Enterprise Partnering

Tom Soma

An essay contribution to
GHC *Conversation* 2010

garyhubbell consulting

garyhubbell consulting

philanthropy ▲ strategy ▲ planning ▲ coaching

P.O. Box 510257 ▲ Milwaukee WI 53203 ▲ 414-962-6696 ▲ www.garyhubbellconsulting.com

Enterprise Partnering:

Mining mutually vested interests in a cause-conscious landscape

By Tom Soma

> *"When we come out of this fog, this notion that companies need to stand for something—they need to be accountable for more than just the money they earn—is going to be profound."* [1]
>
> - Jeff Immelt, CEO, General Electric

One of the greatest annoyances during my formative years as a non-profit leader was being told that non-profits "should be run more like a business." On the contrary, I thought, *businesses should be run more like non-profits.*

I rarely hear comments like that these days. People are less enamored of corporate America. And responsible corporations, like their non-profit counterparts, are more cognizant of the need to keep their bottom lines in the black.

At a time when the word "resources" is immediately and increasingly preceded by "constrained," and with more than 90 percent of my organization's budget dependent on contributed revenue, I appreciate the expectation (of board members, donors, and the general public) of a tightly run ship. I don't resent the planning and oversight systems we've adopted—which have helped us thrive *despite* recent economic woes.

Ironically, in light of my prior annoyance, a major part of our success is attributable to the articulation of goals in a language that has, until recently, been more common to the business vernacular. Words like "reliable," "sustainable," "predictable," and "diversified," typically associated with the corporate sector, are now being applied to non-profit fundraising streams. In that sense, my organization truly *is* operating more like a business.

[1] Business for Social Responsibility Conference, November 2008. (Video available at www.youtube.com/watch?v=5TGMbbN5-KE).

As the dust begins to settle from what is widely characterized as "the worst economic recession since the Great Depression," *both* corporate and non-profit organization (NPO) leaders are discovering that they can learn from each other—and, with their futures intertwined in an uncertain economic world, one key to their survival will be finding better ways to collaborate. "Making a profit" and "making a difference" are *not* mutually exclusive. Paraphrasing Jeff Immelt: As they *come out of this fog,* that *need for accountability* will motivate American corporations to distinguish themselves by *standing for something*—and the smart ones will be standing right beside established, efficient non-profits. Looking ahead, it's safe to say that the most astute charities will be those that have aggressively identified, pursued, and capitalized on shared interests with allied corporate partners.

Economics 2010

By most accounts, it appears that the worst of the recent recession is behind us. Moving forward, are we in for the traditional, relatively rapid Wall Street and Main Street rebound that has characterized nearly every recovery over the past half-century? Or will "the new normal" be a more gradual return to prosperity? Could we be on the verge of a "double dip" recession, as some argue? Is "flat" the "new up," as others contend? Or will consumer confidence and the stock market surge as new jobs are created to replenish depleted domestic inventories and a more environmentally responsible American industry begins to capitalize on green trade opportunities abroad?

Speculation is cheap, rampant, and exhausting. In the end, most honest economists fall back on a pair of handy euphemisms: it's all a roll of the dice and only time will tell. Meanwhile, those in the fundraising trenches are left with our own pressing question: How will "Economics 2010" shape "Philanthropy 2011" and beyond?

It's trite to suggest that we're going to have to adjust our expectations. While that's true, it's not helpful. What's clear is this: Trends in philanthropy *can't* be examined apart from the economic circumstances under which they arise. Therefore, any philanthropic crystal ball gazing will be clouded by the volatility of today's economy. However, in an attempt to be both helpful and hopeful, I would start with another overused euphemism that seems at least *partially* instructive: "The more things change, the more they stay the same."

Translation: No matter what happens, philanthropy as we know it isn't going away. People will continue making donations, through known (i.e., direct mail) and emerging (i.e., phone-texting) channels. People will continue to attend and contribute generously to charitable events—which are ingrained in the American social fabric. And people will continue leaving charitable legacies through estate gifts—no matter how many different ways Congress changes the estate tax law.

But as donors tighten their belts and competition increases (face it, NPOs *do* compete—a fact that is, if nothing else, a consequence of their steadily growing numbers), one key to viability for most non-profits will be diversification. At the risk of stating the obvious: Non-profits must employ a variety of fundraising methodologies, and not become overly dependent on any one of them.

By diversification, I refer not just to tactics (events, direct mail, major gift societies, endowment, etc.), but to the anticipated timing of their return on investment (or, as they say in the business world, "ROI"). More than ever, even as NPOs focus on immediate needs and budgets, their leaders must take the long view—which means paying more attention to those oft-neglected planned giving programs (not surprisingly, one of my top priorities for 2010).

Where business buzz-words hit the fundraising pavement

Even in well diversified non-profits, most fundraising activities will remain familiar to today's development staff members. However, some of the more lucrative opportunities ahead will require them to look decidedly toward business.

A few years ago, in the midst of a year-long strategic planning process, three new words entered the philanthropic lexicon at Ronald McDonald House Charities® of Oregon and Southwest Washington (RMHC®). They came from Stephen Abouaf, our then board chair, who had spent the bulk of his career in the metal business—an industry prone to more than its share of volatility (much like non-profits). His mantra, which took time for the organization to fully absorb and embrace, was that we needed to fashion a revenue model that was more "reliable, predictable, and sustainable"—no small undertaking for a charity that derives just eight percent of its funds from user fees and receives no government support (two realities that are not likely to change under any circumstances).

We set a goal that, by 2012, 40% of our operating budget would be derived from reliable, predictable, sustainable revenue streams. Nearly three years after that model was adopted, I can say that the mere pursuit of such aims is what has enabled our net assets to actually *increase* while many other charities have suffered declines. While we retained our successful direct mail campaigns and signature events (a golf tournament and auction, which have remained relatively flat), we realized our most impressive gains from two sources: major donors (whose numbers and total giving have both nearly doubled over five years), and the three dozen McDonald's franchisees in our region, whose promotional initiatives on our behalf have experienced similar growth.

Both the major donor and McDonald's efforts were identified as top priorities and, as such, received our most considerable investment of time and attention (from board and staff alike). The difference, however, is that while major donor giving has nearly doubled, the increase isn't necessarily reliable or predictable—no matter how much attention we devote to the effort, its sustainability depends on certain factors beyond our control (such as the performance of donor investment portfolios). But because of the highly recession-proof nature and extended commitment of the initiatives launched by our McDonald's partners, that particular revenue stream meets all three of the business-inspired criteria: it's reliable, predictable, *and* sustainable.

It also points to what will be, for many non-profits, a necessary and more integral component of a comprehensive fundraising program in the future: enterprise partnering.

Enterprise partnerships—the "who, what, and why"

"Enterprise partnering" or "cause marketing" (terms I'll use interchangeably, though I prefer the former) isn't new. According to a recent Cone study commemorating the 25th anniversary of cause marketing, the practice began in the early 1980s.[2] An enterprise partnership typically refers to the selling of a product or service based on its link to a reputable charity—connecting the respective brands for *mutual* gain. Its most common form is a product promotion in which a defined portion of sales over an established period of time is contributed to the charity.

As consumers call for greater accountability and businesses seek ways to differentiate themselves from the competition, enterprise partnerships are growing in popularity. Corporate leaders perceive the practice as "a driving force of business growth, including reputation management, license to operate, new market development, product innovation, and employee recruitment and retention."[3] As was summarized in a 1999 Cone/Roper study, "social commitments have become an integral way to conduct business, and a core component of corporate reputation, brand personality, and organizational identity. Cause marketing has evolved from a short-term tactic used to spike sales, into a powerful positioning discipline used to enliven brand equity and enhance corporate image with significant bottom-line impacts."[4]

Every company's charitable budget is limited. By partnering in sales promotions with charities, corporations engage employees, customers, and vendors in a philanthropic undertaking that is far more meaningful than what they could hope to achieve through even the most generous outright donation.

At both the root and heart of enterprise partnerships is considerable consumer incentive. As the 1999 Cone/Roper study revealed, "Americans expect companies to take action in support of causes… eight in ten American consumers report having a more positive image of companies which support a cause they care about."[5] Nine years later, in the Cone 25th Anniversary study, 79% of those surveyed said they "would be likely to switch from one brand to another brand, about the same in price and quality, if the other brand is associated with a good cause."[6] And, in a statistic with significant future implications, the 18-24 year olds surveyed in 2008 are "even more receptive to cause marketing. 88 percent would be likely to switch from one brand to another… if the brand is associated with a good cause."[7]

---

[2] *Past. Present. Future. The 25th Anniversary of Cause Marketing*, Cone, LLC, Boston, MA, 2008, p 6.
[3] *Past. Present. Future,* Cone, p 39.
[4] *1999 Cone/Roper Cause Related Trends Report: The Evolution of Cause Branding*, Cone, Inc., Boston, MA, p 18.
[5] Ibid, pp 5 and 2.
[6] *Past. Present. Future,* Cone, p 10.
[7] Ibid, p 23.

Cone isn't the only group following and quantifying the trend. The third annual Edelman goodpurpose™ Consumer study, released in October 2009, surveyed 6,000 people in 10 countries. Some of the most striking findings, all of which parallel Cone's:

- *83% are willing to change consumption habits if it can help make the world a better place to live.*
- *67% would switch brands if another brand of similar quality supported a good cause.*
- *64% would recommend a brand that supports a good cause.*
- *59% would help a brand promote its products if there was a good cause behind it (up six percentage points since 2008).*
- *57% say a company or brand has earned their business because it has done its part to support good causes.*[8]

One conclusion of the 2008 Cone report with especially significant implications for non-profits:

> *As business becomes accountable to a variety of stakeholders within a highly transparent society, aligning with a cause has become an important and visible part of a company's corporate responsibility (CR) efforts. Increasingly, companies are integrating their cause commitments into their business operations and product development to ensure they are aligned and each is reflective of the company's core values, mission, principles and policies.*[9]

So, here's where I'll take my speculative leap. The most successful non-profits of tomorrow will be the ones most aggressively seeking to build enterprise partnerships with businesses today. While many future fundraising practices, will, as I suggested earlier, continue to look much the same, the best future fundraising *opportunities* will be "transaction-based." In an effort to attract customers who increasingly desire to "make a difference" with their purchases, opportunistic businesses—working in concert with equally opportunistic charities—will incorporate "donations" into the price of specific products and advertise that connection accordingly.

It's a win-win-win proposition. For consumers, the transaction is an opportunity to help others while gratifying their own needs. For businesses, it's an opportunity to differentiate themselves from competitors, reach new or retain old customers, engender employee loyalty, and increase sales. And for NPOs, it's enhanced access to a much wider donor pool—and ultimately, a revenue stream that is—you guessed it: reliable, predictable, and sustainable. The heightened visibility resulting from an enterprise initiative doesn't hurt either—and while not as readily measurable, it can help fuel the NPO's more traditional fundraising efforts.

---

[8] 2009 Edelman goodpurpose™ Consumer Study, findings summarized by Latraviette Smith (latraviette.smith@edelman.com) in "Despite prolonged global recession, an increasing number of people are spending on brands that have social purpose," p 3, retrieved at www.edelman.com/news/ShowOne.asp?ID=222, December 4, 2009.

[9] *Past. Present. Future,* Cone, LLC, Boston, MA, 2008, p 10.

RMHC enterprise initiatives—some examples of "how"

As we set out to build those reliable, sustainable, predictable revenue streams, our initial focus was identifying the most logical sources. Our answer fell into categories I would loosely characterize as "natural" and "relational" partners. Again, loosely, we perceive a "natural" partner as one that derives intrinsic benefit from our existence, with or without an enterprise initiative in place. By contrast, a "relational" partner is one founded upon a relationship—generally a connection between a board or staff member and a well-placed corporate executive/advocate who, for personal or professional reasons, identifies with our cause and champions the company's involvement.

"Natural" partners

While our best enterprise model at the time was a relational one (Parr Lumber Company, which I'll summarize later), it made sense to focus first on natural partners. The board (which included several McDonald's franchisees) asked itself, "What organizations derive the most benefit from our existence?" Because of the consumer good will derived from its association with RMHC, McDonald's was at the top of the list. And it was evident that the local McDonald's-RMHC connection had not been tapped anywhere near its potential—for either entity.

For nearly two decades (in Oregon as well as around the nation), the bulk of McDonald's support for RMHC has come from restaurant donation boxes—not a product promotion, but rather a conduit for small contributions on a wide scale. That tactic continues today, with recent national advertising from McDonald's that has helped increase collections. It's obviously working. And it's enterprising. But it's not a traditional enterprise initiative.

By contrast, when they agreed to our new revenue model and established more ambitious goals for their support of RMHC, our local McDonald's franchisees adopted a classic enterprise approach. In conjunction with the introduction of specialty coffee beverages, franchisees unveiled "RMHC Everyday™," a year-round fundraising campaign in which a portion of the proceeds from the sale of *all* coffee drinks were committed to RMHC. Now in its third year, the promotion has raised nearly $200,000 and is estimated to generate $120,000 in 2010. In addition to the significant cash influx for RMHC, both RMHC and McDonald's have benefited from increased visibility and media coverage (which has been magnified by the involvement of a professional basketball player as the promotion's spokesperson).

Beyond the coffee initiative (which will grow as McDonald's adds new products to its coffee offerings), our local franchisees have either inspired or leveraged other enterprise initiatives from companies seeking to conduct businesses with them. Today, we also receive proceeds from the sale of two different newspapers at McDonald's: *USA Today* at most stores in the region, and the *Eugene Register Guard* at restaurants in the Eugene, Oregon area.

The result: In 2006, local McDonald's initiatives generated 13% of our operational budget; in 2009, it was up to 22%—on the way to a goal of 25% by 2012. Additionally, the outright donations of franchisees have also increased dramatically (in both number and amount).

Finally, the increasingly engaged partnership has inspired equally impressive gains in volunteer service at our facilities by McDonald's owners and their employees.

With McDonald's as the example, we began approaching other natural partners. The next obvious beneficiaries of our services are the medical institutions that treat the children of families staying at our Ronald McDonald Houses. During the past year, we've reached agreements with two of the three medical institutions with which our two Ronald McDonald Houses are affiliated. While the contributed revenue from these partnerships isn't strictly enterprise based, it does meet the reliability, predictability and sustainability test. And with contracts in place for financial contributions based on guest occupancy, we can now budget that income with confidence as well.

Next, with our enterprise model in mind, we approached our bank of 25 years. When it became evident that the bank was uninterested in a more ambitious partnership, we put the management of our financial assets out to bid. Our agreement with a new bank includes a commitment of significant employee volunteer time, and we're currently exploring several potential fund-generating initiatives. Our next (and perhaps final) natural partner frontier is the insurance industry. In recent months, we've met with several industry representatives and are currently gathering the impact data necessary to present a case for supporting RMHC based on our role in medical cost-containment.

"Relational" partners

Our success engaging natural partners was foreshadowed earlier through an initiative conceived by a "relational" partner: Parr Lumber Company. A family-owned company with lumber yards in many of the Oregon communities we serve, Parr is the 14th largest building supplier in the United States. Nine years ago, after having donated products for a special event and making generous outright gifts, Parr adopted RMHC as a "charity of choice" and began conducting December promotions on our behalf. Through the sale of ski caps, shirts, and beverage tumblers that were branded with both the Parr and RMHC logos, the company raised nearly $20,000 annually for several years.

While Parr's financial contributions really added up, the most striking element of its partnership was the company's very motivation—about which its leadership was crystal clear. The promotions were *not* intended to drive sales, but rather to link Parr with RMHC in the eyes of its customers and build employee morale. The company had a competitive internal sales environment, and the annual promotion created some intense, albeit good-natured competition between lumber yard managers and staff—which we incentivized through a trophy presentation at Parr's annual sales banquet. Today, like McDonald's, Parr continues to support RMHC through a year-round enterprise initiative. If you walk into any of the company's lumber yards in Oregon and Southwest Washington, you'll find several products identified with the RMHC logo and a display indicating that sales proceeds are contributed to RMHC (with percentages varying by product). As it had done with the ski caps and tumblers, Parr has extended the partnership to its vendors, by negotiating discounts on the products sold for RMHC's benefit.

Whether natural or relational, enterprise possibilities are limited only by the creativity and initiative of board and staff members. Some past examples which, though modest, were successful for us: *Portland Monthly* (a popular local magazine) offered a free one-year subscription to anyone who made a $100 donation to RMHC during a three-month promotional window (which, a year later, resulted in several permanent subscribers); and Unico (a regional property management firm) committed its vending machine revenue to RMHC (an initiative we're currently attempting to replicate on a wider basis with another partner).

Recently, we benefitted from a one-day partnership with a local baking company (Cupcake Jones), which illustrates a slightly different approach to enterprise activity. Rather than pair itself with just one charity for an extended period, Cupcake Jones contributes five percent of its sales to a different charity *every* Tuesday.

"We designed the Benefit Day program in response to the many requests that we get each month from so many worthy organizations," according to Lisa Watson, founder and owner of Cupcake Jones. "We decided that rather than do multiple small donations each week, we would randomly select one organization and give a more meaningful donation and really make a difference. As a business, it provides us with the opportunity to reach new potential customers who may not already know about us."

"It's *great* for business," Watson emphasizes. "Sales on Tuesdays were slow. The promotion has had a significant impact on Tuesday sales without taking away from other days. And beyond the financial impact, it has also increased our exposure in the community—especially the non-profit community. People come to us because of this. It's *way better* than advertising. We've cut our marketing budget almost completely!"

Critical components

While the enterprise approach at Cupcake Jones differs slightly from that at McDonald's and Parr, it points to the fact that the outcomes of enterprise partnerships can be established and quantified for the business partner as easily as they can for the charities. What's critical from the outset of any enterprise partnership is that both parties identify and agree upon their vested interests. What does each party want for itself? What does it need from the other? How will each evaluate the initiative's success?

Simply stated, the partnership must be *meaningful* for both parties—and clear to the consumer. Each partner must have confidence in the reputation, operational practices, and fiscal stability of the other. It helps to have an intersection between the primary beneficiaries of (or region served by) the charity and the primary market(s) of the business. Likewise, both parties must be painfully transparent to the public about the amount or percentage of revenue being contributed to the charity.

Once the interests and requirements of each party are clearly identified and articulated, the specifics of a promotion tend to fall in place. We've found that the more simple and seamless the promotion's execution, the more appealing it is to our partner, the public, *and* the media. And while the purchase of *any* product (whether at McDonald's, Parr, or elsewhere) is obviously subject to the whims of consumers and turns of the economy, we've also found that our business partners have been pretty good at projecting the results of their promotions in both good times and bad.

It's important to distinguish between an enterprise partnership (which yields revenue for the charity) and other corporate-charity collaborations with slightly different objectives—such as employee volunteer service programs (which satisfy mutually beneficial aims but provide no residual charitable revenue) and business sponsorship of events (which falls into the realm of corporate marketing or traditional philanthropy). What distinguishes the enterprise partnership is the direct tie between a business product and a charitable return.

With the distinction in mind, however, we've found that one can (and often *does*) lead to the other. In every case thus far, our enterprise initiatives—both with natural and relational partners—began with the volunteer involvement of a key corporate employee. What started as one executive's service on the board or another's sponsorship of our golf tournament led, over time, to the deeper enterprise engagement. Not coincidentally, the enterprise partnerships have *increased* the volunteer involvement of employees at those companies. Through the rear-view mirror, it appears that our enterprise partnerships *began with and magnified* every partner's stake in our organization. That reality has prompted a calculated effort to encourage volunteer participation from employees at companies with which we ultimately hope to develop closer, more entrepreneurial ties.

Jacob Marley revisited and grace by association

Early in the Charles Dickens' classic, *A Christmas Carol*, Ebenezer Scrooge is haunted by the spirit of his old partner, Jacob Marley. At one point, Scrooge observes, "But you were always a good man of business, Jacob." To which the spectral Marley takes great umbrage:

> *"Business," cried the Ghost, wringing its hands again. "Mankind was my business. The common welfare was my business; charity, mercy, forbearance, and benevolence, were, all, my business. The dealings of my trade were but a drop of water in the comprehensive ocean of my business."*[10]

What have we learned from our enterprising quest? Clearly, that Dickens's Marley may well be as powerful a foreshadowing of things to come for 21st century economy and philanthropy as he was for the 19th century Scrooge! The "common welfare" is no longer perceived as the sole responsibility of charity—but rather as part of the "comprehensive ocean of business" as well. Thus, as they seek to address social challenges, non-profits ought to be approaching businesses

[10] Dickens, Charles, *A Christmas Carol*, Holiday House, New York, NY, 1983, p 23.

for “helping hands” (which generate significant mutual benefits) rather than the more traditionally one-sided “hand-outs.” The landscape is ripe for such enterprise partnering.

Another specific and obvious realization is that our brand has tremendous value—and not just for McDonald’s. Since the establishment of America’s first Ronald McDonald House in 1974, RMHC has cultivated an international reputation as the “home away from home” for families of seriously ill and injured children who travel to distant cities for medical care. Companies understand that a partnership with RMHC links them with a cause that evokes deep customer care. I like to call it “grace by association.”

Offering a business partner access to our brand and the good will derived from positioning itself as a “Proud Supporter of RMHC” is the most valuable incentive we have for a potential enterprise partner. It’s an asset we must continue to guard carefully, extend judiciously, and steward wisely—which sometimes means turning down overtures from organizations that, for whatever reason, *aren’t* desirable partners. And while grace by association is the most meaningful return we can offer on any company’s investment in us, there’s a corresponding side benefit as well: By aggressively promoting RMHC as its “charity of choice,” a business can satisfy the public’s desire for its investment in the community while simultaneously minimizing the appeals it might receive from any number of our non-profit competitors as well!

As Rick Schnell, Parr Lumber’s Fleet Manager, puts it: “Every company needs to be part of the community—and I can’t think of a better way to do that than through a charity like RMHC.” Jimmy Monroe, one of our local McDonald’s franchisees, offers a similar perspective. “I’m a proud McDonald’s operator,” he says. “And I’m proud of what RMHC does. Our association makes me proud.” David Hamill, Parr’s CEO, eloquently sums up the impact of enterprise partnering for businesses and non-profits alike: “It feels very good.”

With non-profits like ours insisting on reliability, predictability, and sustainability—and business executives talking in warm and fuzzy ways like *that*—one thing is certain: we’re on to *something!*

Tom Soma is Executive Director of Ronald McDonald House Charities of Oregon and Southwest Washington.

About GHC Conversations

Annually, Gary Hubbell Consulting convenes and hosts a small hand-picked group of social sector professionals from throughout North America for three days of intense dialogue and critical thinking. We strive to create a thought-provoking, mind-opening, and stimulating conversation about philanthropy, organizational leadership, and the sector as a whole. This deep exploration of the nature and challenges of the philanthropic environment is intended to engage, inform, and inspire senior leaders to be catalysts for change in their own organizations and communities of influence. With each GHC Conversation, we seek to establish the seeds of a continuing and enriching network that nourishes us as individuals and helps each of us change how we converse, inspire, and seek new dimensions of philanthropy. This essay is one contributed for Conversation 2010.

garyhubbell consulting

Conversation 2010
Participant Bio

Tom Soma
Executive Director
Ronald McDonald House Charities of Oregon and Southwest Washington
2620 N. Commercial
Portland, OR 97227
971-230-6701
tsoma@rmhcoregon.org
www.rmhcoregon.org

Tom Soma has been Executive Director of Ronald McDonald House Charities of Oregon and Southwest Washington since 1999. During the previous two decades, he served stints as a social worker, consultant and freelance writer, stay-at-home dad, and development staff member at both the University of Portland and Lewis & Clark College. He continues to consult periodically in the areas of strategic planning and communications, fund raising, and board development. He currently serves on the board of The Snowman Foundation, a Northwest non-profit that supports music programs in schools and community centers, provides musical instruments, and funds lessons for needy and talented young musicians. A 1979 graduate of the University of Notre Dame, he has three grown daughters--all of whom have flown his Portland nest! He spends his free time reading, running, cooking, and writing poetry.

Tom attended *Conversation 2009* in Scottsdale, AZ.