so than business or government. They can use that influence to make changes in government and business.

- Partnerships require a sincere commitment on the part of both partners to work through their differences and to respect the fact that each is coming to the partnership for different reasons. Through discussion and creative thinking, NGOs can keep their idealism or ethical standards while businesses can keep an eye on the bottom-line.
Partnerships are a process, they proceed on a daily or weekly basis. The most successful partnerships are not just financial but are real program partnerships. If possible, there should be a team approach, involving people from different perspectives from both organizations who work together from conceptualization through implementation with a two-way flow of information. Projects that start off without this level of equality often experience a year or more of start up problems until a level of trust and collaboration is in place.

Partnerships are incremental. They start with small agreements and activities and grow over time. Substantive partnerships often result from various other types of collaboration that lead to trust on both sides. Partnerships are implemented in the field between local business representatives, NGO staff, and the community. While partnerships are implemented in the field, they need a "champion" at corporate headquarters and in the NGO to embrace the concept.

Both partners should be prepared to make a commitment of time and resources before the collaboration takes off. Companies may need to do research on new products or packaging, NGOs may need to invest in training programs, community work, and other start-up costs. It is important that both partners be well established and financially sound enough to weather the start-up.

Successful partnerships often require support and buy-in from several levels in both organizations. In the initial stages of a partnership, it is important to consider all the stakeholders (individuals and divisions) within each partner. Corporate policy can support the concept but each project needs a champion to advocate for its success within each partner.

The motives of each partner must be clear to the other. Businesses motives may be public relations, marketing, production, or human resource development. The NGO needs to be clear about its social objectives. It is fine for the two parties to have different objectives as long as they are known and respected by the other partner.

Success breeds success. Under the old donor-grantee model, there was a limited amount of money and NGOs were forced to carry out the objectives of the donor and compete for scarce resources. Under the new model, the more success we can document, the more businesses will want to work with NGOs and the resources will be virtually unlimited. NGOs will be free to work on a much broader range of social problems. Partnerships can lead to creative new solutions to problems not possible under the current system. Business people talk with other business people and success with one business can lead to discussions with other potential business partners.

Partnerships are between institutions, not individuals. The people directly involved in the project have to continually reach out to others in the business or NGO to assure that they know about and are involved in the project in as many ways as possible.

NGO staff will need different skills than they have in the past. They will have to be much more knowledgeable about business concepts and tools than most are today. Partnerships are negotiated by program staff but their team may include fund raisers and people with strong technical skills in the sector. Those involved on both sides should have good human relations skills, be willing to listen, and be flexible.

No two partnerships are the same. Each will be unique and adapted to the particular needs and resources of the business, community, and NGO.

The greater the benefit of the project to the business, the more sustainable the project and the greater the
potential for expansion. The project must have value to both sides, not only good for business but also with some social value.

- Companies know little about community development and most NGOs know little about the specific business of their partner. Each side has to educate the other as they go. The creativity in finding solutions to problems often comes from the NGO.

- NGOs working with business partners have to continually revisit and possibly revise their mission as new opportunities arise.

- In the future, there will be more workplace-based services (health care, housing, child care, non-formal education) and less emphasis on community-based services.

Ms. Dubinsky distributed information about her firm, which can be obtained from her at The Rosentreter Group, 3316 McComas Avenue, Kensington, MD 20895, (301) 933-9845, E-mail: Dubinsky@erols.com.

Mr. Campanelli distributed his presentation in a bound document, which is incorporated into this report, following this introductory page. He also had copies of the Nonprofit Alert, May 1998, issue of a newsletter published by his firm. In addition, he brought a list of newsletters that can be ordered from his firm covering a range of ‘non-profit’ topics from Organization & Administration, Taxes, Finances & Fundraising, Employees & Volunteers, Legal Issues for Nonprofits, Media Issues & Intellectual Property and Religious Organizations. Information on these issues of the Nonprofit Alert can be obtained from Gammon & Grange, P.C., 8280 Greensboro Drive, 7th Floor, McLean, VA 22102-3807, (703) 761-5000.