



Ethical Corporation Report Business-NGO Partnerships



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December 2005

Table of contents



Introduction:
What is a partnership?



Section 1:
The changing landscape



Section 2:
Risks and opportunities



Section 3:
The practicalities



Further reading

Introduction: What is a partnership?

According to Dr Jem Bendell, co-author of the first book on business-NGO partnerships "In the Company of Partners," before 1990 there were "hardly any NGOs engaged in corporate partnerships – by which I mean something more than corporate philanthropy." Since then, the number of partnerships has skyrocketed, at least according to the surveys. A 2004 survey by Sustainable Asset Management (SAM) found that 45 percent of 554 companies had developed "ongoing partnerships" of various sorts.

Today, a number of NGO-business partnerships – for example, Greenpeace-mpower or HSBC-WWF - are well-known success stories showcased at conferences and dissected in business school newsletters. But, in truth, the partnering idea is still at an early stage. Many NGO-business relationships are more accurately termed "project alliances" -



something that is specific, discrete and altogether non-binding. Many companies continue to "sponsor" NGOs in their activities, providing donations that, while very helpful, go little beyond the philanthropy Bendell mentioned in 1996.

So, what is a true "partnership?"

According to one consultant, it is where both parties contribute skills, expertise and resources, and

where, crucially, both sides share the risks. It should achieve something that the business otherwise couldn't achieve, and it should allow the NGO to challenge, or change, some business practice – that is, not simply receive funding. In other words, it is something quite difficult to set up, to manage and, according to dozens of NGOs and businesses who have tried, something that is difficult to get right.

The research

This report is based on almost 100 interviews with business, NGOs, government, trade unions, consultants, partnership "brokers," think tanks and academics. The initial aim of the research was to find out if there was sufficient interest in further events –

Introduction: What is a partnership?

yes, conferences - based around the partnership theme. But, having contacted so many different people, representing a range of industries, countries and points of view, we wondered if the research might form the basis of a report on the issue, and hopefully offer some insights.

There is little doubt that it is a subject on many people's minds. For better or worse, most respondents agreed that it was a hot topic. The research revealed that many companies and NGOs had gone ahead with partnerships, while lots more were trying to assess the risks and benefits. Almost every respondent said they wanted to know more -

particularly in the shape of practical advice.

Many interviewees said they were tired of hearing about the well-known partnering success stories, and instead wanted to know about projects that have not been so glorious.

There were also plenty of interviewees who remain quite skeptical about the whole idea, believing that companies and NGOs should stick to their traditional roles rather than seeking some complicated and messy common ground.

A majority of interviewees, however, noted that attitudes on both sides were changing. For their part, NGOs are becoming more practical, flexible, less dogmatic and more eager to seek solutions from the business sphere. Businesses, meanwhile, have begun to see the potential of working more closely

“European corporations are more open to working with NGOs. In the US, NGOs are seen as radical. Corporations don't spend nearly as much time as they should on this.”

Partnership broker

Introduction: What is a partnership?

with the third party sector to develop better working environments in which to operate, to gain credibility among policy makers and opinion formers, and to improve their reputations with the public at large.

US and Europe

The research was split fairly evenly between the US and Europe, thus allowing us to compare attitudes to partnerships on either side of the Atlantic.

The Asian tsunami and Hurricane Katrina have, to some extent, given impetus to US companies to deepen their relations with the civil sector. In the aftermath of Katrina, for example, some US companies said they wished they had had partnerships in place beforehand so they could have acted more quickly. But, while US companies are avid philanthropists, giving generously and usefully to all kinds of charitable causes, European companies have taken the lead in meaningful engagement with NGOs, according to both US and European observers. One well-known partnership

broker, who happens to be English, says: "European corporations are more open to work with NGOs. In the US, NGOs are seen as radical. Corporations don't spend nearly as much time as they should on this."

The under-represented

Disasters like Katrina also shed light on the weakness of government – one reason, respondents believe, why partnerships are so necessary. Some respondents, from both NGOs and business, expressed resentment that governments are leaving it to others to provide essential services. The deficiencies of government are even more marked in the developing world, where companies and NGOs are increasingly working in tandem. Some respondents, who had attended conferences on NGO-business partnerships, were surprised by the lack of interest from government (both European and US). They said there was clearly a role for officials to act as honest brokers between the NGO community and the business world.

Meanwhile, a number of interviewees said they would like to see more involvement from trade unions, from church groups and from small and medium-sized businesses which, by and large, have tended to opt out of developing partnering arrangements.

Part 1: The changing landscape

The NGO
A 2003
report

from consultants SustainAbility, the United Nations Environment Programme (UNEP) and the UN Global Compact, entitled "The 21st Century NGO," describes how NGOs are changing and developing as institutions. The report says NGOs are becoming more flexible, more pragmatic and, dare it be said, more "business-like."

Collectively, NGOs worldwide now command a staggering budget of \$1 trillion. They have moved from "outsiders challenging the system" to being increasingly part of the system; from identifying market failures to insisting on new market solutions; from fundraising based on guilt to persuading supporters they are themselves good "investments."



Challenged by governments and business, NGOs are also trying to become more accountable. In the last century, NGOs tended to think it was enough to follow charity-sector rules. Now, NGOs are being asked to follow best practice in transparency,

accountability and governance.

Increasingly, NGOs are competing for cash, with specialist third parties gauging which groups make most effective use of their money. NGOs are also competing on the

quality of their leadership; the strength of their marketing; on transparency. These changes are driven internally, but NGOs also face pressure to change from the outside. Business interviewees frequently said they wanted to see NGOs improve their accountability. A representative of the US oil industry said: "NGO accountability is crucial. NGOs have to be as transparent as businesses."

According to another business observer, it is not enough for NGOs to produce annual reports and accounts at an institutional level; they must also be accountable to communities in which they operate – not least in the

Part 1: The changing landscape

developing world. The accountability issue is clearly a big one for NGOs, and frequently a bone of contention for companies, though NGOs say that companies are deliberately exploiting the issue to deflect attention from their own activities.

The company

Companies are also being forced to change. Increasingly under scrutiny from the media and NGOs, businesses are being forced to account for their impacts on the environment and society. In earlier times, companies had only three sets of stakeholders: governments, shareholders and employees. Laws implemented and overseen by

governments dictated how companies should behave. Now, life is more complicated. Issues like global warming, HIV/AIDS and globalisation are frequently beyond government intervention. Companies' stakeholders now include customers, partners, suppliers, the community, the environment and future generations.

The corporate responsibility movement of the last few years has involved companies identifying their impacts, reporting them, identifying their stakeholders and engaging with them. Partnering takes the process a step further - from mere interaction to working together on mutually identified problems.

Companies have various reasons for seeking partnerships. An International Business Leaders Forum/Harvard survey, published in early 2005, found that the

"Businesses are now being pressured into implementing the agendas of social and political activists who have failed to advance their cause by more traditional means."

***Steven Milloy, Portfolio Manager,
Free Enterprise Action Fund***

Part 1: The changing landscape

most common reasons were committing to their “values, principles, policies and traditions,” and protecting brand and reputation. Closely behind were “meeting project finance requirements;” developing secure operating environments; and entering into untapped or under-developed markets.

The report looked at 40 business–NGO partnerships, particularly in the developing world. “In many cases, partnerships are a response to dealing with market failures and governance failures,” it said.

The challenges

When asked to identify the main challenges in forming NGO-business partnerships, nearly every respondent mentioned the “trust issue,” or some variant of the theme.

Respondents from both sides said NGOs, having for years campaigned against companies, find it difficult now to trust

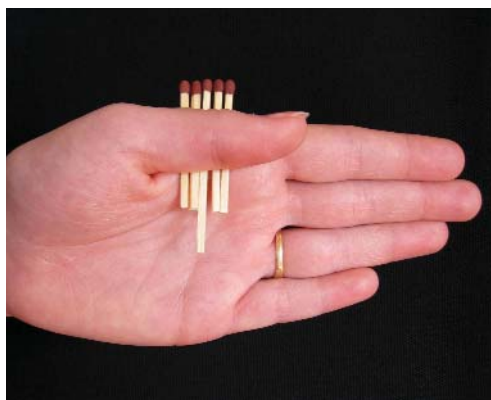
their motives. Beyond having different goals and agendas, consultants who have brokered partnerships explain that NGOs and business representatives are frequently “different people,” who understand and see the world in contrasting ways.

NGOs and businesses have different working approaches, different meeting styles, different lines of accountability. Having made a decision, their bureaucracies move at different speeds.

In developing partnerships, both sides have to persuade internal constituencies that dialogue is the way forward. NGOs are terrified of being seen to “sell out,” of losing credibility among their peers and stakeholders, of losing more than they gain. One NGO representative says: “From an NGO perspective, there

is a change of culture needed. We have to understand internal lobbying. It requires a lot of persuasion.” That job has been made harder by a number of partnership failures, where NGOs have seen companies funding

initiatives simply as a way of heading off criticism, or where one part of a company has changed its ways, only for another part – perhaps in



Part 1: The changing landscape

another country – to continue as before.

Respondents also identified the “resources gap” – or the difference between the resources available to companies and to NGOs – as a challenge. Businesses obviously have far greater funds, logistics and manpower at their disposal. While they can be expected to contribute the lion’s share of resources to a partnership, businesses may resent NGOs if they are not seen to carry their weight. A number of business representatives said NGOs are “greedy.” Conversely, some NGO leaders said businesses are stingy, and could contribute more.

Summary

- **The UN Global Compact believes NGOs are becoming more flexible, more pragmatic and more “business-like.”**
- **An International Business Leaders Forum/Harvard survey, published in 2005, found that the most common reasons for businesses to seek partnerships were committing to their “values, principles, policies and traditions” and protecting brand and reputation.**
- **When asked to identify the main challenges in forming NGO-business partnerships, nearly every respondent mentioned the “trust issue.”**

Part 2: Risks and opportunities

In considering whether to form a partnership or not, companies and NGOs weigh the risks and benefits. It is a complicated task – for every benefit there may be an accompanying risk. And, making the job more difficult, it may be impossible to be certain of the real risks and benefits until months, even years, into a project. A number of respondents, who had entered into partnerships, said they were constantly monitoring whether their arrangements were still aligned with their goals or not. Often, the risks and benefits as perceived at the beginning seemed quite different once the NGO and business had worked together over time.

Both sides are only now beginning to develop ways of measuring the effectiveness of partnerships; a number of respondents said more research was needed in this area.



The NGO perspective

The potential opportunities and risks from an NGO perspective are:

Opportunities

- Funding - partnerships provide NGOs with ongoing monetary resources; a relationship with one company in itself may lead to funding from another.
- Management and technical expertise - companies can offer skills not usually available to NGOs, and the chance to learn those skills side-by-side with the company.
- Inside knowledge - having criticised companies from outside, working with partnerships can give NGOs a more granular idea of how companies really operate. This may simply provide ammunition for campaigns, or change minds.
- Chance to change an industry - changing one company's behaviour may precipitate change across the board.
- New solutions - many NGOs are disenchanted with governments and are looking for new solutions to problems – companies may provide them.

Part 2: Risks and opportunities

- Credibility - partnerships have the potential to improve NGO credibility with governments, business and the public. Better to be seen trying to find solutions than always pointing out problems.



Risks

- Extra work/costs - partnerships may be a drain on resources that could be more effectively used for traditional campaigning.
- Co-option - NGOs may find themselves compromising their campaigns and principles.
- Credibility - NGOs may lose credibility among peers, public – and most crucially – funders.
- Splits - linked to “selling out,” partnering could lead to splits and disagreements among activists, or between groups working on the same issue.
- Fulfilling role of appeasers - NGOs being used to do community engagement work on behalf of companies, particularly in the developing world.

- Organisation - partnering could bring increased bureaucracy, formality – and possibly stagnation – to an organisation.
- Culture change - what effect will partnering have on the difficult-to-measure culture of an organisation?

The business perspective

From the point of view of companies:

Opportunities

- Heading off confrontation - may help slow, counter or stop an NGO campaign or report.
- Developing markets - working with NGOs to develop product sales environments, infrastructure, identifying commercial partners/networks.
- Branding - may pay for itself in terms of “below-the-line” public promotion.
- Media relations - improving reputation with the media; may lead to flattering stories, or more positive general coverage.
- Financial benefits – for example, with ethical investing community, or mainstream funds. May in time positively affect the share price.
- New types of products and services – for example, ethical products or products for specific market conditions.

Part 2: Risks and opportunities

- Skills and contacts - NGO may enjoy superior networks, for example, in developing countries, or have skills not available in the company.
- Communicating values to employees - help recruit staff, build loyalty, develop staff volunteering programmes.

Risks

- Identifying the wrong partner - hard to know which NGO to work with.
- Legal risks - who pays if something goes wrong?
- Waste of time - a lot of time and work could be wasted achieving little. Might be better put to other uses.
- Information leakage - opening up your operation could increase bad news, not limit it. With agreement, you can stop an NGO reporting – but what about the media?
- Potential fall-out in the press - reputation may get worse before it gets better. May give media “a peg” to hang a story on.
- May hit revenues and profits. A partnership may be costly in itself, or put the company at a competitive disadvantage to a rival.

Summary

- **From an NGO perspective, opportunities that partnerships offer include additional funding, as well as increased exposure to management and technical expertise. Potential risks revolve around the fear of compromising NGO principles.**
- **For a business, opportunities lie in breaking into emerging markets, improving community relations and enhancing reputation.**
- **Risks for businesses may include potential legal threats and leakage of commercially sensitive information.**

Part 3: The practicalities

A number of respondents said they wanted to hear about more practical measures to build and maintain partnerships. Above we have tried to give some background as to why companies and NGOs are entering into partnerships, and what the potential risks and benefits of engagement may be. Below, taken from the interviews, is a summary of some of the steps necessary to cement such agreements.

Identifying partners

Many companies identified the task of identifying NGO partners as one of the most challenging aspects of



forging partnerships. Inhabiting another sphere entirely, business people will often not know the landscape of NGOs working in their field, even if those groups have been campaigning against them.

How do you know whether an NGO is reliable? Will it play by the rules? Or, will it exploit a partnership to furnish its reports and add colour to its discussions with the media? Partnership brokers, knowing both sides, are obviously useful here.

There are a number of well-known consultants and groups specialising in this area, including Affinity Solutions (www.affinity-uk.com), as well as helpful web sites (www.partnershipbrokers.net).

Ground rules

Some consultants believe partnerships work best when they arise out of conflict situations. Others disagree.

“We’ve found that we can change a lot by standing outside a business shouting at the top of our lungs, but we can often change even more by sitting down with that same business’s leaders to address both sides’ concerns in a cooperative spirit.”

***Bruce Friedrich, Director of Vegan Outreach,
People for the Ethical Treatment
of Animals (PETA)***

Part 3: The practicalities

Any successful partnership needs to have ground rules, and probably a formal, legally binding agreement. There are a number of questions to consider. For example, to what extent are the participants allowed to air their “dirty laundry” in public? Many NGOs entering into partnerships still want to maintain the right to criticise companies to the press, or to write campaign reports. This may be a harder case to make if, in its work with any company, the NGO is learning sensitive information about commercial operations. Could such information be useful to a company’s competitors? There seems little reason that a company should lose out because it is making the effort to come clean with an NGO partner. But is the NGO expected to soften its criticisms simply because it is making an effort to engage? In many cases, the company will be coming to the table expressly because the NGO has been criticising it. Some consultants, including Dr Jem Bendell, believe partnerships work best when they arise out of conflict situations (rather than as a matter of happy co-operation). A conflict gives both sides

reasons to engage, but it makes the business of establishing ground rules that much harder.

Responsibility and accountability

Once established, who is responsible for the partnership? Someone needs to be accountable on either side, and there needs to be clear lines of responsibility for each task undertaken. A number of respondents cautioned that the partnership needs to be “personnel-proofed” – in other words, if someone leaves the company/NGO, the partnership should be able to continue regardless. Linked to this is the communications issue: who gets to communicate the partnership to the outside world? What are the lines of accountability for putting out press releases, for example?

Accepting the differences

Given the often-contentious nature of NGO-business relations, it’s going to take time for both sides to agree on a common course of action (if at all). Both sides need to understand their differences, communicating in a straightforward way, a number of respondents said. There is little point rushing ahead until both sides are certain they agree on the goals of the partnership. Moreover, a number of respondents emphasised the need to manage expectations. What are the

Part 3: The practicalities

partners hoping to achieve? And, under what time frame? If the participants jump excitedly ahead without establishing the necessary understandings, the project is likely to fail. That also means measuring the success of the project, at each stage, in a quantifiable, objective way.

Getting “buy-in”

A challenge on both sides is how to get internal “buy-in?” Often the partnership – especially if it’s some sort of compromise – will be contentious. Not everyone will agree that engagement is the right course. Members of the NGO may want to continue campaigning; people on the business side might think the company has nothing to apologise for. A number of respondents said internal splits and disagreements were potentially injurious to a partnership. Which is another reason to go slowly – allowing people on each side to make their case internally.

When things go wrong

One of the most difficult issues is what to do when things don’t work out, and people stop talking. A number of respondents said people need to work

hard to keep lines of communication open. Both sides – perhaps companies most of all – want to know how to avoid a public relations bloodbath. As with other aspects of the ground rules, the agreement needs to say clearly how each side leaves the partnership, and what conditions may apply. A London-based consultant says the “exit strategy” can be the most difficult part of negotiating any partnership agreement.

Summary

- **Many companies identified the task of identifying NGO partners as one of the most challenging aspects of forging partnerships.**
- **A number of respondents cautioned that the partnership needs to “personnel-proofed” – in other words, if someone leaves the company/NGO, the partnership should be able to continue regardless.**
- **A number of respondents emphasised the need to manage expectations. Both sides need to understand their differences, and communicate in a straightforward way. There is little point rushing ahead until both sides are certain they agree on the goals of the partnership.**

Further reading



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