



For-Profits with a Heart, Non-Profits with a Head

How Organizational Innovation and Cross-sector Partnerships can Help Solve Social Problems

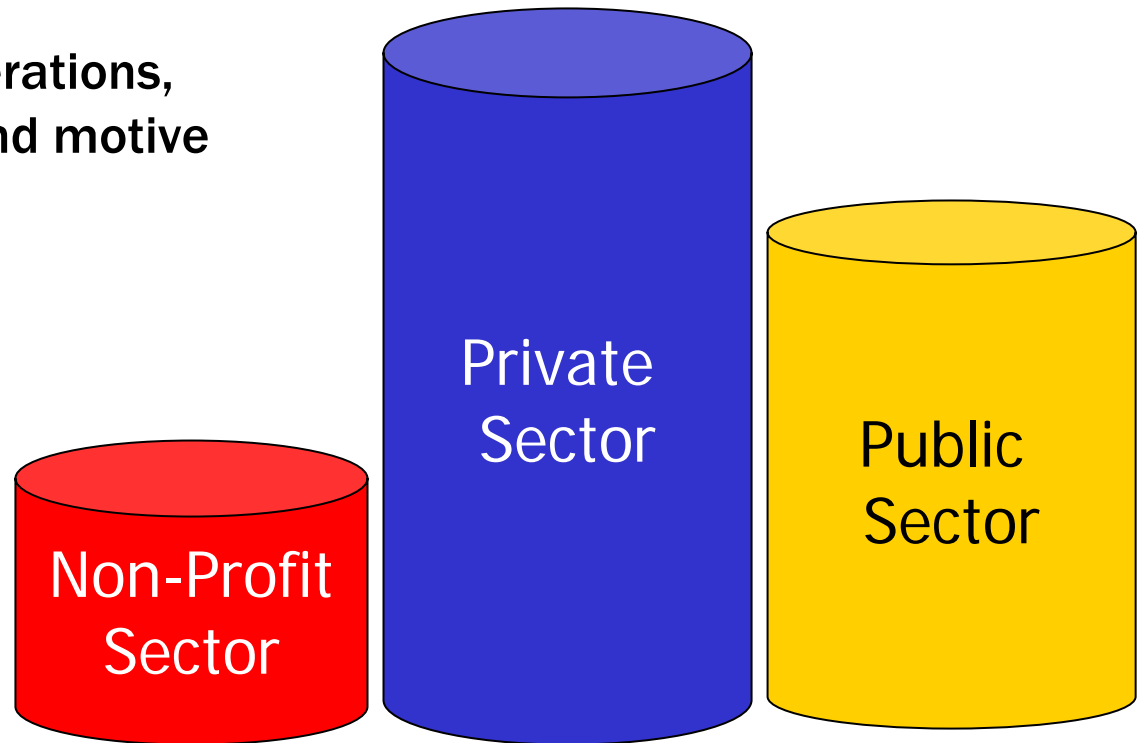
By Susanne Goldstein

Copyright © 2004 Susanne Goldstein & AnotherGP

Status Quo

■ 3 Silos

- Distinct in operations, governance and motive





Why This Model Needs to Change

- **Current institutional structures and design support separation of for profit, non-profit and public sector activities**
- **Collaboration and coordination happen on an individual interest level, not on a structured coordinated way**
- **Therefore, much duplication of efforts in regard to efficiencies of scale, penetration and access exist**
- **With an increased global community and economy, it has become a social imperative**



What this Means

- **How can we look to institutional structures to help encourage peak performance within each individual sector?**
- **How can innovative organizational design help create partnership and collaborations to bring expertise, efficiencies and to all sectors**
- **In what cases will this work, in what cases is it a non-starter?**



Why Organization Structure Matters

- **Culture**
 - For-profit motive vs. social good creates very different types of organizational cultures
- **Attitude**
 - Competitive vs. cooperative
- **Pay Scale**
 - Significant difference in compensation structures
 - Performance is not usually a factor in non-profit and public sector jobs
- **Accountability**
 - Accountable to Board and shareholders

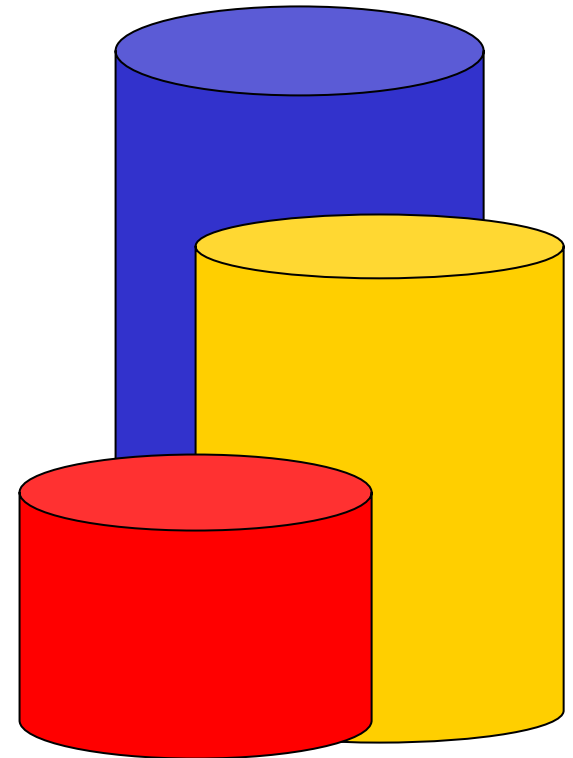


Tensions Between Sectors

- Non-Profit activists target for–profits corporations in hopes that they can “role-model” them into acting more responsibly
- Non-profit activists target public officials to advocate better policies
- **HOWEVER – Non-profits need government and private sector dollars to operate**

What to Do?

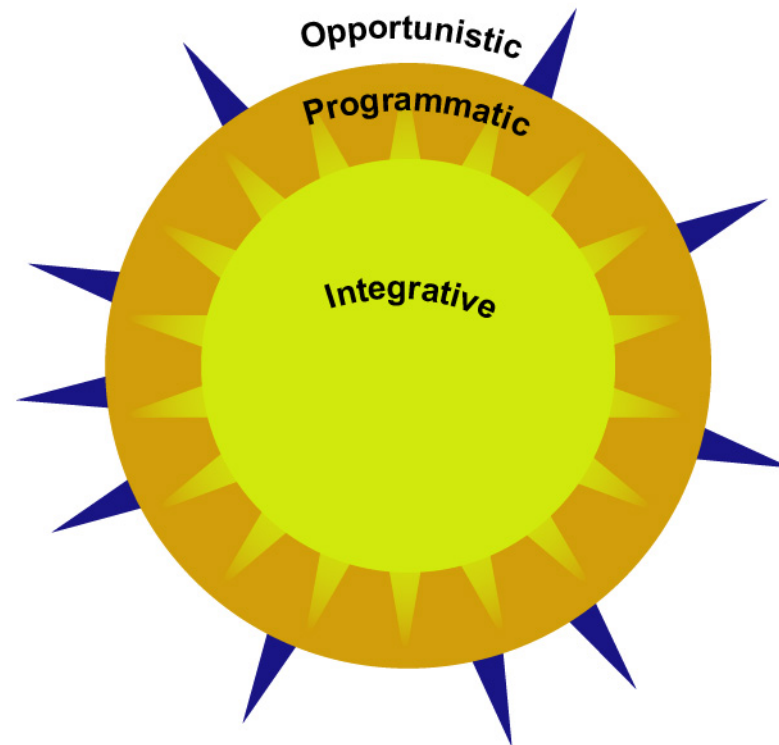
- **What principles can the sectors learn from each other that can help solve social problems? And how can they/should they work together?**
 - **Coordination** – is about not working in isolation, however, it is NOT the same as cooperating or collaborating
 - **Cooperation** – working toward a mutually defined goal
 - **Collaborative partnering** – recognizing the interdependencies between sectors – partnering to create a whole that is greater than the sum of the parts
- **This paper focuses on the societal change possible as a result of innovative partnerships**



Corporate Responsibility Continuum

The OPI Model of Corporate Commitment to Responsibility

- OPI Model¹
- A model for corporations to evaluate their own commitment to corporate responsibility



- Integrative: Internal/Strategic
- Programmatic: External/Strategic
- Opportunistic: External/Non-Strategic



Becoming a For-Profit with a Heart

■ OPI Model² of Corporate Responsibility

■ Opportunistic Giving

- External/Non-strategic
 - Check-writing philanthropy

■ Programmatic

- External/Strategic
 - Structure external/constituent facing giving and program funding

■ Integrative

- Internal/Strategic
 - Operationalized values-based production, service, supply chain activities





Why Should Companies Care?

- **Social Mandate**

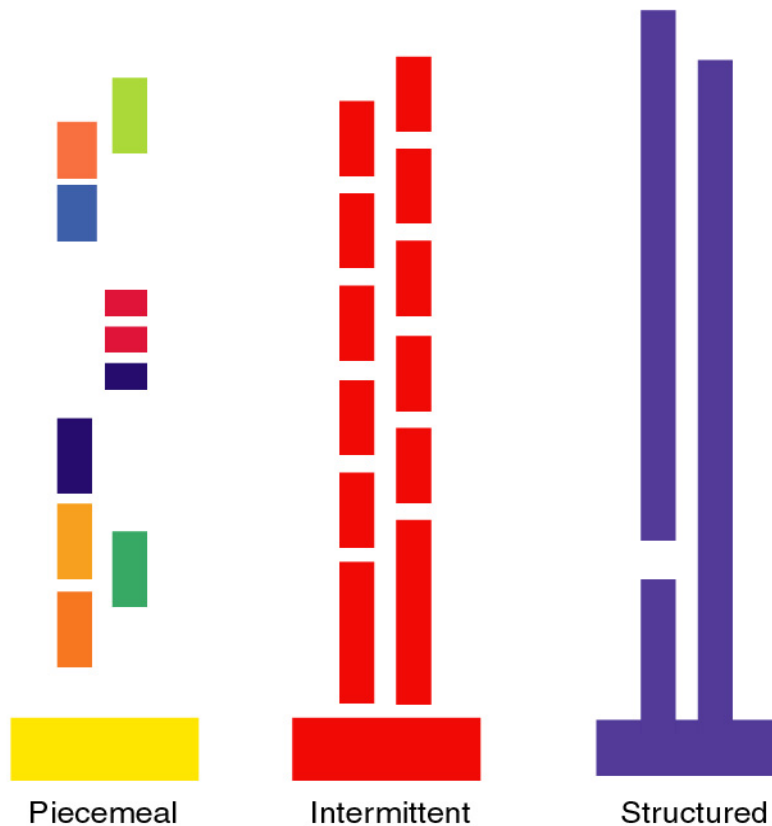
- New generation of judges
- In sync with “do good” objectives
- Good public relations
- “Giving back”

- **Corporate Mandate**

- Permission to operate in community
- Customer loyalty
- Workforce loyalty
- Increased Productivity

Non-Profit Funding & Accountability Continuum

PIS Model for Non-Profit Organization Funding



- **PIS Model**
- A model for non-profit organizations to evaluate their own funding and accountability strategies



Becoming a Non-Profit with a Head

■ PIS Model of Funding and Accountability

■ Piecemeal

- Non-strategic, metrics not collected
- Funding not tied to performance

■ Intermittent

- Some strategy, some metrics
- Some medium-length grants – but not follow-on funding not tied to performance

■ Structured

- Strategic, data collected and analyzed
- Long-term funding tied to performance objectives





Why Should Non-Profits Care?

- **Survival Mandate**

- Public sector only supplies a small percentage of needed funding
- More and more, dependent on individual and corporate donation

- **Donor Mandate**

- Private donors **EXPECT** accountability
- Strategic multi-year partnerships lets providers focus on what they do best – and not on constantly fundraising



Points of Substantive Intersection

- **For-Profit Sector Level of Corporate Responsibility (OPI)**

Programmatic

Strategic
External
Defensible

Integrative

Strategic
Internal
Defensible

- **Non-Profit Sector Measure of Funding and Accountability (PIS)**

Intermittent

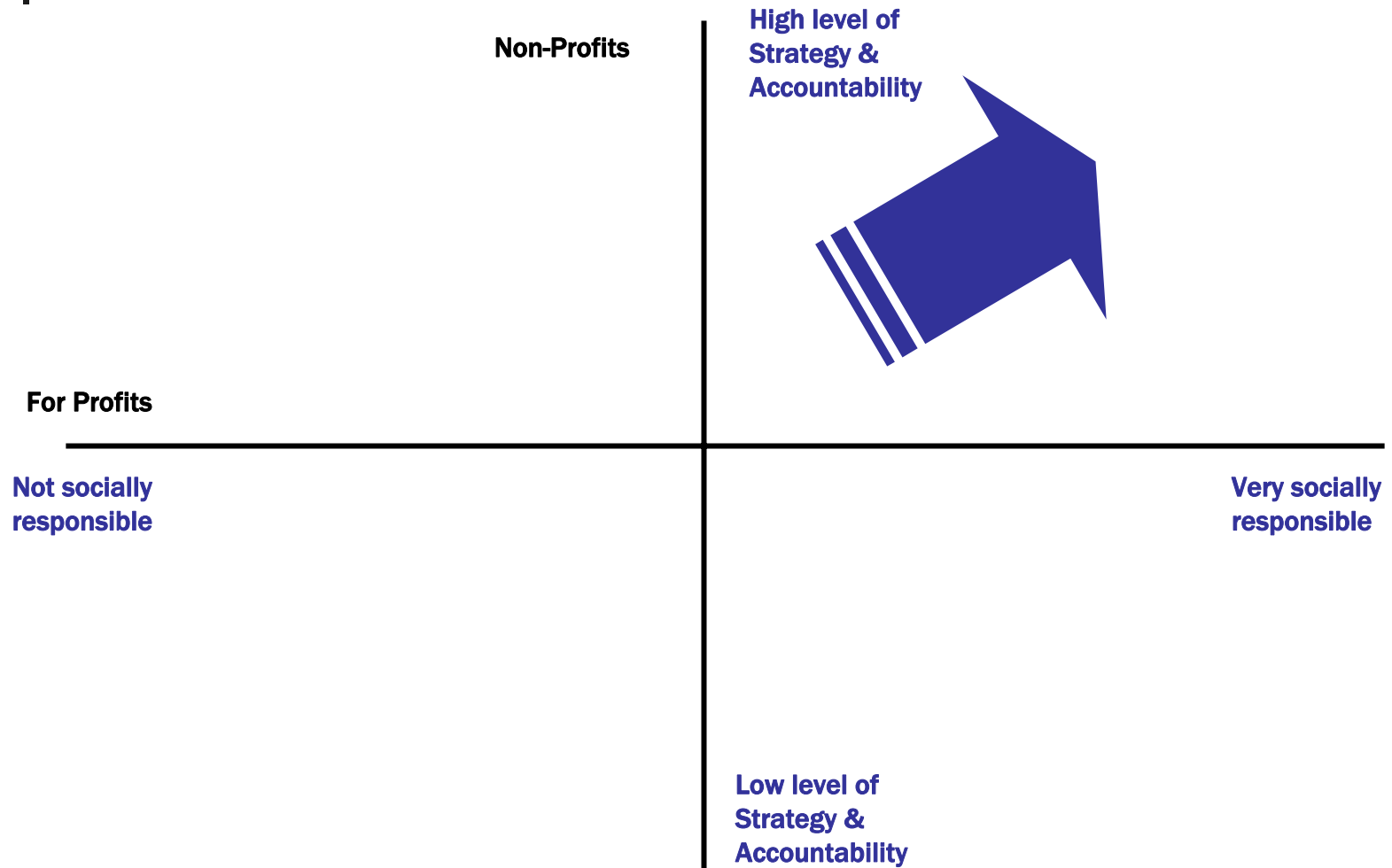
Partially strategic
Medium length
Semi-accountable

Structured

Strategic
Long-term
Defensible
Partnered



Sweet Spot for Partnerships





Is there a Role for the Public Sector?

- **Policy effects the private sector...**
 - Industrial policy & regulatory environment
 - Tax and social security policy
 - Labor law
- **Policy effects the non-profit sector...**
 - Funding and grant guidelines
 - Societal rights/obligations
 - Provision of social programs
- **Public Sector as matchmaker**



What is a Public-Private Partnership?

- **“A cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards.”³**
- **Public Sector**
 - Federal, tribal, state, and/or local officials and agencies
- **Private Sector**
 - Corporations, non-profit organizations (NGOs), philanthropies, foundations, media, civic groups, service providers



“Must Haves” in Successful Partnerships

- **Mutually agreed upon objectives⁴**
- **Pooling of resources and risk**
- **Value added to what each party could achieve alone**
- **More efficient distribution of project benefits, responsibilities and costs**



Why are Partnerships Relevant?

- “There are three global forces that shape the quality and direction of globalization today. These are government, business and civil society. Governments and businesses have been contending for global power since the 1980s. The Battle of Seattle and the defeat of the World Trade Organization (WTO) agenda, among others, show that civil society has now joined these two as a third global force. The emergence of global civil society changes the world from a **uni-polar or bi-polar world to one that is tri-polar.**”⁵



Issue Areas Where Partnerships Can Make a Difference

- Education and Literacy
- Hunger
- Affordable Housing
- Childcare
- Healthcare
- Social services
- Homelessness
- Poverty reduction
- Crime Prevention & Safety
- Sex Education
- Environment
- Corporate Social Responsibility
- Natural resources management
- Water and sanitation
- Road safety
- Youth development
- Leadership development
- Democracy
- Human rights
- Labor practices
- Social equity
- Sustainable development



Success Story: Cabot Corp. & the Local Community⁶

- Cabot operates in 65 communities as if they were located next to their own homes. It is a shared company belief that the goodwill of their neighbors is a business imperative and a social responsibility.
- Two part strategy:
 - **Corporate Giving:** supports community outreach activities, with priority given to science and technology education, and community and civic improvement efforts in the communities where they operate.
 - **Operationalized Values:** Safety, health and the environment are essential to the bottom line. Surpassing health, safety and environmental regulation has afforded Cabot a “permission to operate” seen by no other extractive or chemical industry competitors



Success Story : City Year⁷

- **“City Year is an Action Tank, working to demonstrate, advance, and improve the concept and delivery of national service as a means of building a stronger democracy.”**
- **Corporate Partners (partial list)**
 - **Timberland - Timberland's commitment to City Year is rooted in its philosophy that service builds community and affects social justice. Timberland serves as founder and strategic partner of all City Year's major initiatives and has contributed \$12 million to date.**
 - **Cisco – The Cisco Networking Academy program gives City Year corps members the opportunity to learn networking technology and help bridge the Digital Divide in local communities.**
- **Service Partners**
 - **City Year provides 1.7 million hours of critically needed services in partnership with over 500 community agencies in 14 urban areas.**
 - **Boston: Government Task' Force on Hate Crimes, Pine Street Inn, Fresh Pond Reservation**
 - **San Jose/Silicon Valley: Teach For America, Third Street Community Center**
 - **New York: Harlem Children’s Zone, The After School Corporation, The Education Alliance**



Success Story: ReMix⁸

- **“Recycling Magazines is Excellent”**: Partnership bringing recycler together with the world’s largest buyer of coated papers and the world’s largest producer of coated paper, to increase magazine recycling.
 - **National Recycling Coalition**
 - 4000 members dedicated to the advancement and improvement of recycling. Provides technical information, education, training, outreach and advocacy services.
 - **Time Inc.**
 - With more than 130 magazines and 300 million readers, accounting for nearly ¼ of 2003 total advertising revenue of U.S. consumer magazines
 - **International Paper**
 - World's largest paper and forest products company
 - **FCR**
 - Designs, builds and operates materials recovery facilities (MRFs) that sort, process and market recyclable materials
 - **Mayor Thomas M. Menino and the City of Boston**
 - Built its recycling program from a drop-off program in 1987 to a citywide, weekly curbside collection of 30 household materials in 1996



Success Story: Global Digital Opportunity Initiative⁹

- **Assists developing nations with pro-bono expertise and resource to advance development goals**
- **Partners (partial list)**
 - **Markel Foundation**
 - works to realize the potential of emerging communications media and information technology to improve people's lives and does so through its own programs of grants, investments, research and public education.
 - **United Nations Development Programme**
 - helps countries in their efforts to achieve sustainable human development by assisting them to build their capacity
 - **AOL-Time Warner, Cisco Systems, CommerceNet, GeoPartners Ventures, Grameen Bank, Hewlett-Packard**
 - **African Connection, Bridges, Global Internet Policy Initiative (Harvard Center for I.D.), Media Lab Asia,**



What is the Motivation?

- **Business organizations operate in a context that is much broader than just their immediate marketplace. The expansion of trade worldwide has spotlighted the long-term impact of globalization on human rights, communities and the environment. Business activities have social, economic and political consequences whose impact is felt on a local, national and international scale. Non-profit organizations are taking note.**
 - **As Non-profit organizations bring these issues to the fore, citizens are insisting that businesses act responsibly.**
 - **As business responds to the demands of the Non-profits, they insist that the Non-profits prove their claims and be more accountable.**
 - **As government and private funders support the claims of Non-profits, they insist that the Non-profits prove their track record and report on improvement and change insisting that they improve their accountability and efficiency**



What are the Challenges?

■ For For-Profit Companies

- Difficult to make the business case to shareholders
- Too much is expected of businesses – question of who should be regulating government or businesses
- Don't have capacity to deliver or care

■ For Non-Profit Organizations

- Don't have the capacity or skills to “operationalize” organization
- Don't know how to be accountable/track data
- Spend so much time trying to get funding, don't have time to make alliances



Conclusions – The Good and Bad News

■ Leadership Matters

- As a new generation of leaders moves into the executive suite, their values come with them

■ Risks and Opportunities

- First movers can be targets for criticism (Starbucks), but can also be icons (Timberland, City Year)
- Those who don't move may be forced to by activists (Nike)

■ Threshold Effect

- As more players enter the mix and report on their successes, others will follow

■ Global Imperative

- If not us, who will?



Notes

1. Goldstein, Sargent, Ryan “Defending CSR: Justifications and Responsibility.” December 2003. Written as part of Professor Diana Barrett’s class “Strategic Corporate Citizenship,” HBS, Fall 2003
2. Goldstein, Sargent, Ryan “Defending CSR: Justifications and Responsibility.” December 2003. Written as part of Professor Diana Barrett’s class “Strategic Corporate Citizenship,” HBS, Fall 2003
3. No author noted. Government of New Brunswick Website. [Online: Web] Cited April 20, 2004. URL: <http://www.gnb.ca/0158/reports/protocol/protocol.htm>
4. No author noted. Business Partners for Development Website – Briefing note #1. [Online: Web] Cited April 15, 2004. URL: http://www.bpd-naturalresources.org/media/pdf/bn/note1f_2.pdf
5. No author noted. Global Network for Social Threefolding Website. [Online : Web] Cited April 23, 2004. URL: <http://www.globenet3.org/threefold.shtml>
6. No author noted. Cabot Corporation Website – Vision and Values Section [Online: Web] Cited April 5, 2004. URL: <http://w1.cabot-corp.com/controller.jsp?N=21+4294966700>
7. No author noted. City Year Website – Strategic Partners section. [Online : Web] Cited April 23, 2004. URL: <http://www.cityyear.org/about/partners.cfm>
8. No author noted. National Recycling Coalition Website – ReMix Section [Online: Web] Cited April 24, 2004. URL: <http://www.nrc-recycle.org/partnerships/remix/> AND Press Release, Yahoo! Website. [Online: Web] Cited April 24, 2004. URL: http://biz.yahoo.com/prnews/040322/nym007_1.html AND
9. Press Release “Global Public-Private Partnership Launches to Deliver Digital Opportunity for All,” Markel Foundation Website [Online: Web] February 5, 2002. Cited April 25, 2004. URL: http://www.markle.org/news/_news_pressrelease_020502.stm