Institute of Business Ethics

Business Ethics Briefing

Issue 14, January 2010

Corporate-Third Sector Partnerships

This briefing explores the ethical aspects of managing corporate-third sector partnerships and provides practical guidance on navigating the challenges.

Traditionally strained by mutual distrust, alliances between corporates and third sector organisations (i.e. charities, NGOs etc.) have today become a common part of the corporate responsibility agenda helping companies to 'live out' their commitments (see Box 1). Research conducted by McKinsey Quarterly in 2008 has in fact shown that executives at NGOs are more pro-business than business itself; 70% describe corporate contributions to the public good as positive, while only 52% of business executives view them favourably.

Potential benefits

Successfully managed partnerships with third sector organisations can assist companies by:

- Improving risk management through better stakeholder relations
- Providing opportunities for product innovation
- Enabling access to specialised knowledge and expertise (e.g. on issues such as climate change and human rights)
- Improving understanding of challenging on-the-ground issues in areas of operation
- Supporting companies in delivering on their CR commitments through helping to tackle issues that are difficult to address unilaterally

Managing partnerships ethically

One element of a successful partnership will be the fair and ethical management of the alliance. Not doing so risks having an adverse effect on a company's reputation.

Box 1: An example of how well managed corporate-third sector partnerships can help an organisation to demonstrate their ethical values

'Deloitte and PepsiCo have entered into what PepsiCo calls 'new strategic philanthropy' partnership whereby companies donate their business skills and technical knowhow to charities and development organisations to boost their programmes. Such partnerships are taking on an increased relevance in the current economic climate when tighter budgets do not mean looser ethical standards. By combining skills and resources for a common cause, both sides benefit from increased efficiency whilst helping to combat the (alleged) limitations of CR in development. Strategic philanthropy partnerships can help overcome shortcomings of CR in development and increase the scheme's impact.'

Taken from Corporate Citizenship Briefing June/July 2009

Box 2: HSBC Climate Partnership

The HSBC Climate Partnership (HCP) is a five-year, $100 million global partnership launched in 2007 by HSBC, working with the Earthwatch Institute, the Climate Group, Smithsonian Tropical Research Institute and WWF. Earthwatch's role in the Partnership is to directly involve HSBC's global workforce, and with the help of their scientific partners and HSBC employee 'Climate Champions', Earthwatch will conduct the largest ever field experiment on the world's forests to measure carbon and the effects of climate change. A Partnership of this scale and complexity and the requirement for an integrated approach that works effectively across HSBC's systems and processes requires a number of best practice tools and processes to be in place. This begins with a clear Memorandum of Understanding, measurable targets, regular reviews and evaluation, extremely close communication channels and a very high level of trust and shared responsibility for programme delivery between the partners. These have been built up over a number of years and are evolved and adapted as opportunities and circumstances change to ensure that they remain fit for purpose.'

Dave Hillyard , International Director of Partnerships
Earthwatch Institute

The following suggests good practice:

- **Sharing organisational values** and being **transparent** about motives and aims of the partnership from the outset of the alliance helps to build **trust** between organisations. **Engaging partners** in establishing goals and objectives and setting these out in a clear Memorandum of Understanding not only promotes transparency, it encourages **performance accountability**.

- Establishing **governance mechanisms** internally (what is each partner accountable for and who they are accountable to) and externally (whom the partnership as a whole is accountable to) at the outset of the partnership can help to mitigate potential problems in the future. Creating **measurable targets**, setting **reporting requirements** and monitoring **performance standards** as the partnership evolves are other useful tools in achieving accountability/governance and can, in the event of a problem, help to identify those responsible.

- Clear channels of **open communication** within the alliance can enable informed decision making, foster trust and facilitate innovation. In addition to open communication, conducting **due diligence** on partners prior to the alliance (as may be done with suppliers or joint venture partners) can help to manage the risk involved in collaboration. It is likely that if partners share similar organisational values, the possibility of the partnership failing and subsequent potential reputation damage, may be reduced.

Box 2 sets out the experience of Earthwatch Institute in their partnership with HSBC as an example of best practice.

The United Nations defines partnerships as:

"...voluntary and collaborative relationships between various parties...in which all participants agree to work together to achieve a common purpose or undertake a specific task and to share risks, responsibilities, resources, competencies and benefits."

(UN, Report of the Secretary-General, August 2003)

Further resources

- The Partnering Initiative of the International Business Leaders' Forum: http://www.thepartneringinitiative.org
- Grayson, D. (2008) Collaborative Commitments. Doughty Centre for Corporate Responsibility: http://tiny.cc/5g2Mz
- Crowley, J. and Alzaga, C. (2009) The 'Rubik's Cube' of Cross Sector Collaboration. The Crowley Institute.
- AccountAbility, PGA Framework tool: http://www.pgaframework.org