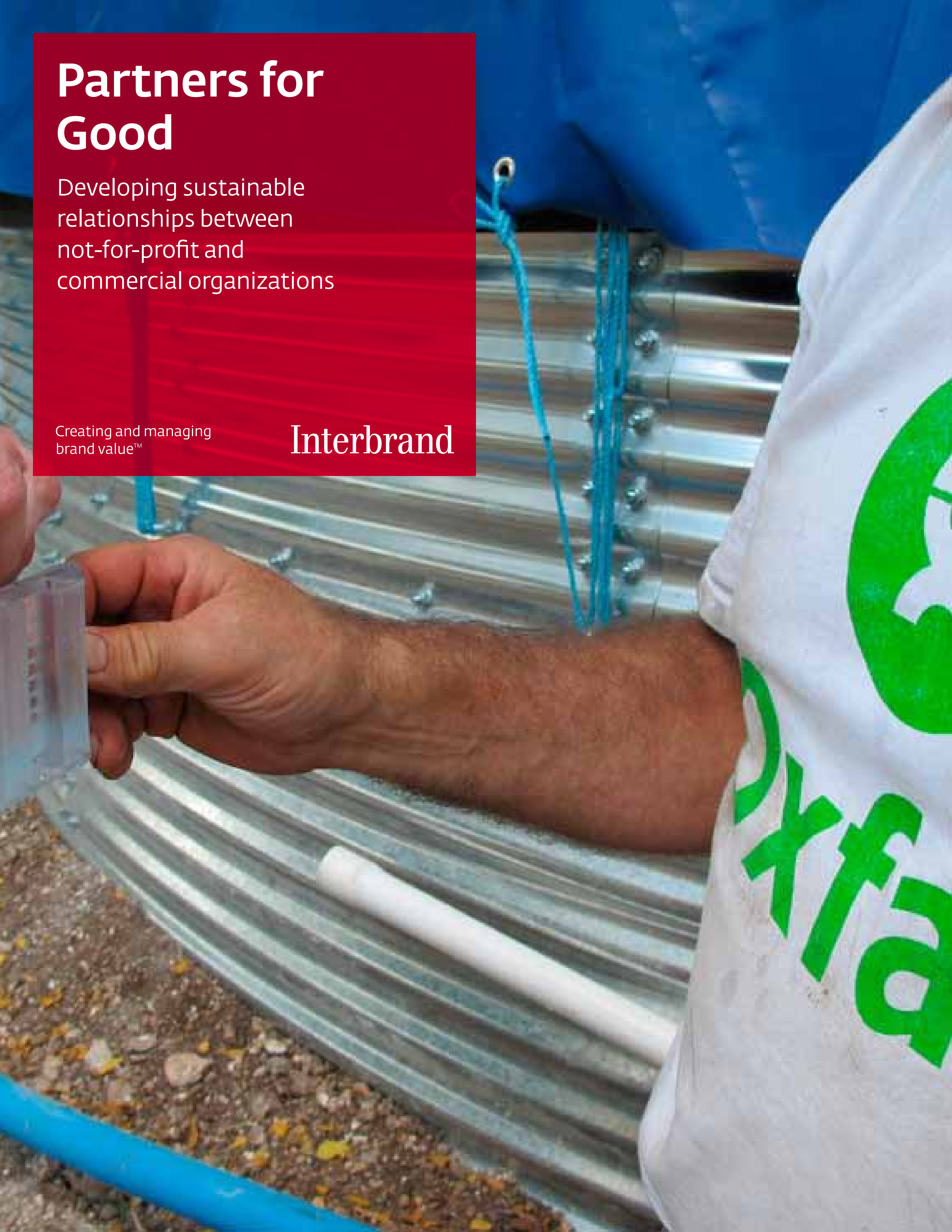
Partners for Good

Developing sustainable relationships between not-for-profit and commercial organizations

Creating and managing brand value™

Interbrand



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Challenges for not-for-profit organizations

The fight for not-for-profit (NFP) funding is more intense than ever before. In the UK, 30 percent of charities have seen their income decrease, four out of ten charities are operating on less income than they budgeted for (Charities Aid Foundation), more than half of the organizations affected by the recession have dipped into their reserves, and according to Royal Bank of Scotland donations will continue to fall until 2011. This type of environment turns every not-for-profit (NFP) chief executive into a fundraiser, focused on gaining funds for survival in the short-term rather than thinking strategically about long term objectives.

The increasing importance of CSR and sustainability is making the fight for resources even more challenging, with strongly branded commercial companies occupying traditional NFP territories. While the Edelman Barometer shows that trust in corporations has gone down in the past year, there are examples of businesses that have taken advantage of new needs (for example, around sustainability) to become trusted partners to their customers and stakeholders. One brand that has shown consistent leadership in this area and is a reliable source of information for consumers wishing to live more sustainable lives is Marks & Spencer. IBM also now provides advisory services on climate change. Likewise, BT's "Carbon Impact Assessment," helps companies identify ways to reduce carbon emissions and energy costs.

These trends indicate the need for NFPs to prove their relevance in this increasingly competitive environment. They also highlight the importance of using financial and human resources in a more efficient, effective, and targeted way.

A strong brand can help NFPs to stand out within the market (helping to attract and establish long term partnerships to secure future income) and also promote further engagement with employees and volunteers. Indeed, brands such as Forum for the Future and WWF have embarked on long-term and strategic partnerships from which other NFPs can learn. NFPs that adopt a business model more focused on long-term partnerships are in a better position to keep delivering their mission even in tough times. Says Chris Sherwin, Forum for the Future's Head of Innovation, "Forum for the Future may not have suffered as much as other charities because of the reliance on long term partnerships."

Type of relationship	What is it?	Example	Level of engagement between parties
Donation	One-off or periodical financial, goods, or time contributions from commercial organizations.	Tesco Charity Trust donated money to The Spark Children's Arts Festival – funding towards the construction of an outdoor play space	Low – Medium
Sponsorship	Sponsor specific charity events or programs in exchange of visibility.	Fidelity International was the official sponsor of the 2008 Crisis Square Mile Run.	Low – Medium
Operational services	A commercial organization creates a program and needs the services of areliable not-for-profit partner to make it happen on the ground.	Kimberly-Clark partnered with ADI (Australian Doctors International), and provided malaria bed nets to fight against malaria in Africa, while PNG Sustainable Development Program paid for the charter flight needed to transport the 602 various size nets to the appropriate location.	Medium-High
Consulting services	a) Charities helping businesses to be more sustainable, improve green credentials, and comply with regulatory issues.	a) WWF and HSBC partnership - WWF has "provided input for HSBC's responsible lending policies for project finance involving chemicals, forestry, fresh water, climate and energy."	Medium-High
	b) Consulting firms helping charities with specific services. E.g. management, branding, and human resources.	b) Impetus Trust/OC&C Strategy consultants – OC&C provides pro-bono advisory services to Impetus Trust portfolio of brands.	
Co-created programs	Joint programs to fight for a particular cause.	Breakthrough for Breast Cancer and Marks & Spencer - launch of post surgery lingerie lines just for women who have had surgery following breast cancer.	High

Figure 1

From philanthropy to strategic partnership

In order to understand how NFPs can create effective partnerships with commercial businesses, it is first important to take a closer look at how businesses interact with NFPs. We can identify five different relationships: donations, sponsorships, operational services, consulting services, and co-created programs. Each of these relationships varies in the level of engagement between the commercial and the non-for-profit organization as described in Figure 1. The level of engagement in these relationships has a direct impact in the benefits of the initiative for both parties.

To further elaborate on the chart above, donations and sponsorships are important sources of income for NFPs and could give some visibility to the commercial organization, linking its brand to sustainable causes. However, if not strategically managed, these benefits are often short lived and do not necessarily create long-term value for any organizations involved. The other types of relationships require stronger engagement between organizations and usually lead to longer-term benefits for both. As Daniela Barone Soares, CEO of Impetus Trust suggests, "...donations tend to be for specific projects, not core costs, which can skew the activities of a charity and undermine its longer term sustainability."

Hiring specialized services from NFPs can have a long-lasting effect for both parties, not only through the delivery of the contracted service, but also due to the educational process that both organizations could go through. In the first instance, NFP organizations need to structure themselves in a more efficient manner to attend requests and learn from the commercial partner. On the other hand, NFP organizations have an in-depth knowledge of their specialized area, which can also be shared with its partner. This exchange of knowledge and expertise can foster future programs that will benefit not only both organizations, but also society as a whole. WWF and HSBC's partnership demonstrates this. WWF provides input for HSBC's policies involving chemicals, forestry, fresh water, climate, and energy. Both organizations also work together on other initiatives like "Investing in Nature," which aims to rejuvenate the world's key rivers and wetlands. Another initiative includes the five-year "HSBC Climate Partnership," which involves other organizations and is focused on combating urgent threats of climate change. According to Dax Lovegrove at WWF, for a partnership of that scale, both organizations used a healthy period of a couple of years to build trust in the relationship and to scope out the partnership.

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NFPs often need external support to enhance their capabilities and deliver their mission. Therefore it is quite common to have commercial organizations provide pro-bono advisory services through employees' engagement programs. OC&C, a strategy consultancy firm, does exactly that through a partnership with Impetus Trust, a UK based venture philanthropy organisation that provides strategic funding and expertise to a portfolio of charities.

The last type of partnership, co-created programs, also implies more long-term and strategic relationships, which can be refined and worked on over time, building on best practices. A good example of this kind of partnership is the relationship between Breakthrough for Breast Cancer and Marks & Spencer through its Plan A, the company's 100-point sustainability plan helping businesses meet changing needs. They have been working together since 2001, raising over £8 million for Breakthrough's vital research, campaigning, and education work. The retailer was also the first high street retailer to launch its own post surgery lingerie lines just for women who have had surgery following breast cancer. For consumers, this is a tangible reference of the partnership. Most recently, they announced the creation of Breakthrough Generations Study, a comprehensive study into the causes of breast cancer involving 100,000 women over 40 years. The research will be funded by money raised through M&S.

In a recession/post-recession world, companies want to make the greatest difference possible to the causes they have committed to, and they also want to see the direct impact of their involvement. Co-created programs are one of the most effective ways to demonstrate this, and prove that a company's marketing budget is not just being used to boost the brand positively for the short-term.

Weighing the risk of each relationship

Regardless of the relationship, the financial, operational, and reputational risks associated with each type of NFP and commercial business relationship, are not something undertaken lightly (see figure 2 on following page). From a financial and operational perspective, having clear objectives and desirable outcome is a necessity if a company is to evaluate its success. This also allows for adjustments along the way.

To avoid reputational risks, a strong strategic fit is required to ensure it is a win-win partnership for all stakeholders involved. It is imperative to engage with an organization that has compatible principles and a cause that is relevant to the commercial organization. For example, while no one would disagree that Ford US' "Warriors in Pink" campaign, which fights against breast cancer, is a worthy cause, a demonstrable commitment to climate change via more environmentally friendly cars and less SUVs could be more relevant for Ford's customers.

Type of relationship	Commercial organizations		Not-for-profit organizations	
	Pros	Cons / Risks	Pros	Cons / Risks
Donation	- Positive PR (when communicated) - Staff engagement	- Likely to have low impact in the cause - Low engagement	- Income generation for specific project	- Tactical relationship
Sponsorship	- Raise awareness of the brand - Associate the brand with a valuable 'cause' - Staff engagement	- Dependent on the success of individual project (event or study)	- Income generation - Reduce costs of initiative - Raise awareness of the cause - Raise awareness of the brand	- Dependent on the success of individual project (event or study)
Operational services	- Peer-to-peer agreement - Access to expertise - Utilizing expertise in business	- Failure of implementation	- Income generation - Peer-to-peer agreement - Tangible benefits to the cause without own financial investment	- Low involvement in the project concept phase
Consulting services	- Sharing of knowledge, learnings for conducting business going forward - Alert to gaps in sustainability strategies	- If structured as a one-off project, provides low visibility	- Income generation - Peer-to-peer agreement - Sharing of knowledge, learnings for conducting business going forward	- If structured as a one-off project provides low visibility - Lower long-term visibility of gains - Become wrapped up in "number crunching" versus bigger picture
Co-created programs	- Demonstrate commitment to the cause, generating credibility for both parties - Credibility of being linked with a strong NFP organization	- Reputational issues around the program could impact the business involved	- Reliable income generation - Peer-to-peer agreement - Direct contribution for the cause	- Need to understand there are greater risks involved (reputation and agenda priorities) - Ensure there is the correct strategic fit

Figure 2 – Pros and cons of the different types of relationships between commercial and not-for-profit organizations

Building a strong brand

A strong brand helps define the activities and programs the organization concentrates on. To achieve this, not-for-profit organizations first must have clarity in what they stand for, with a clear vision and focused cause. This can then act as an organizing principle, which can be delivered through all the points of contact that the stakeholders have with the organization (Figure 3). Employees and volunteers from many not-for-profit organizations often feel emotionally attached to their causes. While this has huge benefits, it also means that activities can become undisciplined and lose focus. As a result, it becomes difficult to try to increase funding and beneficiaries without clear and strategic thinking behind a brand driven approach.

NFPs need to be particularly careful about investing too much money in short-term/ fund raising activities, which initially may increase awareness and income but do not necessarily add positive opinion and value to the brand. By investing in the brand, there is a multiplier effect in the long-term, as people and businesses are more willing to get involved and give resources to strong and efficiently run brands, potentially increasing the return on fund raising initiatives.

Oxfam, a leading not-for-profit organization focused on tackling poverty in less advantageous countries, is a good example of a NFP that has invested in its brand and has a clear and defined vision. Its goal–to achieve a just world without poverty -is communicated consistently throughout everything Oxfam does (Figure 4), from its website and communication materials, to employees' behavior and partnerships with commercial businesses, such as the Clothes Exchange scheme with M&S. During the recent recession, Oxfam has seen donations plateau. Its strong brand leaves it in a better position than other groups.

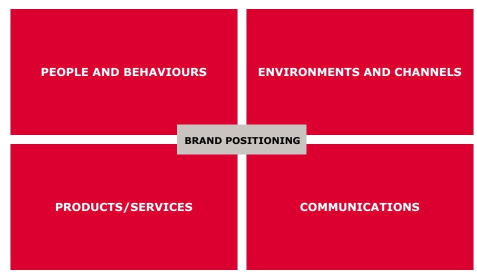

Figure 3 – Interbrand's Quadrant model

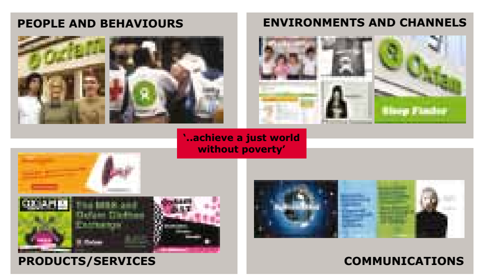

Figure 4 – Quadrant model applied to Oxfam GB

A strong brand proposition also helps to establish long-term and power balanced partnerships. This makes the organization attractive to other parties, and also helps the organization make decisions. Knowing who you are and what you value should drive the organization and help determine with whom you should develop strategic and successful relationships: government, employees, volunteers, other charities and, yes, commercial partners. It can also ensure that you avoid engagement with the wrong partners, which risks damaging an organization's most valuable asset: its brand reputation. Dax Lovegrove, Head of Business and Industry Relations at WWF explains his process: "We devise a target list of businesses and sectors to engage that are aligned with our priority work areas, brand, values and ethos. Our business engagement policy, guidelines, and processes ensure we secure partnerships that support WWF's mission."

This strategic and more commercial approach can be viewed within NFPs as something that should not be the primary focus, or something that goes against the 'not for profit' grain. But this approach to fundraising, programs, services development, and cost management does not mean the existing culture should be erased from the organization. It will, instead, help the organization to focus on the right things, improve its reputation, secure more funds to be invested in the cause, and guarantee the sustainability of its programs and services. In turn this helps to move away from any type of relationship being seen as a "strong partnering with weak" to a more level playing field where each party brings strong benefits. Until recently, business and NFP partnerships were viewed more as peer to beneficiary, with the company "bestowing" its beneficence upon the grateful charity recipient. Understanding the value your brand brings to the partnership is paramount to understanding how your brand influences the decision-making process of your audiences and the strength of the bond between these audiences and your brand.

There are a number of organizations that have been set up to help support charities. Impetus Trust, as described before, provides an integrated venture philanthropy package to enable charities and social enterprises to turn around more lives. They have 15 corporate partners and 150 individual professionals who provide money or expertise to help the portfolio of charities to scale up. There are also organizations that are set up as social venture capitalists—like Bright Ideas Trust, which supports young entrepreneurs. They believe organizations that fail to maximize their moneymaking potential are failing in their duty to their beneficiaries.

This is consistent with Interbrand's methodology to value not-for-profit brands, which is based on the principle that strong NFP brands create an economic advantage over similar organizations. This economic advantage enables them to create social value through programs and activities, improving perceptions about the brand and favouring economic advantage generation (Figure 5). In other words, NFPs that maximize their income and cost efficiency are actually enabling the creation of more social value by delivering their mission and guaranteeing their existence in the long term.

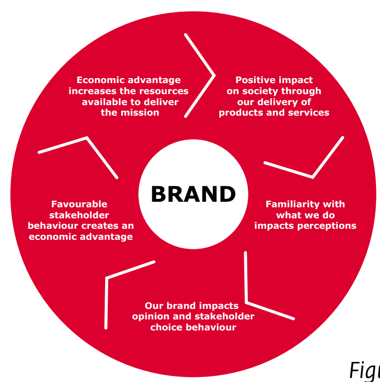

Figure 5

Knowing how your brand creates value should help define how to drive partnerships.

Developing win-win partnerships

This article has outlined the shift from philanthropic activity towards strategic partnerships. The benefits they bring should be used in conjunction with a strong brand to overcome the financial challenges facing NFP organizations. In order to develop long term strategic partnerships and stay true their beliefs, organizations should follow the key criteria set out below:

Clarity of purpose

- A strong brand is delivered with clarity, consistency, and leadership.
- Let your understanding of "who you are" act as a filter for all activities. This should dictate who and why you should partner with someone. There are a number of tools to help you determine this – for example, a brand based decision tree helps you make decisions and teaches you how to say "no" (and "why").
- The partnership should be consistent with your brands. Often those which work best help to stretch both parties in delivering the cause, encouraging an innovative approach.
- Knowing how your brand creates value should help define how to drive partnerships.
- Ensure that the process is focused on long term organizational objectives, not just one off projects.

Engagement with stakeholders

- Take a collaborative approach from the start with both parties.
- Define a common understanding of goals and expected achievements.
- Secure senior engagement from the start.
- Ensure firm agreements are in place before moving forward.
- Educate employees on the difference they can make through the relationship and the benefits their involvement will bring in the long run.
- Ensure that the relationship is mutually beneficial, supportive, and respectful.

Impact of partnership

- Agree on evaluation criteria and KPIs and review on a regular basis.
- Check points with the core team to correct or adapt process if necessary.
- Use results to set up the business case going forward to set the basis for a long term, stable relationship and engage wider stakeholders.
- Review the progress made throughout the year to glean new understandings.

The benefit of this is the provision of a more stable business model that leaves NFPs less susceptible to changes in the economic environment. This ultimately puts them on a more level playing field with their commercial partners.

For commercial organizations, this criteria demonstrates a true commitment to social responsibility and improving staff engagement. Overall, long term strategic partnerships improve both partners' reputation, provide exchange of knowledge and expertise, and achieve long term results for all beneficiaries, ultimately contributing to a more sustainable society. ■

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