



**Beyond Philanthropy:
Social Entrepreneurship and
For-profit/Nonprofit Alliances in Central New Jersey**

**Action Research Proposal
March 2004**

“As corporations seek innovative ways to compete in these uncertain times and nonprofits aim to meet rising social needs, new opportunities arise for corporate-nonprofit partnerships—partnerships with tremendous potential to meet both business and mission objectives.”

Minnesota Council of Nonprofits and
The St. Paul Companies, Inc. Foundation
June 12, 2002

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Executive Summary: Developing Win-Win Alliances

Americans have an extraordinary record of private philanthropy. But the events of the past several years – including the stock-market meltdown, the wave of corporate scandals, and the events of 9/11 – have all had profound impacts on the nonprofit sector. While it shows some recent signs of rebounding, the “Philanthropic Giving Index” fell to a new low in the summer of 2003, as charitable contributions fell off sharply after the immediate outpouring of support for the victims of September 11.

Even before this period, however, at least one organization – the Ford Foundation – was seeking new models for sustaining traditionally nonprofit efforts through more direct, and in some instances highly profitable, business activities. And many charities have begun seeking their own earned-income ventures as a new approach to fundraising. In both instances, corporate-nonprofit alliances can become true win-win partnerships that contribute both to business and to the community.

One of the objectives of the Center for Business Excellence is to transform the relationship between business and the community by fostering a greater number of such alliances on a regional basis in central New Jersey. We believe we can have an enduring impact on the quality of life and demonstrate an effective path of business transformation by documenting and publicizing successful examples of local win-win partnerships, by bringing for-profit and nonprofit constituencies together, and by demonstrating the principles of for-profit/nonprofit collaboration in its own structure and evolution.

This proposal describes a program of action research – a process of documented and systematized intervention designed to foster win-win partnerships, to establish best practices, and to provide greater legitimacy for such alliances.

. We believe there is an established role for an intermediary organization to provide services to both for-profits and nonprofits in establishing successful financial partnerships. Through the mechanism of the proposed study and a regional or statewide conference on the theme of “beyond philanthropy,” the CBE intends to establish itself as an intermediary in order to play this role.

We invite your involvement and support in this process, through both participation and/or a financial commitment. You will find a “statement of intent” form at the end of this document, where you can indicate how you would like to become involved, and support this initiative.

The Center for Business Excellence

The Center for Business Excellence was founded in 2002 to address a unique constellation of challenges facing the business community. Public trust in America's corporations is at its lowest point since the Great Depression. In a wave of corporate scandals, over 700 publicly traded companies were forced to re-state earnings, and in some instances simply collapsed under the weight of real accumulated debt. [Jonathan, I don't really understand the next sentence or how it links to the preceding and following portions of this paragraph; can you clarify?] The need for ethical leadership needed to be stated in terms that linked it directly to the sustainable profitability of modern corporations. And employees in a variety of settings, from the shop floor to the corridors of top management, have found themselves wondering about the meaning and the value of their actions in the world after 9/11.

The Center's current activities are focused in three broad areas: (1) fostering public discussion of the issues of ethics and values through seminars and programs; (2) increasing the number and impact of for-profit/nonprofit alliances in the region; and (3) offering economic development services such as support to venture startups, "fast-start" programs in change management and corporate transformation, and developing social capital for sustainable economic growth.

The goal of this proposal is to support the second of these objectives, to foster successful for-profit/nonprofit alliances.

Since 1996, the Ford Foundation has sought to establish and designate these alliances as "win-win partnerships", and has consistently advocated their wider adoption. The Center for Business Excellence provides a unique vehicle for supporting this wider adoption of win-win partnerships by virtue of the resources it brings to bear: the Center is part think-tank, part seminar and conference organization, and part economic development initiative, and accesses a broad business and corporate audience. It serves as a catalyst for change agents and for those active in broader community change to reach these audiences with messages that are timely, pragmatic, and sustainable. (see www.cbe-nj.org for more information about the Center for Business Excellence).

NEEDS/OPPORTUNITIES ASSESSMENT

Especially in the United States, those in need rely heavily on nonprofits for a variety of essential services not available to them otherwise. According to David Miller, the executive director of The Denver Foundation, “the nonprofit sector in the United States is unlike that of any other country in the world. No other society has devoted so many non-governmental and non-business resources to improving life for its citizens....The nonprofit sector in the United States represents a significant portion of our society. More than 20 million Americans are employed in this sector, comprising more than 7 percent of the gross national product.”¹

With ever-increasing competition for funding underscored by the recent economic downturn, nonprofits must find alternative (and sustainable) means of funding their organizations in order to survive. One viable approach that is gaining momentum in this climate is the for-profit/nonprofit alliance or “win-win partnership” (the Ford Foundation’s term) between a nonprofit organization and a corporation, which provides tangible benefits to both organizations. In a *Harvard Business Review* article, Professor Rosabeth Moss Kanter describes companies engaging in these partnerships as “moving beyond corporate social responsibility to corporate social innovation.” She adds that these businesses are at “the vanguard of the new paradigm.”²

EXAMPLES OF CURRENT WIN-WIN PARTNERSHIPS

1. Bank Of America, the Neighborhood Assistance Corporation of America and ACORN Housing³

Bank of America, a leader in community development and affordable housing, has formed strategic alliances with non-profit housing organizations which run financial education and counseling programs to help prospective buyers understand the mortgage process and become credit-ready to qualify.

Bank of America has since made an unprecedented, 10-year, \$350 billion commitment to community development lending and investment, and expect to surpass \$100 billion in just three years.

2. Union Bank of California and Operation Hope, Inc.⁴

In 1993, 20% of all households did their banking outside of the traditional banking system. Union Bank created a service called “Cash & Save”, a retail brand that combined banking products and the services that check cashers offer into a single business solution.

¹ *Nonprofits play a vital role*, David Miller in © 2000 American City Business Journals Inc.

² *Innovative business strategies*, The Ford Foundation, p. 3

³ Ibid

⁴ Ibid

By 2001, Union Bank found that 40% of the regular repeat check-cashing clients had become banking clients with regular banking products.

Union Bank then launched a partnership with Operation Hope Inc., a nonprofit credit counseling organization, and Nix Check Cashing to offer banking services to underserved neighborhoods in the inner city.

3. Marriott International and Pathways to Independence⁵

In 1991, the Marriott International hotel chain began Pathways to Independence as a job-training program for welfare recipients.

Since that time, the Marriott has developed programs in over 40 cities where it assigns trainees to the front desk, switchboards, restaurants and laundries. Trainees provide security, drive customers to and from airports, and handle luggage for the corporation's Renaissance, Marriott, Courtyard by Marriott, Renaissance Inn, and Fairfield Inn hotel chains.

Pathways to Independence participants graduate at a rate of more than 90 percent. Between 65 and 70 percent remain in the job after a year vs. 50 percent of conventional hires. The continuity of these employees contributes to the hotel's quality of service, and gives Marriott a competitive edge in the hospitality industry.

4. Excel Corporation and Morgan Community College⁶

Over 65% of Excel's 2,000+ workers are immigrants, resulting in high employee turnover due to language barriers.

In cooperation with Morgan Community College, Excel began to offer onsite ESL training. Among participants, turnover dropped 23 percent.

Excel now offers courses in computers, citizenship preparation, GED and basic skills, in addition to ESL. Students also can prepare for entrance into the college, enroll in classes, and receive college advising on site at Excel.

*"The program has had an impact above and beyond improving retention.
It has helped turn our workplace into a community."*

Shirley Penn,
Workplace Education Director
Morgan Community College
(works out of Excel's offices)

⁵ Ibid

⁶ Ibid

5. The Environmental Defense Fund and McDonald's⁷

EDF and McDonald's worked together to reduce fast-food waste and develop packaging that is easier on the environment.

As a result, McDonald's reduced its packaging volume by more than 70 percent by changing from polystyrene "clamshell" food packaging to paper, replaced disposable containers with reusable bulk storage systems, and started recycling materials.

McDonalds also requested suppliers to use recycled materials in bags, napkins, and packaging.

6. Conservation International and Starbucks Coffee⁸

These partners worked together to help protect tropical forests by using shade-grown coffee from environmentally sound farms.

7. Rainforest Action Network and Mitsubishi Corp. of America⁹

Mitsubishi negotiated an agreement with Rainforest Action Network to train managers and staff in industrial ecology and to develop an eco-accounting system that will measure the environmental performance of Mitsubishi's operations.

RESEARCH METHODOLOGY – "ACTION RESEARCH" DEFINED

The research method that will be used for this project is "action research", a method more widely used in Europe, and fast gaining momentum here in the United States as more and more research sponsors and practitioners experience its enormous value.

Action research can be described as a family of methodologies that pursue action (or change) and research (or understanding) at the same time. In most of its forms it does this by

- using a cyclic or spiral process which alternates between action , empirical observation, and critical reflection; and
- continuously refining methods, data and interpretation in the light of the understandings developed in each phase.

⁷ Snapshots: Research Highlights from the Nonprofit Sector Research Fund Sponsored by the Aspen Institute

⁸ Ibid

⁹ Ibid

It is thus an **emergent** process that takes shape as understanding increases; and it is an **iterative** process that converges towards a better understanding of what happens. In most of its forms it is also participative (among other reasons, change is usually easier to achieve when those affected by the change are involved) and qualitative.¹⁰ A detailed description of how the study will be conducted can be found in the Appendix.

GOALS AND OBJECTIVES

The **overall goals** of this project, using an action research approach, are:

1. to uncover existing win-win partnerships in central New Jersey and to document them in a manner that transforms this report into a tool for others who wish to engage in similar partnership arrangements throughout the region (defined as Somerset, Hunterdon, Morris, Middlesex and Mercer counties)[and Essex County?]; and
2. to gather information and feedback from study participants (and others) that will inform the development of a regional conference on WWPs to be held in the Spring of 2005.

ACTION STEPS

1. Recruit experts and leaders in business, government/public, nonprofit and faith-based organizations to serve on a research and conference planning committee, whose role will be to inform every step of the process. (see Job Descriptions in Appendix).
2. Work with local United Ways and other knowledgeable resources to identify key nonprofits in central New Jersey and to identify past, present, and potential win-win partnerships between nonprofit organizations and corporations.
3. Interview a minimum of 50 nonprofits in the region to further identify win-win partnerships in central New Jersey.
4. Interview key stakeholders in each WWP identified in the first phase of the research. On site interviews will be conducted at 10 ongoing WWPs selected on the basis of level of perceived success (among stakeholders), size, diversity, geography, etc.. Telephone interviews will be conducted with stakeholders from the remainng WWPs identified..

¹⁰ From Dick, Bob (1999) *What is action research?*
Available on line at <http://www.scu.edu.au/schools/gcm/ar/whatisar.html>

INTERVIEWS

Key stakeholders in nonprofits are anticipated to be the executive director, board members, other key personnel, and a sampling of clients served. In corporations, key stakeholders are anticipated to be the person responsible for managing the partnership and other key personnel. Community stakeholders will be people identified by the partners and their clients as instrumental participants and/or those impacted in a significant way by the partnership. (see Appendix for outline of preliminary interview instrument.)

Consistent with an action research approach, the nature of the inquiry will be shaped by findings throughout the process and will include:

Technical assistance questions such as:

- a. How did the partnership come about?
- b. Who are the key stakeholders?
- c. What purpose(s) does it serve?
- d. What new opportunities arose after forming it?
- e. What barriers were encountered, and how were they, or are they being, resolved?
- f. What advice, and “start-up” materials, would you give another organization that wants to start the same kind of partnership, or one very similar?
- g. Do you have contact information we can pass along to others?

Conference development questions:

- h. What topics, issues, ideas would you like to see represented at a conference for WWPs?
- i. Who would you like to see invited as a speaker/trainer/expert at the conference? (list specific people or types of people)
- j. What kinds of activities would you like included at the conference (e.g., workshops with others from similar partnerships, workshops focusing on technical assistance, etc.)?
- k. Any other ideas regarding the format of the conference?
- l. What one thing, above all others, would you want to get out of a conference on WWPs?

ANALYSIS & REPORT

The findings will be reported using the following format:

- a. Brief “how to” section for each WWP that outlines the steps taken to establish the partnership
- b. Perceived and quantified outcomes of the WWP as reported by key stakeholders
- c. Barriers and opportunities
- d. Perceived replicability
- e. Other technical assistance information and contact information

- f. Implications of this research for further follow up that will further the goal of increasing the quality, number and positive impact of WWP in central New Jersey
- g. Summary of feedback on WWP conference will be prepared for conference subcommittee

Evaluation

Since action research arises from a different epistemological background, it cannot be evaluated using the same criteria as other research approaches. Since action research tends to use more qualitative methods, the generalization of action research results is not empirically based. Rather, it is theoretically constructed, and must appeal to the reader's tacit knowledge for understanding and acceptance. Further, the success of action research is not whether change can be positively demonstrated, but more what was learned from the experience of trying to change practice. Findings should be meaningful and persuasive.¹¹

Budget

[TBD]

Where do we go from here? ¹²

In addition to follow up based on this research, and to continue to support the effective development of nonprofit-business alliances in the region, the Center for Business Excellence will also pursue the following initiatives:

1. Improve Available Information

- Fund ongoing research on nonprofit-business partnerships.
- Establish a system to publicly identify exemplary corporate-nonprofit partnerships and encourage more corporations to get involved.
- Develop and distribute "best practices" case studies of corporate community involvement and corporate-nonprofit partnerships.
- Cultivate media attention to help provide oversight of nonprofit-corporate relationships.
- Encourage corporations and corporate foundations to disclose their win-win activity on publicly available documents filed with regulatory authorities.

¹¹ From *Keynote Lecture: Evaluating action research* by Julienne Meyer, *Age and Ageing 2000*; 29-S2: pp 8-10

¹² Adapted from recommendations from the Aspen Institute's Nonprofit Sector Strategy Group.

2. Expand Dialogue Among Stakeholders

- Establish an annual regional conference to showcase existing win-win partnerships, stimulate new ones, and provide technical assistance and other services to existing and prospective partners.
- Convene regular meetings of business, government, and nonprofit leaders to explore common concerns.
- Create regular channels for communicating win-win business-nonprofit activities to both the business and nonprofit communities.
- Incorporate training about partnerships among sectors into business, nonprofit, and government training programs.

3. Establish Mechanisms to Link Nonprofits and Businesses, and the Community

- Use new information technologies to match corporations and nonprofits interested in partnering in particular fields.
- Create technical assistance mechanisms that can facilitate partnerships between nonprofits and small and mid-sized businesses.
- Create and encourage intermediary organizations that connect corporations and nonprofits.
- Establish and promote organizations that pool resources from corporations for distribution to local nonprofits in particular fields.
- Encourage employee-driven partnerships that build on employee contacts with local nonprofits.

4. Improve Guidelines and Laws That Govern Alliances

- Determine whether legal provision must be made for hybrid organizations that embrace elements of both nonprofit and for-profit organizations (such ventures are prominent in Europe but may be restrained by American nonprofit law).
- Develop guidelines for cause-related marketing and sponsorship to inform nonprofit leadership about appropriate relationships with business and warn them about relationships that may threaten nonprofit missions or undermine public confidence in the sector.

5. Improve Community Awareness and Understanding of Win-Win Alliances

- ?

6. Develop Awards and Award Presentations for Exemplary Win-Win Activities and Alliances

- ?

Appendices

[include job descriptions for committee members]

APPENDIX

[Job descriptions for research and conference committee members.]

[This section is a VERY, VERY ROUGH attempt to begin the development of the research instrument]

Preliminary Interview Instrument

Introduction

Hi, my name is _____ and I'm with an organization called the Center for Business Excellence. We are trying to identify and learn about existing partnerships between nonprofits and other organizations, especially corporations. These are arrangements or programs that exist between the two organizations that benefit both in tangible ways, often bringing, for example, a financial benefit to both.

Do you have any such partnerships at this time?

(If no, ask): have you ever had this kind of partnership?

(If had a previous partnership ask): Describe:

Why no longer?

How would you rate the success of this partnership? (where 1 is "very low" and 10 is "very high") 1 2 3 4 5 6 7 8 9 10

Why this rating?

Do you know of any other nonprofit-corporate partnerships in central New Jersey (Somerset, Hunterdon, Middlesex, Mercer counties)? (Get contact information)

Go to CONFERENCE QUESTIONS below

(If yes), ask to speak to primary person involved

(Primary person)

Explain purpose of call (use Introduction). Ask:

Who are the people in your organization involved in this partnership?

How is each involved?

How is it going? What have been some of the successes of this partnership?

What have some of the barriers been? Overcome them? How?

How do/would you measure the results/success of this partnership?

What opportunities does this partnership offer you?

What new opportunities do you see?

What else should we know, that might be very important for others to know, especially someone wanting to implement a similar partnership?

What else?

Anything else?

How would you rate this partnership on the following dimensions (where 1 means “very low” and 10 means “very high”):

Overall success	1	2	3	4	5	6	7	8	9	10
Sustainability (is this partnership “built to last”?)	1	2	3	4	5	6	7	8	9	10
Benefits to nonprofit partner	1	2	3	4	5	6	7	8	9	10
Benefits to corporate partner	1	2	3	4	5	6	7	8	9	10
Benefits to community at large	1	2	3	4	5	6	7	8	9	10

Would you recommend other nonprofits and corporations develop a similar partnership (Why? Why not?)

Would you be willing to provide technical assistance to others who want to create a similar partnership?

(If yes), collect contact information (name, title, company, address, phone, fax, email)

CONFERENCE QUESTIONS

Would you be interested in attending a conference on WWPs if there was one in the region?

(If yes), how would you rate your interest? 1 2 3 4 5 6 7 8 9 10

What topics, issues, ideas would you like to see represented at a conference for WWPs?

Who would you like to see invited as a speaker/trainer/expert at the conference?
(list specific people or types of people)

What kinds of activities would you like included at the conference?

Any other ideas regarding the format of the conference?

What one thing, above all others, would you want to get out of a conference on WWPs?

Thank you for your time, and all the help you have given us.

Any final comments or advise?

Thank you again!

[Add “statement of intent” form so readers can indicate their interest and type of support]