

Creating Social Enterprises Through Strategic Alliances

A Tool Kit for NGOs

By Dr. Richard Steckel and Jack Boyson



International Youth
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International Youth Foundation^a

The International Youth Foundation (IYF) was established in 1990 to bring worldwide resources and attention to the many effective local efforts that are transforming young lives across the globe. Currently operating in nearly 60 countries and territories, IYF seeks to improve the conditions and prospects for young people where they live, learn, work, and play.

This book was published with the financial support of the Lucent Technologies Foundation, as part of the IYF/Lucent Technologies Global Fund for Education and Learning. Currently in 16 countries, the Fund aims to strengthen and expand effective programs in 16 countries in areas such as enhancing educational reform, developing and supporting teachers, inspiring excellence in science and math, and developing young leaders.

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Acknowledgments

This book is a work in progress. It is the result of an association between two inquisitive practitioners who are constantly asking “What’s working in the field of social enterprise, and particularly, what are the necessary ingredients in an effective strategic alliance between an NGO and a company? Who is doing them well? And how can they be more effective?” As we learn more about how to create strategic alliances through our collaborative work with the International Youth Foundation (IYF) and its global network of country partner foundations and organizations, we expect to “grow” this book in the years to come.

We would like to thank the staff—too numerous to mention here—of IYF’s 41 country partner foundations working in nearly 50 countries and territories around the world. All are professionals working in the field of youth development in their countries, and actively negotiating and maintaining strategic alliances with corporations, foundations, government agencies, and bi- and multi-lateral development assistance organizations on a daily basis. We drew a lot on what works from their experiences.

We also thank the following people at IYF for their encouragement, contributions, and feedback: William Reese, Chief Operating Officer; Joyce Phelps, Vice President, International Training and Consulting Institute (ITCI); Charlotte Kea, Director of Corporate Relations; Sravani Ghosh Robinson, Program Development Manager; and Mary Stelletello, Director of Partner Services and Grants.

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Dr. Richard Steckel
President
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Foreword

Over the past decade, the role of NGOs has grown dramatically, creating a potent force for progress in every corner of the world. Whether they are active in strengthening civil society, promoting economic development, expanding learning opportunities, engaging people in community service, or preparing youth for jobs, these organizations have become key players in building human capital, reducing poverty, and creating livable communities around the globe.

Built To Last: Successful Habits of Visionary Companies was a seminal book describing what it takes to create large, successful, companies that continue to thrive. So too, there are qualities and conditions that foster or impede the long-term sustainability of NGOs. Too often, they simply don't have the critical training or support – including financial – that is necessary to be effective or to take their programs “to scale” and impact greater numbers of people and communities.

Creating Social Enterprises Through Strategic Alliances: A Tool Kit for NGOs seeks to address some of these challenges by offering a range of entrepreneurial strategies for NGOs to diversify and increase their income. It's designed to take readers step-by-step toward developing mutually beneficial strategic alliances with private companies. This notion of NGOs working collaboratively with business partners is an exciting but relatively new field. So this publication is filled with practical advice, case studies, exercises, and even words of caution, that will help the reader move to the next step in building a successful partnership.

While this publication is designed to directly assist NGOs looking for creative ways to enhance their revenue and strengthen their programs, we believe that donors, business leaders, and policymakers will find these “tools” and strategies useful in establishing all kinds of cross-sector relationships.

The International Youth Foundation (IYF) believes, as we do, that helping NGOs strengthen their organizational capacity – which includes good governance, strong staffing, planning, and “best practice” programs, as well as financial support – is critical to their impact and sustainability. Through the Lucent Technologies/IYF *Global Fund for Education and Learning*, we are increasing the effectiveness of the NGO partners who are carrying out our global education programs in 16 countries. This publication captures some of those key learnings around capacity building to share with other practitioners around the world.

As someone who has spent many years helping to promote and support effective public/private alliances, I highly recommend this book. It's practical. It's easy to use. And it offers valuable advice for organizations exploring new ways to strengthen and sustain their work. I hope you read it, use it, and find success.

Chris Park
President
Lucent Technologies Foundation

Introduction:

What Is a Strategic Alliance and Is It for You?

*Strategic Alliances...Cross-sector Alliances...Inter-sector Partnering...Collaborations
Nonprofit-Private Sector Partnerships...Joint Ventures...Coalitions...Associations*

Have you noticed that the roles and responsibilities of businesses, non-governmental organizations (NGOs), and governments are becoming more inter-reliant? It used to be that governments were considered the sole entities providing for the public good. NGOs focused on issues or segments of the population that needed special attention. And companies often sought to maximize their profits without considering the needs of society. Each sector seemed to have clearly defined roles and boundaries in most societies.

Not any more! Today the world is shifting from a model of clearly defined boundaries between the three sectors to one in which success in meeting society's needs depends not just on complementary actions among businesses, NGOs, and governments, but on the synergy among them.

New relationships between members of the three sectors are appearing all over the world, with each sector contributing their resources, expertise, and perspectives. Often the partnerships created are experimental and incremental, with the benefits of continuous collaboration serving as an incentive for sharing knowledge and risks.

Increasingly, however, forward thinking leaders from NGOs, corporations, and governments are undertaking partnership activities in which the long-term interests of businesses and those of civil society organizations and governments are coming together.

Strategic Alliances

There is a range of partnership opportunities for NGOs to enhance their income and sustainability—such as a social purpose business venture that is often a separately incorporated stand-alone initiative, cause-related marketing, or an earned-income project. This book will focus primarily on the partnership that develops between an NGO and a private company – which we call a “strategic alliance.” It’s a term that means different things to different people and different organizations. Sometimes it means different things to different people within the same organization. There are a number of definitions of the term “strategic alliance” that provide some insights on its meaning.

The Prince of Wales International Business Leaders Forum, for example, defines the term as “a cross-sector alliance in which individuals, groups, or organizations agree to: (1) work together to fulfill an obligation or undertake a specific task; (2) share the risks as well as the benefits; (3) review the relationship regularly, and (4) revisit their agreement as necessary.”

The Copenhagen Centre defines a strategic alliance this way: “People and organizations from some combination of public, business, and civil constituencies who engage in voluntary, mutually beneficial, innovative relationships to address common societal aims through combining their resources and competencies.”¹

We simply say that “a strategic alliance is a mutually beneficial and well-defined long-term relationship entered into by two or more organizations to achieve jointly defined common goals.”

Take a look at those definitions again. Do any prerequisites for a successful relationship between several organizations (including corporations, government agencies, and other NGOs) seem to surface? Here are some that we identified. The relationship should include a commitment to:

- The success of the collaboration
- Working toward a “win-win-win” arrangement where all parties within the partnership, including the consumer, gain more than they may individually give
- A common vision that takes into account the individual and mutual goals of each participating organization
- Shared responsibility for obtaining results
- Effective communication and an openness for sharing information
- Mutual trust and confidence
- A sharing of resources and rewards

Can you think of any other prerequisites? What would they be?

As a leader within an NGO, you’ve probably already done some thinking about whether or not your organization should become involved in some type of strategic alliance with a corporation. Maybe you are wondering about the benefits of such an alliance—for you and for the corporation. Here are some benefits to NGOs we could think of:

- Enhanced credibility and visibility through the association with a “branded” company
- Better prospects to influence policy
- Ability to produce unrestricted income
- Access to a broad array of creative, financial, technical, and human resources
- Innovative and effective design and delivery of services and products
- Expanded opportunities for organizational learning
- Better ways of operating more efficiently
- More opportunities for improving the professional skills of staff

Can you think of any other benefits that an NGO may get from a strategic alliance with a company?

Let's take a look at some benefits companies receive from a strategic alliance with an NGO:

- Enhanced corporate image by associating with an organization known for its contributions to society
- A comparative advantage over competitors
- Access to new markets, customers, and networks with whom the NGO may have visibility and access
- Increased opportunities to incur time and cost savings by drawing on the expertise of NGOs to solve particular challenges
- Enhanced brand value and reputational assets
- Recognition as a caring company which enhances the hiring and recruiting of talented workers
- Increased satisfaction of employees while improving their skills, experience, knowledge, motivation, job performance, and retention

Can you think of any other benefits a corporation obtains in an alliance with an NGO?

After looking at the potential benefits of a strategic alliance, you and some of your colleagues may find participating in a strategic alliance an intriguing idea. But you still may have some nagging concerns about how such a partnership might affect your organization. Maybe you are worrying that a strategic alliance may require your organization to give up some of its independence and perhaps lose a bit of the uniqueness of its identity.

A strategic alliance isn't simply about two or more organizations sharing information and ideas about what they are doing about a particular issue. It's about working together to figure out what works, learn from one another, undertake activities jointly, and pool limited human and financial resources so they will go even further and have a greater impact. After all, no one private or NGO entity has sufficient resources, experiences, or knowledge to deal with the complexity and magnitude of so many challenges facing the world today.

Are you wondering about what kind of a relationship to have with a company? Here are a number of suggestions, several of which might even be appropriate for a partnership with a foundation or a government agency:

- A social purpose business venture that generates income through the sale of products or services. (This is a for-profit commercial activity started by a nonprofit organization that applies a market-based approach to generate revenue and addresses a particular social need, while furthering the mission of the organization. Such enterprises are often – but not always – separately incorporated stand-alone ventures.)
- The sponsorship of a series of events or campaign

- Multiple grants to support a project providing services
- In-kind contributions such as office space, equipment, or products
- Grant management services in which an NGO manages funds on behalf of a company or a government agency
- Employee volunteering
- Cause-related marketing, where a company links its consumers to an NGO through the sale of products or services

We'll go into more detail about the various options for a strategic alliance in Chapter Three. First, let's determine your readiness for such an undertaking. To help you see if you are ready, we have prepared a number of questions and exercises in this and the following chapters to help you think through all the facets of creating and participating in a strategic alliance.

Now answer the following questions to see how entrepreneurial your organization is and whether you may want to get involved in a strategic alliance:

Entrepreneurial NGOs:	Where your organization stands:				
	Low		-		High
Enjoy interacting with other organizations	1	2	3	4	5
Have effectively built some key relationships with a few for-profit, NGO, or public sector entities	1	2	3	4	5
Have clearly defined and distinctive competencies	1	2	3	4	5
Are flexible yet steadfast to mission	1	2	3	4	5
Are comfortable with risk	1	2	3	4	5
Have a tolerance for ambiguity	1	2	3	4	5
Are action oriented	1	2	3	4	5
Have leaders rather than managers	1	2	3	4	5
Expect and demand the best	1	2	3	4	5
Have a sense of competitive advantage	1	2	3	4	5
Anticipate change	1	2	3	4	5

No one is checking your scores, but if they are mostly in the ones and twos, try asking yourself how you feel about the following:

How much would you like to:

	Low				High
Make your organization more credible to foundations, corporations, and government sources?	1	2	3	4	5
Interest business and/or government entities in participating in partnerships?	1	2	3	4	5
Build and maintain strong, high-impact partnerships with a variety of organizations corporations, government agencies, other NGO organizations?	1	2	3	4	5
Develop relationships that are stable, long-term and mutually beneficial?	1	2	3	4	5
Diversify your revenue base so your organization is less vulnerable, with more income sources?	1	2	3	4	5
Make your organization more widely known within the larger community?	1	2	3	4	5
Be perceived as actively engaged and extremely responsive on particular issues or challenges?	1	2	3	4	5
Improve your management capabilities through:	1	2	3	4	5
¥ better decision making					
¥ having a business-like approach that spreads to other employees					
¥ refined and upgraded management systems					
¥ a management and staff that becomes more pragmatic and realistic with their projections and planning					
Enable staff to grow more self-confident; create staff career paths; and hire more qualified staff?	1	2	3	4	5
Introduce new fiscal discipline; leverage your assets; and increase overall financial sophistication?	1	2	3	4	5
Boost your organization s creativity and sense of responsibility and pride?	1	2	3	4	5

If your answers were all 1's and 2's in both of the question sets, maybe you are not ready for the risks of participating in a strategic alliance. But don't stop here! Keep reading to find out what your organization needs to be prepared to participate in a strategic alliance.

If your answers were all 4's and 5's, then you are probably well on your way to becoming an entrepreneurial NGO ready to participate in such an alliance.

Assessing Your Organization's Readiness for a Strategic Alliance

If you have decided to go ahead with a strategic alliance, this assessment will help you put together a “snapshot” of your organization so you have a better understanding of where you are and where you want to go. When you move to the second part of this tool kit, entitled *Preparing Your Organization for Internal and External Success*, this assessment will provide a useful starting point for your work and will serve as an encouraging reminder of how far you've traveled.

Organizations tend to have their own preferred approach to completing forms and preparing plans. We suggest, however, that you treat this assessment as an informal document to help you get ready to participate in a strategic alliance, rather than some type of formal report to be debated and perhaps approved by the board.

There are no right or wrong answers—just a place from which to start your journey! Recognize that some of the questions are subjective, e.g. “On a scale of 1-5, indicate how much your Board of Directors supports the idea of a joint venture?” If members of the Board are fighting the idea, it's important to recognize this resistance at the outset and devote time to winning them over.

Some questions, such as “Describe your programs” may seem obvious and a waste of time. They're not—in fact they are extremely important to the process. Try to imagine you are describing your programs to someone—a business person—for the first time, as succinctly as possible, with a clear explanation of the outcomes and benefits.

Exercise A

A SENSE OF PURPOSE: WHAT DO YOU STAND FOR?

1. What is your mission statement? A clear definition of an organization's mission explains its core purpose and answers the question: what business are we in? Being clear about your mission helps potential partners know on which initiatives and activities you will focus and which you will not.

2. Briefly describe your major program/s (some may be potential strategic alliance opportunities)

3. Are your programs meeting the needs you intend to address? How can you tell? What measurements do you use to evaluate social outcomes?

4. Who do you serve, in what geographic area? Describe them in detail —pre-school, young children, teenagers, income level, educated, ill or with disabilities, politically motivated, etc. Your clients will be one of your key selling points—so the more accurately you can describe them, the easier it will be to research potential partners.

5. Who else might your organization serve if you had the funds—and the desire—to expand your mission to serve additional population groups?

Exercise B

YOUR ORGANIZATION'S ASSETS: TRADITIONAL AND ENTREPRENEURIAL

1. Your financial picture

What is your organization's current operating budget? _____

How many months of operating income do you have on hand? _____

How much money do you have in the bank that could be used as funding for a new joint venture or your research and development budget? _____

Approximately, what percentage or amount of income is derived from the following:

Philanthropic Contributions:	Foundations	_____
	Corporations	_____
	Individuals	_____
Revenue from partnerships		_____
Fees for Service (services that are paid for by others)		_____
Products sold		_____
Government contracts		_____
Special events		_____
Other earned income projects		_____

In what ways would you like to see these percentages change?

2. Identify and then describe your organization's assets that you could bring to a potential partnership. The following list is a guide, so feel free to add additional assets.

a. Tangible assets (list)

- A unique program or service that reaches a distinct audience or responds to an important social need
- Publications
- A newsletter, magazine, or periodical
- Research material on a problem or issue
- Program evaluation results
- Contacts with individuals and other organizations who are experts on particular issues
- Expertise among your staff, board members, and others in your organization
- Endowment/cash reserve
- Real estate (land, buildings)
- Property rights/natural resources (mineral, water, timber, etc)
- Equipment (office, maintenance, special program-related equipment)
- Valuable items (artwork, antiques, collections)
- Other tangible assets

b. Intangible assets

- A positive reputation and credibility with:
 - Other NGOs (which ones?) _____
 - Clients, participants _____
 - Staff and volunteers _____
 - Collegial, noncompetitive organizations (which ones?) _____
 - Businesses (which ones?) _____
 - Government agencies (which ones?) _____
 - Media (which ones?) _____

- An ability to deliver high quality programs at a low cost
- Visibility and high public awareness of the organization
- A respected, independent organization that provides unbiased information
- Access to audiences who could be new market segments for a company
- An image that will help a company look unique or distinct.

Do you have relevant articles, reports, or surveys that support your comments? Begin to pull them together as part of your business planning.

Tangible and Intangible Assets — An Example

The Center for Occupational Hazards is a clearinghouse and consulting service on common workplace hazards. A small organization with rented space, they approached this exercise thinking they only had a few assets. To their surprise, they made the following lists:

ORGANIZATIONAL EXPERTISE

In-depth knowledge of workplace hazards, including methods of prevention and treatment, and practical and legal issues

INDIVIDUAL STAFF SKILLS

Knowledge of chemistry, labor law, physics, business law, mediation, environmental regulations, politics, and lobbying

MARKETABLE PROGRAMS

- Seminars on workplace safety and workplace regulations
- Consulting services on reducing workplace hazards, working with labor unions
- Mediation services between management and labor
- Training program for managers

PRINT AND MEDIA PIECES

- Information and training videos on workplace safety
- Booklets on individual hazards and their prevention
- Workbooks on uncovering and eliminating hazards in your business

PHYSICAL ASSETS

- Office space, 1000 square feet
- Classroom, 700 square feet
- Two computers with database software
- Computerized telephone message machine capable of giving 20 pre-recorded three-minute messages

OTHER

- Reputation for high-quality work, for approaching problems responsively and reasonably, for saving clients headaches and money
- Ability to confer an unofficial, but valuable "safety seal of approval"
- Access to lawyers, doctors, researchers, politicians

**Making the list helped the center recognize marketable assets.
Possibilities were:**

- Renting message space on their phone machine to other organizations
- Creating an official safety seal of approval (organizations would pay for inspections in order to earn the seal)
- Selling booklets on workplace hazards and prevention to insurance companies to use as premiums for their business customers
- Renting their classroom to other organizations needing meeting space
- Selling training seminars on occupational safety to business schools
- Selling videotapes and training materials to chambers of commerce and industry trade groups to distribute within their areas

3. Describe your organization's personality. List three traits people think of when they hear about your organization. This will be important in defining your "brand essence"—the qualities and attributes associated with the public's perception of your organization.

4. Who are your allies/supporters? Think of all the people who wish you well and identify with your allegiances along with any pluses or minuses inherent in these connections. It's good to have friends in high places, but sometimes they come with risks!

Major funders, investors, or partners:

Board Members:

Members/Volunteers/Contributors:

Clients/Participants/End Users:

Exercise C

YOUR ORGANIZATION'S

READINESS AND CAPACITY FOR A STRATEGIC ALLIANCE

Internal Capacity

1. Do you have a three-year strategic plan for your organization? Yes No

If yes, who wrote it and when? _____

How often is it reviewed? _____

How is it distributed throughout your organization? _____

How is it distributed outside, to funders for example? _____

2. Does your organization have any previous or current experience participating in a strategic alliance? Describe.

3. As a whole, how supportive is your Board of the idea of participating in a strategic alliance?

- Supportive, can't wait to get going
- Supportive, but has a few concerns
- Somewhat skeptical, but willing to give it a try
- Don't understand it, never heard of it
- Really don't like the idea
- Adamantly opposed to the idea

Comments

4. What specific policies does your organization have in place that support entrepreneurial joint ventures?

5. As a whole, how supportive is your staff of the idea of participating in a strategic alliance?

- Supportive, can't wait to get going
- Supportive, but have a few concerns
- Somewhat skeptical, but willing to give it a try
- Don't understand it, never heard of it
- Really don't like the idea
- Adamantly opposed to the idea

Comments

6. Which staff members are already assigned to projects involving partnerships or have immediate contract availability? Which have experience working with businesses or government agencies? Do you have a pool of available labor?

7. What strategic alliances have you, your staff, and/or your Board dreamed about? You are limited only by your imagination here—these suggestions don't have to be practical and you don't necessarily have to have any of the components in place.

External Environment

8. You've already listed your supporters. Do you have any potential, unfriendly, or friendly competitors? Describe them.

9. What are the issues and trends to watch? How do they either support or inhibit your prospects for success? For example:

- Business and economic changes
- Political developments
- Social and cultural shifts
- Technology innovations
- Demographic changes in population segments
- Philanthropic activities and patterns
- Work of successful NGOs
- Cross-sector alliances between NGOs, business, and government
- Social issues of greatest concern to potential partners

10. What potential alliance partners have you identified?

Exercise D

THE PHILOSOPHICAL QUESTIONS

1. List all the reasons for why you think your organization should participate in a strategic alliance. What do you see as the benefits?

2. List all the reasons you shouldn't engage in a strategic alliance. What do you see as potential drawbacks or areas of concern?

Good, you've completed the first step—an assessment of your internal capacity and motivation to participate in a strategic alliance. You've probably already learned a lot about yourselves and your organization. Keep this information on hand to refer to as you work through Part Two.

Please see "The Tool Box: Tips and Tools" on the following page. These sections will appear throughout the publication offering practical suggestions and examples relating to that particular chapter.

THE TOOL BOX : Tips and Tools

To be successful in partnerships with businesses and/or government agencies, your NGO must be prepared. Before embarking on such a venture, make sure that you can check off the following:

Mission Statement. Who you are, what you do, who you do it for, and why you do it. Your mission is one of your most valuable assets to a potential corporate partner as it differentiates you (and by extension the corporation) from others in the field. It's also valuable to you as it keeps your organization firmly anchored to its purpose.

Vision Statement. Your vision is the long-term plan for what you want to achieve. (If your mission is to feed the hungry, or serve the poor, most likely your vision is to eliminate hunger and poverty.) Sometimes the organization's "vision" is incorporated into the mission. Many organizations do not publish a formal vision statement. But it's important that everyone in your organization share the same vision of what the organization ultimately wants to achieve. In selecting a corporate partner for a strategic alliance, it is key to ensure that yours and the corporation's vision and values match, or at least overlap substantially.

Values Statement. These are the things you hold dear in the accomplishment of your mission, such as dignity, compassion, equality, and diversity. It is worth taking the time to write down your organization's values and a demonstration—or proof that they are carried out in practice—as you will be looking for corresponding, or at least complementary, values in a corporate partner. As you enter negotiations with a business partner, remember that your values constitute the essential nature of your organization. Compromising them would not only affect your NGO operations, but also render you less effective as a partner because your values are your most important intangible asset.

Strategic Plan. This cannot be a dusty document that sits on a shelf after the Board retreat. It is a focused plan of where the organization is headed and how it plans to get there. Social enterprise, and within it strategic alliances, can be a key component of your strategic plan, but it cannot stand alone as a plan for the organization's salvation. You may not end up in the place you have planned, but having a plan in the first place gives you a guide against which to test your decisions and to measure how well you are meeting your goals. If you don't have a strategic plan, take some time to develop at least a simple one before entering uncharted territory.

Budget. Does your budget include a component for Research and Development (R&D) of 2%, 3% or 5%? Can you afford the necessary "risk capital" and, bearing in mind that even a healthy return will take a long time, do you have sufficient "patience money"? If this money is not available, the Board must make a decision about where the money is going to come from before embarking on a strategic alliance. Think of the R&D budget as similar to the money you would spend on fund raising—paying a director of development, for example. Given the return on grant proposals, allocating a small fraction of your budget to a strategic alliance can be viewed as quite a sound investment.

Board of Directors/Staff. If the organization as a whole isn't behind you, your success will be undermined at every turn. If you have Board and staff members opposed to your organization's involvement in a strategic alliance, the going will be tough.

Introduction:

Creating Internal Capacity

The exercises in this book take you step-by-step through the process of preparing your organization to create a successful strategic alliance. Although the exercises are designed to take participants all the way from planning through implementation, some readers will discover that a strategic alliance is not right for their organization, or that it is not appropriate at this time.

Don't worry. The effort will not be wasted if you decide not to pursue a partnership with another organization. Everyone who makes the journey through these exercises will learn more about themselves, their organization, and the limitless world of opportunities available to those who take up the challenge.

Throughout the exercises, we provide you with the chance to conduct a self assessment of your progress. This is a running reminder of the things suggested earlier in the book that should be accomplished if your venture is to succeed. If you can't check off most of the items, slow down, delegate, and then get back up to speed.

It is not enough for one person to have an idea—a strategic alliance requires a commitment from everyone in your organization. All endeavors need a leader and as the “strategic alliance champion,” it will be your job to lead your Board members and staff through the process of exploration and preparation to make sure that the organization as a whole is ready to move forward.

The following chapters and their accompanying exercises are designed as a “bridge” between the ideas you have been reading and talking about and the world of partnering that you are preparing to enter.

Some of these exercises will overlap, or need to be re-ordered to suit your needs. For instance, planning your strategic alliance and identifying your business and/or government partners might easily occur at the same time. If the biggest company in town approaches you with an irresistible suggestion, feel free to skip a few steps!

If you are ready to move forward with a strategic alliance, some of these exercises may seem unnecessary. But don't take too many short cuts. You are building your team, and the investment of time now is more likely to pay off in the future when you launch your strategic alliance. Now is the time, before you take your ideas out into the marketplace, to ensure that everything at your organization is in place for INTERNAL and EXTERNAL SUCCESS.

Chapter One

Organizing Your Team

It can be lonely being the sole champion, so before going any further, assemble a team to support your efforts. The ultimate goal is to get your entire organization committed to participating in a strategic alliance (internal success) and then selling your ideas to the business community (external success). But for now let's begin with a core group of people who share your belief in the value of strategic alliances.

As you have probably already learned by now, nothing happens if it's everybody's – and nobody's — responsibility. It is the strategic alliance team's responsibility to make things happen, and if the team is falling down on its job, it's up to the champion to get things moving.

As quickly as possible, discard the traditional committee methods of meeting—once a month will not be enough to get the work done. On the other hand, there is no point in meeting if no one has done any work. Call impromptu meetings to celebrate success. Call a quick meeting—by phone if necessary—if something comes up that needs speedy handling. Never leave a meeting without setting clear goals for the next one.

Ask for volunteers from within your organization to serve on the Strategic Alliance Team (SA Team). Your team can be made up of Board members, staff, and volunteers. It doesn't have to have the Board chair or all of the senior staff—in fact they may be too busy with their other commitments to devote time to the team's work. The most important thing is that everyone on the team is committed and is willing to do the work.

Recognize that developing a strategic alliance is not a project that the staff can pull together in their “spare time.” Members of your team will undoubtedly have other duties and obligations, but as the champion, you need to lobby the Board and management to give team members sufficient time to devote to the cause. Exhaustion is one of the greatest challenges of NGOs—so don't make your joint venture a contributing factor.

Ask for suggestions for people to approach in the business community. Ask three people in business (Board members, vendors or donors) which three people they know who would be good candidates for your SA Team — and then ask if they can introduce you. Business people will be invaluable assets, both for their understanding of business practices and their network of contacts. Choose people sympathetic to your cause and familiar with how you operate.

If you don't have personal contacts at local companies, approach the ones you admire and invite them to suggest an executive to join your team. Don't be offended if the chief executive isn't available—an ambitious middle management person is more likely to have the time and energy to devote to the alliance.

Study ads in newspapers and magazines. Look for ones that speak to your heart and mind, and then find out who created them. Invite those designers, copywriters or advertising executives to join your team. If their work spoke to you, then they will have integrity and credibility, as well as respect from the community.

Finally, although you want a strong team that can make effective presentations and develop solid agreements, **remember that the Board of Directors is ultimately responsible for approving business contracts.** Be careful, especially if you have Board members opposed to your organization's involvement in a strategic alliance. Do not take shortcuts in preparing your Board for participation in the initiative. If they as a whole aren't behind you, your success may be undermined at every step of the way.

Even if your Board is enthusiastic and grants the team "fast track" authority to negotiate deals, make sure that you keep them regularly informed. Include an update on the team's activities in the monthly board packet. Solicit members individually and as a group for help with making business contacts or obtaining professional expertise. Do not simply disappear and then reappear six months later at a Board meeting with a business partnership that can only be voted up or down. Having at least one Board member on the team ensures continuity of communication.

Your team needs:

- A champion—a leader who will push through no matter what;
- A core group of team members—four to six people is a good number to begin with;
- Plenty of interested volunteers whose skills can be called upon as needed, and who provide a pool of potential talent that could enhance the core team; and
- An involved and supportive Board.

Cautionary Notes

This book is primarily focused on the benefits of participating in a strategic alliance between an NGO and a corporation. Nevertheless, many of the suggestions could also be appropriate for partnerships between NGOs, foundations, or government agencies.

Like everything else, there are pros and cons, stumbling blocks, and outright pitfalls. A strategic alliance between an NGO and a corporation is not for every organization, and even the best ones can make mistakes along the way. So it is critical that everyone is keen on the move toward being involved in a strategic alliance.

You can't ignore those who are skeptical or outright opposed to any type of partnership venture. Address doubts and fears head on, and deal with them. Set up a meeting or retreat and invite as many people as you can. Perhaps hold separate meetings with the Board and staff.

Among the questions you may want to ask:

- Will a particular strategic alliance change our role in the community or endanger our position of trust, as well as our level of support from funders and the general public?
- How might an alliance detract from our financial and philosophical commitment to our current programs? How will it affect our clients and consumers? Will they receive less attention?
- What financial resources do we have to begin or participate in a strategic alliance? Where might we obtain additional resources?
- What skills do we have in-house to develop and manage a strategic alliance? What do we need?
- Are there any tax implications for our organization? Who do we check with?

Before the close of the meeting, make sure you have a complete list of all the concerns and plan for dealing with them. Ask for a board resolution (see Tool Box for example) to approve a partnership with a business at your next meeting.

The Tool Box: Tips and Tools

Here s an example of a Board Resolution to approve a business venture:

Resolution by the Board of Directors of the (Name of Organization) to grant Fast Track negotiating authority to the Executive Director

The Board of Directors of (Name of Organization) hereby grants the Executive Director of the organization authority to pursue strategic alliances with potential business partners for the benefit of _____

The Executive Director may:

- Identify and approach potential business partners;
- Meet with prospective business partners to negotiate potential strategic alliances;
- Draft business agreements for the purposes of negotiation;
- Spend up to \$... in pursuit of strategic alliances (the designated research and development budget) on an annual basis without requiring additional board approval;
- Delegate this authority to members of the Strategic Alliance Team working on his/her behalf and under his/her direction.
- This authority is granted on an "ex-officio" basis and extended to whoever is serving as the Executive Director or Chief Executive Officer of the organization.

As part of its financial, legal, and oversight responsibilities, the Board of Directors reserves the right to review and approve the final contract.

In appreciation of the difficulty of negotiating contracts for strategic alliances, the Board of Directors undertakes to make changes to the final contract ONLY if deemed absolutely necessary.

This resolution is in force through _____

Approved by the Board of Directors on _____

President of the Board

Chapter Two

Identifying and Obtaining the Necessary Entrepreneurial Skills

By now you should be feeling relatively confident about your organization's capacity to participate in a strategic alliance with a business in some type of venture that will generate revenue for your organization.

So far, you have assessed your organization's readiness, identified your asset base, and organized your strategic alliance (SA) Team. In the process, you've probably also identified some "people skills" you didn't realize you had. Now it's time to examine in-depth the entrepreneurial skills your organization already possesses and figure out where you will secure the ones you don't have. For instance, in the next few weeks you will need people skilled at market research to help you uncover and understand the demand for your prospective venture with a business. It may be a wonderful idea, but does research back it up?

Once you have decided on a specific venture, you'll need people who understand how to help formulate a business plan. You'll also need a strong writer to make the plan engaging and persuasive. Your proposal writer may possess these skills, but bear in mind that a business plan is different from a grant proposal. If your potential strategic alliance with a company involves starting some sort of social purpose business where you will be selling or distributing products or services to generate revenue, you will need production, purchasing, and sales expertise. Don't forget financial management expertise—after all, if the venture isn't profitable, there is no point in pressing ahead.

When it comes time to present the venture to corporations, you will need professional graphics and copywriting skills (either paid or pro bono) to put together a compelling sales presentation. You will also need people who understand the mechanics of advertising and marketing to help you make the case with prospective corporate partners.

Exercise E

ORGANIZE YOUR RESOURCES

Bring the SA Team together to begin to determine which skills you have on board, which ones you are likely to need, and when you will need them. If new staff or consultants are to be hired, be sure to fully explore how they will be compensated and how they will interact with existing staff. This is one of the areas where staff's covert hostility or passive resistance to the initiative can jeopardize your venture. Withholding critical information or limiting interaction with new staff or consultants because they are too busy are two ways that staff may express their opposition.

Use the following chart to begin your planning. It doesn't matter where these skills are coming from—the SA Team; Board, staff or volunteers; or others in the community. At this stage, you aren't looking for top professional expertise (but it's great if you can secure it). You are looking for people with sufficient business and creative know-how to take an idea and shape it. Once you have generated corporate interest and obtained some funding, you can hire specific expertise on contract when needed to launch the actual venture.

Do not be modest about your skills, and do not let others be modest either. You may be surprised by your colleagues' talents, skills, and interests.

Skill Sets

	We have	We need	By when?
Advertising			
Design			
Graphics			
Illustrations —storyboards			
Marketing			
Production knowledge			
Profit and loss analysis			
Cash flow management			
Purchasing			
Research			
Sales			
Planning			
Personnel management			
Photography			
Writing business propositions (not grants)			
Other			

Taking the Organizational Pulse

Have you	See Chapter	Completed	Will be done by
Adopted a Board resolution?	One		
If you don't have a Board resolution, have you arranged training for Board members or set up an Advisory Board?	One		
Dealt with other doubts and fears, such as obtaining legal advice or setting aside an R&D budget?	One		
Other doubts and fears?			

Chapter Three

Selecting Strategic Alliance Opportunities

Today, NGOs are negotiating various ways of working with companies. They range from a simple sponsorship relationship to more strategic ones such as long-term cause-related marketing campaigns.

In working with a company, your organization may have different relationships at different times. If you are just beginning a partnership with a company, you may want to consider starting slow and easy and negotiate a simple form of collaboration such as a modest grant for a specific project. Then after testing the relationship and building mutual trust, you could move on to one that is more intensive and complex over time.

There are many kinds of relationships you could have with a company. To help you decide, consider the following options or combinations of options:

Social purpose business This is a for-profit commercial activity started by a nonprofit organization that applies a market-based approach to generate revenue and address a particular social need while furthering the mission of the organization.² Such enterprises are often—but not always—separately incorporated stand-alone joint ventures that may or may not provide transitional or permanent employment to individuals outside the economic mainstream.

They must be run like a business with a separate Board. Even though the business may benefit your program, the needs of the business must be insulated from any problems with your programs.

Foundation for Young Australians (FYA) and the Body Shop

In 1996, FYA joined in partnership with the Body Shop to establish an independent clothing manufacturer that trains and employs disadvantaged young people. The profits of the business are invested back into the program. The Body Shop contributed nearly AUD\$1 million, as well as considerable expertise and advice on the management and marketing components. In return, it promoted its image and philosophy of “trade not aid” in a highly visible community-based business. FYA contributed a seed grant of AUD\$100,000 plus evaluation support, and helped with program development and promotion. In return, FYA was able to implement an innovative project and promote a model program that is having a lasting impact on youth. The Body Shop and FYA also received support from the Australian Department of Education, Training, and Youth Affairs. All received significant visibility as a result of the program.

Social purpose businesses, of course, run the obvious risk of all for-profit businesses—failure. Although they can certainly be more modest in scale than the FYA/Body Shop example above, a separately run business demands up-front capital and commitment over the long term. Many of the “doubts and fears” you may have identified in the beginning, especially lack of resources, lack

of time, and lack of expertise, are particularly relevant here. On the positive side, a business that complements your mission, provides solid funding for your programs, and (perhaps) employment for your clients may well be worth a calculated risk.

Questions to ask yourself if you are considering a social purpose business include:

What can we afford to invest—and lose?

How would our mission be served? Would it be better if we did something else?

Do we have the discipline to protect the business from interference?

Can we nurture the business between good times and bad?

Cause-related marketing Cause-related marketing is a way that companies can provide NGOs with the means to reach a larger target market: a company’s customers or consumers. The term describes a set of strategies to link an NGO with a company’s consumers through mass marketing, product distribution, and the sale of products or services.

Cause-related marketing is a great tool for helping an NGO to reach a mass audience with your message and educate them about your cause. If the public sees that the company they respect and trust is in partnership with your NGO, your cause will gain more credibility in their eyes. The same is equally true for a new unknown company when it links up with a “branded” or well-known and respected NGO—the partnership helps to create a positive image and build more consumer loyalty.

Here are three ways in which you can link your organization and cause with a company’s consumers:

- Transaction-based promotions** are purchases in which a certain amount or percentage of a financial transaction or sale of a product goes to a designated NGO or project.

The Consuelo Foundation negotiated an arrangement with Union Bank’s new Visa credit card in which the consumer can allocate a certain amount of every purchase (50 cents for every 100 pesos purchased) to support projects run by the Foundation.

Another type of transaction-based promotion is called “round up,” in which a consumer paying a bill for say, \$25.39, will be invited to increase his/her payment to an amount selected by the consumer (i.e., \$30 or more). The difference from the bill and amount paid (\$4.41 in this example) is donated to a variety of social causes.

Working Assets, a US-based telephone and credit card company, invites all its customers to “round up” their telephone bills and donate the proceeds to causes selected by the consumer. Working Assets also has a Visa credit card in which they donate 10 cents of every transaction to nonprofit groups working for peace, human rights, equality, education, and the environment. For more information, see www.workingassets.com.

- Joint promotions** are combined efforts by a company and an NGO to jointly promote a cause through a product, promotional materials, and publicity. This could include funding to the NGO and/or sharing the cost of an awareness campaign.

Children's Hour™ and IYF

Children's Hour™ was a Millennium 2000 global fund-raising campaign led by the International Youth Foundation and its in-country Partner foundations in 20 countries. The campaign called upon individuals and companies to donate their earnings from the last hour of the millennium to support programs worldwide committed to the welfare and development of children and youth. Thirty companies and their employees participated in the program in 1999, raising about US\$12.4 million.

One of the companies that participated in the campaign was Groupe Danone, the French food conglomerate that is ranked number one worldwide in fresh dairy foods and cookies, and ranks second in bottled water. Its three leading brands are *Dannon Yogurt*, *LU*, and *Evian Water*. In addition to making a corporate contribution and inviting all its employees to donate the last hour of their earnings in 1999, Group Danone publicized Children's Hour™ by printing the Children's Hour logo and program description on over 1 billion of its product labels worldwide. The program description included a brief description of Children's Hour and its mission: "Children's Hour is a worldwide initiative of the International Youth Foundation to help children and teenagers in difficulty to improve their living conditions, their social integration, and their chances in the job market." Danone's involvement in the campaign: "The Groupe Danone and its employees are collectively supporting locally a large number of these initiatives around the world." And if a consumer wanted to give, information was given for where to send their money in France or get more information.

❑ **Licensing by an NGO involves giving the rights to its logo or name to a company for a specific product and receiving a royalty on its sales.**

Save the Children licenses its image and the artwork of its beneficiaries to a company that uses the artwork to make neckties. Save the Children gets a percentage of the sale and a fee for the artwork it sells to the company.

The following is a case study in cause-related marketing, including the benefits gained by both the company and the NGO.

Fundação Abrinq and Natura Cosmetics Brazil

In 1995, Fundação Abrinq and Natura, a cosmetics company, created a long-term alliance, called "To Believe is To See," to help improve Brazil's public school system. Natura's main contribution was the use of its extensive national network of door-to-door salespeople to market a series of special To Believe is To See products (t-shirts, greeting cards, gift bags, notebooks, CDs, and pens) along with its cosmetics. Profits from the sale of these products support programs to improve Brazil's public schools. The art, design, and some of the production costs of the products were provided by different artists and companies at cost, or free of charge. Each product contained an insert that informs the consumer about the program and how it benefits Brazil's poor children. A committee of representatives from Fundação Abrinq and Natura selected the projects to be supported by the program.

In 1998, the program had benefited nearly 200,000 children in 18 Brazilian states and raised approximately US\$2 million. Ninety percent of the funds raised went directly to children's projects and Fundação Abrinq retained ten percent to cover its costs.

Natura approached Fundação Abrinq about working together because it wanted to make a contribution to education and because it knew it was good for the long-term sustainability of the company to play a role in social issues in Brazil. The definition of the program was negotiated between the two partners. Natura wanted a project for education and one that worked at a national scale on an indefinite basis. Because of the nature of the funding — variable and dependent on sales of products — the program needed to be able to expand as revenues increased. Fundação Abrinq developed the program to provide funding to local efforts to improve public school education around the country. Natura involved virtually every part of the company in the program, even its ad agency. It played an active part in the program's conception, design, implementation, and evaluation process.

As a true partnership, both the company and the NGO made different contributions to the program and both benefited in different ways:

Natura's contribution:

- Commitment to social responsibility and education
- Creativity and product development resources
- Mobilization of 240,000 product salespeople and other human resources
- Marketing and distribution channels

Fundação Abrinq's contribution:

- Established track record in children and youth programming
- Knowledge about children and youth issues
- Implementation and monitoring of the educational program
- Secure and credible allocation of resources raised
- Name recognition on a national scale

Natura's gain:

- Market differentiation to the consumer (providing products no one else does)
- Demonstration of its commitment to society and to children
- Greater consumer loyalty and thus, more sales
- Motivation of employees through recognition of their contribution to the program

- Employees that feel more loyal to the company

Fundamental gains:

- Consistent funding for a critical social need
- Excellent visibility among the general population
- Mechanism to get its message about the importance of children's rights to the public on a large scale
- Connections to other companies and donors

Keep in mind that with cause-related marketing, an NGO and its corporate partner must be very comfortable with one another's image, products, causes, and business practices, since in the public's eye, both organizations are closely tied together.

What are the benefits of such a relationship? An NGO benefits financially and gains more exposure with the public. It also opens up new opportunities to educate the consumer about the NGO's mission and programs.

Companies' involvement in cause-related marketing helps them to:

- Meet their business objectives of strengthening consumer loyalty
- Enhance their image as a caring and socially responsible company
- Create an image, product, or service that differentiates them from their competitors
- Involve their employees
- Support a good cause

In the end, both the NGO and the company make limited resources go further while enhancing their prestige.

Other Ways to Form a Relationship With a Company

Sponsorships This involves inviting a company to participate in or sponsor an annual event or campaign. Sponsorships may range from buying a table at a banquet, or a block of tickets for a fundraising concert, to donations to underwrite the costs of events or campaigns in exchange for publicity.

The Irish Youth Foundation launched Denim Day in 1996, now a very popular and successful annual fundraising event. On Denim Day, companies and some schools relax their dressing requirements. In return, each participating employee donates a minimum of two Euros (US\$2.00) to benefit programs serving Irish children and youth. Denim Day is promoted in newspaper ads and radio spots that highlight examples of successful children and youth projects benefiting from the money raised. Beside publicity via the print and broadcast media, the Irish Youth Foundation also sends out collateral materials: posters, registration cards, collection cards, and cardboard money collection boxes. Irish celebrities offer their names and faces for the promotional efforts. Key sponsors of Denim Day include the Wrangler Jean Company, the Bank of Ireland, and several radio stations. Each year, Denim Day raises over 150,000 Euros at a cost of about 25,000 Euros to plan and implement it. For more information, see www.denimday.ie.

Grants Often a company will start with a grant to a specific project or program. As the NGO and company get to know one another, the relationship may expand and move on to multiple grants over a longer period of time.

The Coca-Cola Company in the Philippines provided \$200,000 for a program constructing schools in rural areas.

Grant management services This is when a company outsources a certain amount of money to an NGO with special expertise and the two will agree on the guidelines on how the funds will be used in terms of geographical area, issues, and recipient population. The NGO is responsible for managing the money on behalf of the company, makes decisions jointly on the direction of the initiatives, and communicates regularly to the donor. This approach frees up executives from pressures of dealing directly with grant applications so that they can focus on other business priorities, yet allows the company to effectively demonstrate its corporate social responsibility.

During the 1990s, for example, the Robert Bosch Corporation, a global manufacturing company base in Germany, contributed millions of deutch marks through its corporate foundation to the Polish Children and Youth foundation to strengthen the leadership and organizational capacity of programs serving thousands of children and youth in Poland. The arrangement provided PCYF with funding to make grants while covering the direct and indirect costs of managing the program.

In-kind contributions Some companies give in-kind contributions such as office space, office equipment and computers, graphic design and printing services, or prizes for a fundraiser. The contribution may be one-time or ongoing.

Renault, a car manufacturer, provides the Irish Youth Foundation with office space and basic office services in its headquarters in Dublin.

Employee volunteering In addition to their time, empathy, and altruism, volunteers from companies can contribute important technical skills, such as problem solving, strategic planning, marketing, information technology, accounting, and management.

The Nokia/International Youth Foundation Make a Connection program is a multi-year, global initiative to give young people in more than a dozen countries the opportunity to "make a connection" with their communities, families and peers, and themselves through youth participation and life skills training. The program is currently operating in Brazil, Canada, China, Czech Republic, Finland, Germany, Hungary, Mexico, Philippines, Poland, Republic of Korea, South Africa, Thailand, Turkey, and the United Kingdom. It is expected to expand to several more countries in the coming years. Not only does the program involve the outsourcing of Nokia's corporate social responsibility dollars, but also promotes volunteering among Nokia executives in Finland and at the local level with Nokia country subsidiaries. Nokia executives are volunteering with Make a Connection programs by sharing their management, marketing, and media relations' expertise. For additional information see: www.makeaconnection.org or <http://www.nokia.com>.

Now that you have examined the various types of relationships with a company, you are ready to begin planning your involvement in a strategic alliance. As you think about opportunities for your organization, take some time to examine the different types of strategic alliance opportunities and look at the guidelines for selecting one that's right for your organization.

General Guidelines for Selecting Strategic Alliance Opportunities³

- ✓ It's related to our mission.
- ✓ We are confident we can execute it.
- ✓ Research shows there is a sizeable potential market.
- ✓ A business partner is available.
- ✓ There is a worthwhile return on investment short term; long-term.
- ✓ It enhances our image, raises our profile and contributes to our brand equity.
- ✓ It complements our traditional fundraising.
- ✓ It diversifies and expands our current sources of income.
- ✓ It releases/increases/obtains unrestricted funds.

Risks and Benefits of Different Types of Strategic Alliances

Strategic alliances with corporations sometimes come with more philosophical risks than financial ones. Both NGOs and corporations come in for criticism in this type of relationship, and choosing a partner is clearly the key decision you'll make in forming a strategic alliance.

Following are some suggestions to support your success with business alliances.⁴

- ❑ **Understand how a particular company operates**, how the business sector it's in operates, and local trends affecting it, before talking with executives. Nothing will undercut your credibility more than displaying the fact that you haven't done your homework.
- ❑ **Choose a partner** with whom there is a genuine mutuality of interest. You must feel confident of its compatibility and commitment to your cause. And you don't want to be connected to a company that is using your organization solely to brighten its (tarnished) corporate image.
- ❑ **Seek relationships** that are based on honesty and where your independence is valued and respected. Avoid those that are not based on complete transparency. Above all, never relinquish control of your programs.

- ❑ **Understand the company's motives.** Profit is a perfectly legitimate motive, but make sure they are committed to your cause and are genuinely involved in the project's impact and outcomes.
- ❑ **Be prepared to respond to any negative publicity** Whatever the agreement with the company, your involvement implies endorsement of their image, products, and operations. However ethical your potential business partner may be, even the best companies can run into problems. The key is whether they deal with their difficulties openly. You'll want to be prepared if this may occur, as it will spill over onto the credibility of your organization. It is always wise to insert a termination clause in your contract or memorandum of understanding and have an exit strategy in case there is due cause to terminate a partnership.
- ❑ **Get your cost accounting system in good order** before discussing financial deals. Be clear with the company about the costs—be reasonable but do not underestimate the costs of planning and implementing a project. The risk of failure in a business venture is ever present, so don't lose money through simple mistakes.
- ❑ **Ensure that any use of your name, image, and logo by a company is used in a positive light** to avoid the risk of damaging your organization's reputation. Be clear how and when the company may use your logo and name. Maintain the right to approve or disapprove the use of your organization's name and logo in any corporate advertising.
- ❑ **Protect any segments of the population benefiting from the partnership** from being exploited in the PR or communications strategies of the partnership. Ensure your organization has veto power over the partnership's images and messages that may be used to depict your clients. Always be careful about getting out your message and ensuring that people in need, especially children, are not exploited in the process.
- ❑ **Do not neglect your partners** Use every opportunity to afford them visibility and thank them for their support. Business relationships, like personal relationships, must be tended and nurtured to keep them from going stale.
- ❑ **Chose to become an entrepreneurial NGO** that avoids dependence on unreliable sources of funding. Even if your strategic alliance generates more revenue than you ever dreamed possible, be prepared for what you'll do if (and when) it falls through. As a business, it pays to diversify your customer base. As an NGO, it pays to diversify your donor base.
- ❑ **Stay true to your mission** Do not let potential funding from a corporate partnership make your organization drift away from its mission. Tailor your projects to the company's interest without diverging from your organization's central purpose or core beliefs.

That's a lot of change to go through. Take your time and remember to celebrate all the victories along the way. You deserve it!

Taking the Organizational Pulse

Have you	See Chapter	Completed	Will be done by
Adopted a Board resolution?	One		
If you don't have a Board resolution, have you arranged training for Board members or set up an Advisory Board?	One		
Dealt with other doubts and fears, such as obtaining legal advice or setting aside an R&D budget?	One		
Invited volunteers with needed expertise to join your team?	Three		
Begun to research and recruit professional expertise?	Three		

By now, the shaded items should be well on their way to completion.



Chapter Four

Identifying Potential Markets

In Chapter Three, we looked at a variety of relationships you can have with a company. Over the next few chapters we've chosen to focus specifically on how an NGO can establish a social purpose business venture in partnership with a company. We believe this is one of the more innovative ways that an NGO can generate revenue while fulfilling its mission.

This, of course, is not necessarily the only type of relationship you should start with a company. Whatever type of relationship you decide to have, many of the steps involved in establishing a social purpose business venture are applicable to the other types of relationships NGOs can have with companies.

To get started, we will explore how to identify your potential markets. Many NGOs tend to think of the people they serve as one-dimensional—children, the elderly, people with disabilities and so on. However, within these categories are many subgroups with different interests, needs and income levels. In addition, most NGOs have many potential customers to whom they simply haven't thought of marketing their products and services.

- ❑ Your organization may serve low-income people, but recognize that if people value something, they will be willing to contribute to or pay for it. That doesn't exclude people with more disposable income who may also need and want your programs, services, or products and be willing to pay for them.
- ❑ If you serve children, how do they access your program? Who brings them? Parents, grandparents, teachers? What needs do they have that might be met (and paid for) while you are also serving their children?

Now it's time to get some flip charts out and call the SA Team together to complete the following exercise.

Exercise F

WHERE ARE YOUR POTENTIAL CUSTOMER SEGMENTS?

WHAT ARE THEIR NEEDS?

Take a few minutes and reflect on the following points:

- ❑ Think about your clients or customers and **identify as many subgroups as possible**. Since it's always easier to sell your services and products to people who already know you, pay particular attention to your users, members, donors, visitors (to special

events) and/or buyers (anyone who has purchased your product or service).

- For each group, **ask yourselves how you could serve them better or differently.** What difficulties do they face in their everyday lives, and what can you do to make their lives easier? What if you changed the times of the services you offer or made them available in different locations?
- Who else might need what you offer?** List them and brainstorm ways you could adapt your core programs, services, or products to meet their needs.
- Think about changes in social trends** over the past 10 years. Now try to imagine how your organization would deal with the changes emerging in the next decade. You can even make those changes happen. For example, for-profits and NGOs that meet the needs of working mothers by reducing their difficulties—day care, early and late hours for appointments, pickup and drop-off services for children—have seen their profits blossom in the past few years. What other market needs will be emerging in your organization's future?
- What for-profit businesses might want to reach the people you serve? **How can you help corporations reach these people and reduce their difficulties?** We'll discuss this again later, but take some time to consider it now.

Once you have identified all of your current and potential markets, ask colleagues from the SA Team to study them to find out more about their needs, behaviors and spending patterns. The more you know about them, the easier it will be to market to them.

There are several ways to do this. You can begin by trying to find government or independent research on the major consumer groups within your country by visiting the library or checking out demographic websites. Advertising agencies are another good resource. Although commercial researchers charge high fees for their customized research, many of them publish basic but often illuminating information in magazines and on their websites.

If you're feeling overwhelmed by too much data, some informal research may serve you just as well. Ask one of your team members to study each subgroup of your potential markets and to identify:

- Which associations they belong to (if any)
- Which magazines they read
- Which products and services they use

This doesn't have to be complicated. Start simple and let your business ideas take shape. For example:

- Ask people you know in the target group what they read or use. Then read their magazines and study their products.

- ❑ Magazines have a market niche and aim their articles at a specific demographic group. This may be noted on their website or you can simply call and ask.
- ❑ Watch advertisements on television and note to whom they are targeted and what need they are meeting.
- ❑ Take a trip around your local supermarket and look at those products that you don't buy, but your target market does. What makes them appealing?

Try to immerse yourself in the values and culture of the people you need to reach. Are there similarities in the marketing messages used by different companies to reach your target group? What are those messages? Are these people likely to be interested in your product or service? If this is not what they are interested in, you'll need to rethink what you are proposing to do.

Corporate Research

There are two elements in researching corporations as potential partners and putting together an analysis for the “pitch” or proposal to join in a strategic alliance with you:

1. Industry research An analysis of the industry as a whole (e.g. banking, food processing, textiles and footwear, , telecommunications, insurance). This doesn't have to be elaborate, but a succinct statement of industry trends, major brands and competitors, and risks and opportunities within the industry will show the company that you have done your homework.

Try the following sources:

- ❑ Industry trade associations—many have websites
- ❑ International Chamber of Commerce (see <http://www.iccwbo.org>) or local chambers of commerce of industry
- ❑ Online international business directories-see the World At Once at <http://www.worldatonce.com/ovt/>; International Business Directories at <http://www.importexporthelp.com/dirindex.htm>; or the Business Patrol at <http://www.businesspatrol.com/>
- ❑ The Directory of International Corporate Giving published by the Gale Group
- ❑ International business magazines and newspapers

If you can't find what you need online, contact your local library or business school.

2. Research on the individual corporation A company analysis is an extension of the industry analysis and shows how the company views itself, and the forces that impact on its success—

such as its competitors, market forces, government regulations, or social pressure. In addition to the resources listed above, see the following:

- Company websites
- A company's annual report (most likely available on the company website)
- A company's communications packet (request)
- Investor relation's packet (request)
- Speeches by senior officials (company website or in newspaper archives)
- Newspaper articles
- Industry associations

Focus your search for a good corporate partner on one that produces products and services that are mission-friendly. To further help you narrow down your search, answer the following questions about potential corporate partners:

- To what trade groups do they belong? Does the company belong to an association that promotes social and environmental responsibility?
- Is there a natural link between their messages and objectives and ours?
- Do you have personal contact in the company at the senior decision-making level?
- Do you respect the way they operate?
- Are they sincere in their social and environmental accountability practices?
- Is the timing right?
- Do you have a good feeling about them?

If your responses regarding a candidate partner are mixed or mostly negative, you should look elsewhere. If you can answer most of these questions in the affirmative, then you've probably found a good prospect. You are now ready to do the client/need/solution/partner development matrix on the next page to further qualify your corporate prospect.

THE TOOL BOX: Tips and Tools

CLIENT/NEED/SOLUTION/PARTNER DEVELOPMENT MATRIX

While you still have your flip charts up and your SA Team together, develop a client/need/solution/partner matrix. Here's how:

- Identify a particular client segment;
- Pinpoint an unmet need;
- Come up with a possible solution to meet that need; and
- Then identify a potential business partner who could partner with you to meet the need.

The following is a matrix from the "Family Service Program" (FSP) that serves low-income families and children. The organization has a large comfortable facility and a team of trained nurses.

Client Segment	Need	Solution	Potential Partner
Although FSP serves low-income families, wealthier families also struggle with day care issues, especially when their children are ill.	Sick children cannot be admitted into regular day-care. This causes significant problems for their parents (generally mothers) who must call around for help from family members or stay home from work themselves.	<p>For mildly ill children, FSP can operate a "Sniffle Center" where the children can rest or play gently while being cared for by nurses and staff. This program can be offered to both low-income clients (free or on a sliding scale) and wealthier paying customers.</p> <p>For more seriously ill children, FSP can offer "Rent-a-Nurse" emergency child care in the child's home. This is a premium service, but one for which harried parents (and/or their employers) will be glad to pay.</p>	<p>Larger employers, especially those with a heavy concentration of female employees may be the best target here.</p> <p>Companies may be willing to pick up most or all of the costs to keep their employees at work and productive.</p>

Chapter Five

Creating a Social Purpose Business Venture

Enlightened self-interest is the motivating factor for businesses, charities, and the consumer.

Consumers are more likely to alter buying behavior if they experience rewards for their efforts—that's good for the company, the charities ... and the consumer.

By now, you've probably thought through a few ideas for the type of social purpose business venture you want to launch in partnership with a company. The previous exercises should have helped you eliminate unlikely prospects and keep those with high probability. Now it's time to make some decisions about your business proposition.

The following exercise is designed to help you review and assess your current ideas, as well as generate some new ones.

Exercise G

MATCHING MISSION TO MONEymAKING VENTURES

In the last few chapters, you began thinking about your organization's assets and their potential marketability. In this chapter, you will build on those ideas. For the most part, this exercise focuses on establishing a strategic alliance between an NGO and a company involving earned income.

These opportunities fall into three categories: products, services, and special events. Some possibilities include:

PRODUCTS	SERVICES	SPECIAL EVENTS
Books	Consulting in your area	Fairs/festivals/concerts
Kits	of expertise	
Videos		Sporting/fitness events
Calendars	Services provided directly	
Clothing	to corporations	Educational/
Equipment		informational programs

Look at each category and list some ideas for each of the likely opportunities.

- For each opportunity, note whether you have the raw materials in-house, whether it can be easily repackaged, or whether it is a new idea and you need to add components.
- For each opportunity, note the potential market—are you selling to current customers (who?) or new customers (who?)
- We will discuss potential partners in depth in Chapter Seven, but as you go through the exercise, note potential partners for your ideas.
- For each idea, remember to think BIG. (Take another look at some of the case studies in Chapter Three). You are looking for ideas that can be marketed to corporations as profit-making ventures.

THE TOOL BOX: Tips and Tools

The Opportunity Matrix

Here s an example from a day care center to get you started:

IDEA	IN-HOUSE PACKAGED	NEW IDEA	NEW CUSTOMERS Who?	CURRENT CUSTOMERS Who?	NEW PARTNERS Who?	LIKELY
Consulting And Workshops “How to help you and your child survive day care and enjoy it”	Program director already does free presentations for parents, Parent/Teacher groups, and women’s groups	Add some experienced presenters and consultants			Corporations whose employees need help with daycare	Begin with local ABC Corp whose employees have children in our facility

Now that you have developed your ideas, assess their potential through the following ten criteria.

Venture idea _____

CRITERIA	How does the venture rate on a scale of 1-5				
	(Negative to Very Positive)				
	1	2	3	4	5
1. Relativity. How well does the idea relate to your mission?					
2. Profitability. How well can you persuade a corporation to invest in it? How well can you make the case that it will be financially beneficial for them by increasing sales, increasing traffic to their business, enhancing their image with customers, or improving customer loyalty. (See the list of "Benefits to Business" on page 58)					
3. Cash Flow. How well can you afford the time and money to produce professional quality samples for the "pitch," perform adequate market research, etc.?					
4. Image. How well does the venture build your public "brand equity"? How well does the message match with how you want your organization to be seen?					
5. Know-How. How much do you know about this venture to pitch it successfully to corporate partners and then carry it out? (If not enough, what do you need? Is knowledgeable help affordable and available when you need it?)					
6. Opportunity Costs. By choosing this venture, you must give up another. How well does the projected return make this choice the best available? (How will you measure it?)					
7. Resources. How well does this project make use of your staff and financial resources? (Are the resources you'll put into it proportionate to the outcome?)					
8. Irresistibility. How irresistible is the idea? How well do you really want to do it? How well does the Board and staff like it? (Even if it checks out perfectly in every other category, but the Team is lukewarm, forget it. Your passion for the venture is your most powerful sales tool.					
9. Demand. How well will people want this product or service? (Will they pay for it? It may be healthy and wholesome, but if there isn't a market, don't do it. Calculate the size of the market.					
10. Feel. How well do you feel intuitively that the idea will work?					

If your responses for a venture idea falls mostly into categories 1 and 2, perhaps you need to go back and rethink or discard it. Hopefully you will have two or three competing ideas with responses falling within categories 4 and 5. Usually it's best to focus on just one, but it's fine to proceed with two or three if your resources and energy levels allow, especially if the ideas are related, linked strategically, and can be pitched as a package.

Chapter Six

Pricing and Financing the Idea

Revenue Options:

- Fee for idea
- Management fee to produce and manage the enterprise
- Reproduction cost of products and markup

In establishing what you will charge for your enterprise, there are three considerations:

- Fairness
- Affordability
- Gain

Now that you have an idea for a social purpose business venture with a company, you must establish:

- How much it will cost to produce
- How much profit you estimate it will make
- How much of the cost will be born by your organization and how much by the corporation

Cost to Create a Social Purpose Business Venture

There are two kinds of costs: direct and indirect costs.

Direct costs are those expenses that can be clearly and easily attributed to designing, negotiating, and managing an enterprise. Typically these include personnel costs, including salaries and fringe benefits; equipment and supplies; training; travel and lodging; rent; utilities; materials; production expenses, printing and photocopying; and accounting and other such “hard” expenses.

Indirect costs, also known as overhead costs, are vital core institutional costs which are not solely attributable to your venture, but which are, nonetheless, necessary for its operations. These costs are often shared among all of an organization’s programs and projects and may include such expenses as audits, insurance, legal aid, performance measurements, marketing and public relations, management information systems, quality assurance, governance, resource mobilization, memberships in professional associations, and research and development.

Your accounting department can help you determine whether a particular expense should be included in direct costs or indirect costs. They can also calculate an indirect cost rate for use with your corporate partner—or any donor for that matter—to ensure that it pays its portion of

indirect costs. Generally, indirect cost rates are combined and expressed as a percentage of direct costs (e.g., 10 to 20 percent of direct costs).

Pricing and Profit

The easy and safe way to set your prices to ensure a healthy profit is to double your costs. It's called "keystoning" and it's a perfectly legitimate business practice. In fact many businesses price their products at keystone plus 25 percent. Remember, when negotiating with a corporation, you can always lower your price (but not too quickly), but it's almost impossible to raise it.

There are many formulas for pricing. Clearly your price must cover your costs. You may have seen some businesses that offer "loss leaders" – a highly attractive offer too good to pass up that gets you into their store, on the likelihood that once there you will also purchase other items. Service companies offer deals like "the first week we'll clean your office free of charge" hoping you'll be so impressed with their work that you'll sign an annual contract. These are time-honored promotional tactics, but not a good formula for long-term pricing strategies. Here are some tips:

- ❑ **Know what the market will bear** Try to find out what corporations generally spend on this type of product or activity. What does your competition charge? If, for example, you are considering offering seminars for employees on child care/elder care, find out what for-profit seminar companies charge and how they structure their arrangements.
- ❑ **Know what the corporation has to spend** What can your prospective partner afford? Businesses are used to paying market rates for services whereas NGOs are used to pricing their programs for grant proposals. (Take that keystone concept to heart.) Try to find out the size of the company's advertising and marketing budget. This type of information is often available in directories of advertisers available at your local library. Or, you could just try asking. Remember that you can always lower your price during the negotiation phase, but if the marketing director smiles broadly and shakes on the deal immediately, you'll know you've charged too little.
- ❑ **Know your options** Be prepared with several options. Be ready to suggest a two-color workbook if a four-color one strains the budget. Offer to repackage your consulting and training program from small intimate workshops to a bigger conference with satellite hookups so they reach more employees but you still make a profit.
- ❑ **Hold off establishing a price until after the first meeting** Unless a company demands pricing information up front, try to sell it on the product first while gently extracting information that will help you come up with a reasonable and well-structured offer.

Royalty payments from cause-related marketing campaigns are a slightly different proposition, where you are selling your name and credibility. In addition to receiving a percentage of the pur-

chase price for every product sold that bears your name (5% to 15% is standard), you will want to secure other benefits for your organization. What are you hoping to achieve, besides financial gain? Go back to Chapter Three and look at the cause-related marketing options and look at Children's Hour. Groupe Danone paid a significant amount of the expense for a large-scale campaign to heighten awareness about the needs of children and youth.

Who's Paying for What?

That's an easy answer. You are paying for as little as possible. The only money that your organization puts upfront is the funding to pay for a convincing and powerful presentation. Do not skimp on this aspect. Take some time at this meeting to go over the resources you assembled in Exercises 3 and 4, then brainstorm ideas for pitching your venture.

Remember that a picture can be worth a thousand words. No matter how brilliant your business proposition, you'll need pictures and graphics to sell it. If you don't have top artistic and copywriting resources in-house, make room in the budget for them now. You may be able to solicit pro bono help from local graphic design firms, advertising agencies, or marketing companies, but don't count on it—expect to pay for what you need.

Once you've sold the business on the idea through your compelling presentation, your business partner should be picking up the bill for the bulk of the earned income venture or strategic alliance. Here's an example of how it can work:

Imagine that you are a literacy organization with an idea for a guide on *How to Help Your Kids with Homework*:

Pre-sell exclusive rights to a single corporation. You find a large bookstore chain interested in using your idea as part of a "Back to School" promotion. They want exclusive rights and advance-purchase one hundred thousand copies of the book with their name on it. The price covers your direct and indirect costs and makes a profit. Make sure you negotiate some additional copies for your organization's own use, both as fundraising premiums for your donors and for your own clients.

Pre-sell exclusive rights to corporations within their own industry. You can't find anyone ready to invest large enough sums to warrant exclusive rights to your product—and exclusivity should come at a premium price—so you try pitching to a chain of day care providers who need to attract new enrollees, a local hospital launching an adolescent treatment program, and a company that specializes in children's school backpacks. All three purchase a specific and sizeable number of advance copies and you agree not to sell to other day care centers, hospitals, or backpack companies.

Pre-sell exclusive or industry-exclusive rights for a limited time period. Corporations purchase copies in advance and you agree not to sell to their competitors for three to six months. You can offer the later users a slightly better deal, but try to get them to sign up in advance. Unit price drops dramatically with quantity so you want to print all your books at once. (This holds true for just about any product. Services, which rely heavily on salaried employees, follow slightly different rules, but if you have startup or equipment costs that you need to spread out over a lengthy time period before you see a return on your investment, offer the corporation a better deal for signing up for a year's services, rather than on a month-to-month basis.)

Don't ignore NGOs and third parties. Other NGOs are often prodigious consumers of products and services. Why not yours? School districts or national parent-teacher organizations are the perfect market for a book about homework. If they can't afford to pay for it themselves, they can probably find a corporation to buy it for them. If you can help broker the deal, you are getting good at the business of negotiating.

Exercise H

PLANNING A LOW-RISK SOCIAL PURPOSE BUSINESS VENTURE

In planning a low-risk social purpose business venture, you need all the financial and business minds available, whether on or off the SA Team, but don't confine your list to finance and business people. Ask everyone involved in the joint venture to attend a meeting after having read Chapter 2 and equipped with a rough estimate of the costs and time commitments related to their aspects of the project. At this stage it is not possible to know all the costs associated with a venture—when you begin talking with potential partners your idea will grow and change. But it's important to include as many as you can identify at this stage.

a. Assess costs. List all of these costs and add them up. Have you thought of everything? Has everyone on the Team accurately projected his/her time commitment? This is not a grant proposal. You do not have to provide the corporation with a breakdown of your figures—just the price of the product and a powerful argument for how it will meet their needs. These estimates are to ensure that your organization makes a profit and doesn't lose money. After the meeting, assign Team members to verify cost estimates by getting firm numbers from vendors with whom you plan to work.

b. Determine profit. Do the following:

- Research comparable costs for your project
- Research how much your prospective partners have to spend
- Remember the “keystone” concept

c. Begin to structure your deal. However exciting the venture and however persuasive the argument, just remember the three key rules of social purpose business ventures:

- Increase the price for exclusivity. You are “losing” potential profits from other sources and need to charge more to make up for the loss.
- Pre-sell as many units as possible. The more produced, the lower the unit cost. But don't be tempted to pay for these yourself.
- Do not become the distributor. Have products shipped directly from the manufacturer to the corporation. Attempting to become a shipping center, especially of individual items, is the fastest way to lose your profits.

Exercise I

PREPARING FOR EXTERNAL SUCCESS

You are almost ready to move on from an internal capacity perspective to engagement in the business world to test out your ideas. Before moving on, it's important to take a careful look at the most common causes of failure in NGO social purpose business ventures and strategic alliances.

Based on your experience so far, try to make an honest assessment of your risk factors. One good way to do this is to ask each member of the SA Team to complete the following questionnaire individually, and then compare your answers with one other.

Assessing your Organization's Risk Factors

The Eight Most Common Reasons NGO Strategic Alliances Fail:

On a scale of one to five, how do you rate your organization's level of risk in each area?

	Low			High	
1. Incompatibility with mission	1	2	3	4	5
2. Failure by NGO to commit adequate resources (financial and staff time)	1	2	3	4	5
3. Failure to research and analyze potential markets	1	2	3	4	5
4. Lack of Board commitment	1	2	3	4	5
5. Managing by Committee	1	2	3	4	5
6. Failure to Consider Unfamiliar Ideas	1	2	3	4	5
7. Lack of Viability Analysis (Too optimistic of success, the NGO fails to look at all the downsides of the venture)	1	2	3	4	5
8. No Contingency Plan (No backup ideas if certain aspects of the venture don't go as planned—and they rarely do!)	1	2	3	4	5

Do SA Team members agree on the main points or do you have wildly differing estimates of the risks you are undertaking? If a majority of your responses are 4s and 5s, take some serious planning time before moving on to see how you can lower the danger level.

If there are wide disparities in the Team's opinion of certain risk factors, take time to discover why you have differing views. This could spell trouble later, so work out your differences now before moving on.

Taking the Organizational Pulse

Have you	See Chapter	Completed	Will be done by
Adopted a Board resolution?	One		
If you don't have a Board resolution, have you arranged training for Board members or set up an Advisory Board?	One		
Dealt with other doubts and fears, such as obtaining legal advice or setting aside an R&D budget?	One		
Invited volunteers with needed expertise to join your team?	Three		
Begun to research and recruit professional expertise?	Three		
Completed research on your customer segments?	Five		

By now, the shaded items should be well on their way to completion.

Your venture is taking shape. Now prepare for external success.

Chapter Seven

Assessing Your Value to Potential Partners and Their Value to You

In Chapter Four, you completed several exercises researching corporations for a strategic alliance so you probably have an idea of which ones would be likely prospects. In this chapter, we will begin by assessing your value to a potential corporate partner. Then we will go through the process of more narrowly focusing on their value to you.

Let's start by doing a self-assessment of your value to corporations.

Ask yourself the following questions:

- What is our image? (Review your answers in Exercise B (p. 12) on Intangible Assets and Your Organization's Personality)
- How strong is our brand recognition?
- Is our cause especially attractive to certain companies? Which ones? Why?
- Is our target audience particularly appealing to some organizations? Which ones especially?
- Do we promote a cause that the public considers especially urgent? How do we know for sure?
- Do we have clout with certain groups of people?
- Do we have a charismatic or well-known leader?
- Is our organization experienced and stable?

With the responses to these questions in mind, you are now ready to assess a corporation's value to you and see if there is a tie in between your responses above and the needs of the corporation. Before we begin, it's important to know what corporations want.

Corporate Social Responsibility

Many businesses sincerely believe in the values of corporate social responsibility. One of the leading groups is Businesses for Social Responsibility (www.bsr.org). BSR has members in Europe, Australia, New Zealand and the United States, and is spreading its reach to other areas of the globe. Other websites to help you find socially responsible business partners include: www.business-impact.org, home of Britain's Business in the Community; www.ebnsc.org, the website for CSR Europe; and www.business-ethics.com, which offers a list of links to worldwide resources.

What Corporations Want

If you are going to market your organization, it's important to understand what corporations are looking for, so that you can meet their needs. NGOs are good at meeting people's needs—so this shouldn't be difficult. Following is a list of benefits to businesses who work with NGOs. Which ones do you think are the most important to a business?

Business Benefits of Working with NGOs

- Enhances brand reputation and builds good relationships with customers, employees, work site communities, and governments
- Helps position a company strategically in a competitive global and national marketplace
- Increases market share, sales, and profits
- Creates greater value for investors
- Increases social cohesion and promotes a more stable society and a healthier economy
- Consolidates and protects the company's community investment
- Provides early warning signs of societal concerns
- Reduces direct costs and improves operational efficiency and quality
- Provides access to specialist expertise
- Insures access to trends in particular markets
- Attracts and helps motivate and retain talented employees
- Increases staff commitment, leadership skills, and morale
- Creates networking/platform for dialogue

What other benefits do you think should be included in this list?

Companies will be wary of participating in a business partnership if you:

- Treat them as a grantmaker rather than a business equal (be confident of the value of your organization and your business proposition)
- Say "I'll have to run that past my Board" more than once (they need timely decisions)

- Demonstrate ignorance of their business methods and goals and social issues that are important to them (ask only strategic questions)
- Show lack of understanding of their language, worldview, trends and challenges (demonstrate that you think and speak like a business person)

Companies will think positively about the proposal if you:

- Present a well-thought out plan for the venture
- Understand what message the company is trying to send to the community
- Can demonstrate the value—“responsibility,” “caring” “hassle-free”— that your idea will project for the company
- Understand what the company wants/needs from the partnership—why it’s in their interest
- Demonstrate how it will reduce risk and maximize opportunity
- Present a straightforward, easy-to-operate idea
- Demonstrate clearly defined tangible and intangible benefits
- Are willing to evaluate progress and retool as necessary

Exercise J

THE STRATEGIC ALLIANCE CHECKLIST

The following exercise takes a last look at your proposed strategic alliance before you begin showing it to prospective partners. Ask yourselves if each of the following aspects of the enterprise have been properly analyzed (if yes, check off “analysis complete”) or, if you still have more work to do, check “analysis in process” and agree on a timeline to finalize the task.

As a general rule, companies are looking for joint ventures that:	Analysis Complete	Analysis in Process
Are simple, distinctive, and easy to grasp		
Have appeal to as wide an audience as possible—or have a targeted niche market		
Promote their marketing message and appeal to the media		
Strengthen their image as good public citizens		
Have clear outcomes and benefits		
Promote sales and/or build customer traffic		
Appeal to employees, preferably by involving them in some way		
Are easy to operate and require little day-to-day attention from corporate staff		
Have regional, national, or international potential—if it starts local, it needs “travel-ability”		
Are easy to explain to shareholders		
Have limited risk		

You want the company to conclude that you have done your homework—and then be prepared to think on your feet if the deal looks favorable.

What You Want from a Corporation and Where to Find It

Your ideal partner is one whose markets, image, and interests match your own, and that produces products and services that are mission-friendly and compatible with your organization.

There are three likely types of corporate partners:

1. **Affinity companies** are ones that market to the same customers or provide similar services as your organization. A manufacturer of children's clothing, for instance, is a good match for a day care center; a literacy organization may wish to team up with a bookstore or publishing company. Look through magazines and newspapers and see who is placing advertisements targeted at your customer segments—these are good prospects for you to approach.
2. **Opportunistic companies** say “Wow, this is a great chance for us.” There are two main types of potential opportunistic companies: emerging industries, such as cell phones and other advanced telecommunications which are defining their market; and mature industries like supermarkets or financial companies which have a static customer base. Mature industries know there is a finite market for their products and services and so they are looking for ways to differentiate themselves and attract customers away from their competition. Any new company, especially an international one, moving into your region or buying out an existing company, will be looking for a strategic alliance to provide them with credibility and a local focus.
3. **Defensive companies** are ones that need goodwill to combat bad publicity or unpopular business practices (e.g. tobacco companies, gun manufacturers, extraction companies and others considered by some to be destroyers of the environment). But before even considering this category, remember that a corporate partner with public scandal can affect your organization too. Always check out a company's motives carefully before signing the partnership papers.

Be cautious, but don't dismiss a company with image problems out of hand. Many ethical and upright corporations run into problems with malfunctioning products or accusations of poor labor practices. It could be that their business is simply inherently dangerous—even the best-run airlines, oil companies, and mining operations know that disaster is an ever-present possibility. If you can be sure that the company is genuinely trying to fix its products and practices, or does everything possible to maintain its safety record, then you may be an invaluable partner in its public relations efforts, especially if your organization is seen as part of the solution.

Exercise K

PICKING PARTNERS

This exercise should help you to narrow down your list of corporate prospects to identify those that appear to have the greatest partnership potential.

Business Prospects Worksheet

Try to come up with as many potential (but suited to the venture) partners as you can. The following are good sources for likely partners:

Businesses that have supported your organization in the past. *If the company already knows about and approves of your work, you have a foot in the door and an easier job of selling your idea and credibility.*

Businesses to whom you have applied for support. *They didn't fund you the first time. They may not be generous philanthropists. But this time you aren't looking for a grant — you have a business proposition.*

Businesses where there is a board/staff connection. *If an employee of theirs is on your Board, or a Board member of yours is connected to the corporation, you have an automatic introduction.*

Businesses with whom you share a market segment. *If you are a home for the aged and the company makes arthritis drugs or stair lifts, you have a potential match. Child care agencies and educational products (or toys) are similar natural matches. Less obvious links are also possible, but you'll have to make a strong case for why such a relationship would be in their interest.*

Businesses that want to reach your audience. *Think again about your audiences and think carefully about the corporations that might want to reach them. Toy companies aren't the only possibilities for a day care program. Consider all the companies that may wish to reach parents with disposable income.*

Businesses that employ members of your organization. *Local corporations that supply your organization with volunteers are a good potential match. Companies naturally gravitate to philanthropic ventures in which their employees are involved. You are offering a business venture, which should have even more appeal.*

Businesses that produce goods and services which we use and/or businesses that are members of your organization. *You've already begun a relationship—how can you leverage it?*

Next, go over the pros and cons of each potential company until you are down to a handful (under six, eventually three).

If you still need suggestions on where to look for likely companies, try the following:

1. If you aren't already doing so, start reading business publications on a regular basis, e.g. the business section of the local newspaper.
2. Look for companies with compatible marketing themes and those whose values align with yours.
3. Look for unusual companies. Big and established is good, but new progressive start-ups may just be looking for the right partner to differentiate themselves from their competitors, enhance their brand identify, and demonstrate corporate social responsibility.
4. Look for companies that are recognized for their values. Magazines are always running lists like "The 100 Best Places to Work," "The Top Companies for Working Mothers," or "Companies with a Social Conscience."

5. Look for companies that are second or third in their field. They are likely to be hungrier and perhaps more willing to take a chance on a venture that may help move them up to first place.

Now take the “hot prospects” (no more than three to six) and assign homework to the team. You want to find out as much as you can about your prospective partners, both from their perspective and from other, independent perspectives. You are looking for their strategic intent—where they expect to be in the competitive environment in three years, five years, etc.

You want to know:

- What is their financial status?** A little downturn in profits may encourage them to think creatively about your idea, while partnering with a company headed for the bankruptcy court is not a good idea.
- How much do they spend** on advertising and where do they spend it? The size of the advertising and marketing budget will give you an idea of how much the company has available to pay for your venture.
- What image does the company portray?** Is your idea a good fit with their advertising message? Study past and current advertising campaigns.
- What is the status of company's competition?** How has your target company's market share increased or decreased over the past five years. If it has gone down, they may need your help.
- What are the company's strategic goals?** Are they expanding or shifting their focus? What social issues are they concerned about? What is their track record or stated intent for future goals around social responsibility?
- How do they treat their employees?** Is it a pleasant place to work? Talk with anybody you can about the company's way of doing business.

Once the homework is completed, you should know a lot about your prospective partners, and have a good idea of the one you are going to approach first. In the next chapter, we'll put the final touches on your presentation.

Before talking with prospective partners, you need:

- Knowledge** Make sure you have someone on your SA Team that understands the basics of marketing and business communication.
- Motivation** Promote the benefits of corporate alliances among your staff and be sure they understand it and are enthusiastic. Resistance will reduce your chances for success.
- Institutional Credibility** Be able to demonstrate the credibility of your organization with a track record of good work and measurable results.

- ❑ **Communication Skills Using Business Terms** Be able to communicate with companies using terms they understand, such as product, investment, return, comparative advantages, sales, and brand equity.
- ❑ **Concise Messages** Have clear and concise messages—no more than two or three—about what you do that business executives will value. Test them on your Board members or friends in the business community.
- ❑ **Benefits** Identify and be able to list the benefits—both for the company and for your organization (i.e., a win-win proposition). Know these well before you go into negotiation.
- ❑ **Know What You Can Offer and Want in Return** You'll need to know ahead of time what you can offer the company and what you want in return from the partnership. Although you'll want to leave plenty of room to negotiate, it helps to have your minimum requirements firmly agreed upon in advance. Knowing this before going into the meeting will help you “walk away” if an offer is too low or incompatible with your organization. However, be open to alternative proposals from the corporation on how to work together.
- ❑ **Close Relationships with the Media** Your close relationships with the media can be an important selling point for building corporate alliances.
- ❑ **Support from the top** Your Board—and it helps to have corporate representation—must understand, embrace, and fully support the venture.
- ❑ **Authority to make decisions** Now is a good time to get “quick decision” negotiating authority from your Board. (See page 25 for an example). Before approaching any corporation, ask your Board for approval of the venture and permission to negotiate within certain guidelines. Assure them you won't go overboard, but need authority to make decisions quickly. Before the arrangement is finalized, the Board will get to approve it. Don't worry about a slight delay at the final stage; your corporate negotiators will most likely have to get sign-off authority from their higher power too. We suggest 30 days or less.

Taking the Organizational Pulse

Have you	See Chapter	Completed	Will be done by
Adopted a Board resolution?	One		
If you don't have a Board resolution, have you arranged training for Board members or set up an Advisory Board?	One		
Dealt with other doubts and fears, such as obtaining legal advice or... setting aside an R&D budget?	One		
Invited volunteers with needed expertise to join your team?	Three		
Begun to research and recruit professional expertise?	Three		
Completed research on your customer segments?	Five		
Completed your pricing research?	Seven		

By now, the shaded items should be well on their way to completion.

Chapter Eight

Putting It All Together

You now have the major components of a presentation. It's just a matter of persuading the corporation. In previous chapters you began researching and understanding the customer base for your venture. Your corporate partner will require some convincing statistics on why these people will buy the product or use the service. Fortunately, in today's information age, this data is not too difficult to find. In fact, you may already be suffering from information overload. Don't be tempted to toss a whole lot of numbers into your presentation because they look impressive. Stick to the facts and include only statistics with a direct bearing on your product or services, potential customers, and your prospective corporate partner.

Exercise I

MAKING THE PROPOSITION

You've gathered some powerful statistics, but using them alone won't be enough to sell the corporation on your idea. You must include some convincing arguments in your presentation. At your next meeting of the SA Team, have the research crew present their information and research and then ask for volunteer "salespeople" to begin making the proposition to the "marketing director."

Try rehearsing with a business friend who is on your side but can be critical where needed. Give it your best shot. This is a good opportunity to determine the best people to go on the sales call.

In preparation for your meeting, practice answering the following:

- ❑ Into what marketing initiative does this venture fit? Demonstrate to your corporate partner how your venture fits into or complements their current marketing strategy.
- ❑ What is different about this product/service and what is its marketing strategy? What makes it unusual, unique, or distinctive? How is it different from and how would it add value to the corporation's current marketing strategy? How does it set the company apart from its competitors?
- ❑ Why is the product important to their consumers? What will make them buy it? It might help them save money, time, or improve some aspect of their lives.
- ❑ Who are the most likely end consumers of the product? You've done the research. Explain some of the following to the corporation:
 - Demographics—age, education, sex, marital status, children, income
 - Psychographics—needs, wants, desires, values

- How many potential consumers in each category (It's good to have this information, but it's not always possible to obtain in detail. Don't let that deter you. Go with the best information you have.) ⁵
- ❑ Besides your prospective partner, who else is trying to reach this market? How are they doing this and how much success are they having? How would this venture help your corporation get ahead of its competition?
- ❑ What are the major values represented by the corporation selling the product and the consumer using it? Values such as responsibility, caring, and compassion are powerful sales tools.
- ❑ Describe the product's (or service's) personality:
 - Quality
 - Packaging—colors, size, feeling
 - Promotion—how and where
 - Price
 - Endorsement potential
 - Where it will be distributed and how
- ❑ What slogan or tag line might be used to sell the product? While your potential salespeople are busy making their oral arguments, have the literate and artistic members of the group begin to make notes for the storyboards (panels of sketches depicting sequence of plans and product) or portfolio that will be the tangible part of your sales call. If you have already hired professionals, invite them to this meeting and encourage them to join in the discussion.

Taking the Organizational Pulse

Have you	See Chapter	Completed	Will be done by
Adopted a Board resolution?	One		
If you don't have a Board resolution, have you arranged training for Board members or set up an Advisory Board?	One		
Dealt with other doubts and fears, such as obtaining legal advice or setting aside an R&D budget?	One		
Invited volunteers with needed expertise to join your team?	Three		
Begun to research and recruit professional expertise?	Three		
Completed research on your customer segments?	Five		
Completed your pricing research?	Seven		
Completed the analysis of your venture?	Seven		
Chosen and completed research on three prospective clients?	Seven		
Obtained board permission for fast track negotiating authority	Seven		
Determined your walk-away conditions?	Seven		
Completed your venture-specific research?	Seven		

By now, the shaded items should be well on their way to completion.

THE TOOL BOX: Tips and Tools

The following pages provide an example of a strategic alliance proposal developed by Lions-Quest Canada, reprinted here with their permission.



Parenting with Clarity



CLARICA™

Clarica

Clarica has successfully positioned itself as the company that provides clarity through dialogue in communities from coast to coast. In Bob Astley's words, Clarica is "part of the living fabric of Canada".

The 4,000 plus sales agents have developed relationships with more than two million individual customers by developing trust through listening & understanding, looking at issues, and offering solutions based on their professional knowledge. Key strategies must be in place for agents to continually enhance their relationships with customers with a goal of customer retention.

Your brand identity and profile remains through the merger with Sunlife, with a constant focus on providing clarity to customers, staff, shareholders and communities. This is increasingly important in a cluttered marketplace. Change, while adding an additional level of complexity and stress on the workforce, provides an opportunity to form a new shared culture through dialogue, trust and relationship development.



Parenting with Clarity

How can Lions-Quest help
• enhance the Clarica brand identity
and competitive advantage?
• extend customer loyalty?

PARENTING TIPS

Within packages for prospective or new policy holders include a collection of parenting tune up tips – as a fridge magnet, family calendar or family diary. These simple checklists build parenting literacy by suggesting solutions for common issues faced by most parents. Parenting with Clarity will enhance your brand image of cutting through the clutter to get the clear message.



FAMILY NEWSLETTER

Agents are provided with newsletter templates that focus on solutions and answers to common family and parenting issues. Young families seldom have time to read the latest research, or look for activities and strategies that can help them in their desire to raise successful children. The Clarica agent can provide simple, straightforward tips and techniques that can help parents in their role.



FAMILY LUNCH 'N LEARN

Provide an opportunity for Clarica staff to understand and share the joys and challenges of parenting through a series of practical workshops offered on-site, over lunch, in Waterloo, and other locations as appropriate. Through this time of change, Clarica can help support employees in their home environment by creating the opportunity for dialogue around the important role of being a parent. Direct outcomes are employee satisfaction, loyalty, and productivity.



Mechanisms

Invite new policy-holders to add 25 cents to their monthly premiums to invest in the development of skills for success in young people.



During a sales campaign, each new policy signed up through a referral will trigger a donation to the development of skills for success in young people.



Why Lions-Quest?

Lions-Quest Canada delivers research-based effective tools for developing skills for success in children and youth. These skills include:

- Responsibility
- Decision making
- Communication
- Goal setting
- Cooperation
- Managing emotions
- Resisting negative pressure
- Higher-order thinking
- Problem solving
- Service-learning
- Strengthening relationships
- Appreciating the family

Research on schools using Lions-Quest show that violent activities decreased by almost 70%, and prosocial interactions were five times higher. In the first year, the grades improved in all subject areas. Ministries of Education consult with Lions-Quest for input and review when designing new curriculum for life skills education.

Over the past 25 years, over 42,000 educators from every province and territory have invested their own time and money to participate in Lions-Quest training workshops and we have maintained relationships with over half of this group for more than five years. Over 70% participate because the experience has been recommended by a friend or colleague. Our standard of performance is 96%, and our trainers consistently receive even higher scores.

Lions-Quest has a commitment to developing the leadership of a national network of over 35,000 business people who invest their personal time and energy to provide the program for every community in Canada. As a financially independent, entrepreneurial organization, Lions-Quest is recognized as the exclusive Canadian partner in the International Youth Foundation (IYF). In their work with more than 160 companies, foundations, and non-governmental organizations in 38 countries worldwide, IYF is focused on building in-depth strategic partnerships among the business, public, and civil society sectors.





Parenting with Clarity



CLARICA™

A BUSINESS PROPOSAL BY



Lions-Quest Canada



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Chapter Nine

Making the Pitch

First meeting with your Potential Partner—Possible Results:

We love your ideas; here's the money

We love the presentation, thinking; we need more details

We are impressed with the way you think; don't like these ideas, want to discuss ours

We don't like you, Goodbye

You are ready. You have a great idea and the perfect corporate home for it. You have looked at the distinctive competencies, skills, and resources that each organization could bring to the alliance and find they are complementary.

All you need to do is get in the door and speak to the right person. At this point, all those NGO fears tend to come flooding back: fear of rejection, fear of asking for money. Remind yourself you are not asking for money. You have a proposition that will make money for the company, or will provide some other level of mutual benefit.

Who do you know at the corporation that can introduce you to the appropriate person, ideally the marketing director? However low your contact is in the company or however tenuous the connection, it is always easier to go up the chain of command than to make a "cold call" to a stranger.

Ask yourselves:

- Who is the most influential person we know personally in the corporation?
- What is his or her position?
- If we don't know anyone influential, who do we know that does?

Do we know any of the corporate family members? Do we know anyone in:

- Community Relations
- Governmental Affairs
- Employee Relations
- Customer Relations (Marketing)
- Supplier Relations

Of course, if you know the CEO, or one of your Board members does, then by all means start there. If you've dealt with the Community Relations Department in the past begin there, but make it clear this is a business proposal, not a request for a grant.

If one of your volunteers is an employee with the company, ask him or her to ask his/her

boss who you should call. Then you can say, “Josephine Jeffries, Vice President of Chemicals, suggested I call.”

If you have no alternative but to start cold, begin with the Marketing Department because that’s where you’d ultimately like to end up.

Why the Marketing Department? Because the people there generally have the most “clout” and the biggest budget. In the chain of command, Community Relations and Public Relations can be very supportive (don’t shun their assistance), but they’ll need clearance and budget approval from several higher levels of authority. Depending on the size and scope of your proposed venture, the Marketing Director can authorize it right away, or be a powerful advocate for it with his or her superiors.

Eventually, if you are persistent, you will get to speak to the Marketing Director. When you do, be specific. Ask for a meeting to explain a business proposition that will add to their competitive advantage. Reiterate that this is not a request for a charitable contribution. Talk in their business language. Do not be humble.

Exercise M

PRACTICING FOR THE MEETING

You’ve set up your first business meeting. You’ve already practiced what you’ll say to the corporate representatives to get them to say “Yes.” This final exercise is a practice session for the pitch and what to do when they say “no,” or appear lukewarm to your idea. You are meeting with marketing people, not philanthropists. It is understood that you are a “good cause.” You need to persuade people that your business idea can make money for their company, improve their competitive advantage, reduce their risks, or make the most of new opportunities. Now what do you do next?

In preparing for your first business meeting you need to determine:

- Who comes?
- Who presents?
- What is presented?
- What is left behind?
- What’s next?

Who comes? Ideally, you want to take a maximum of three people to the sales presentation: the CEO (if he or she is not a powerful salesperson, have them start practicing—now); a technically proficient person who can explain the mechanics of the idea; and an impressive person who can sell it.

Who presents? As noted above, the CEO should play some part in the presentation, and must come across as competent and in charge. There must be someone with a good command on the details. Perhaps most important, you need an impressive, impassioned, and knowledgeable person to market the venture.

What is presented? There are a number of key elements in the “pitch.” They include:

1. **Their corporate logo.** Remember that this presentation is all about the company, the company’s needs, and how your organization will be meeting those needs. Prominent use of their logo is a key indication that you’ve grasped this important fact.
2. **An analysis of their industry.** This doesn’t have to be elaborate, but a succinct statement of industry trends, the major competitors, and risks and opportunities within the industry will show the company that you have done your homework.
3. **An analysis of their corporate needs.** An extension of the industry analysis, the company analysis shows how the company sees itself and the forces that impinge on its success—such as its competitors, market forces, government regulations, and social pressure.
4. **Your suggested initiative to meet those needs.** A clear explanation of how your proposed venture will meet those needs: through increased traffic to their stores or website, stronger customer loyalty, and improved employee morale.
5. **Storyboards and/or power points that illustrate opportunities.** Artist’s renderings that allow the company to visualize what success might look like. This is where professional assistance is imperative. You can use slogans, mockups of advertisements, photographs or sketches, but they must show the venture in action. If it’s a service or product, show people using it; if it’s an event, show people attending it.
6. **A demonstration of the mechanisms that generate revenue** for the company and your cause and at what percentage.

Example 1. The company’s sales of orange juice will increase when associated with your cause and you will receive five percent of each bottle sold.

Example 2. You don’t receive money directly from the sale of their products, but customers have the opportunity to “add a dollar for children” at the cash register. Association with your cause drives customers to their stores. (The U.S.’s Eddie Bauer was very successful with this strategy in its “Add a Dollar for Global Relief” program.)

7. **Who you are and what is impressive about you** (one-page maximum). Try and hold this to five bullet points—major awards you’ve received, key accomplishments, a success story that assures the company that you can deliver your end of the bargain.

8. **Their logo and yours as equal partners.** This reiterates the importance of the company's goals and underscores how important your venture will be in helping them reach those goals.

Beyond the pitch, the company is going to want you to give satisfactory answers to some of the following key questions:

- a. What's new about this idea? "New" marketing ideas are a dime a dozen. Why should we get excited?
- b. So what? It might be a good idea, but why would we want it? How will it benefit us? What are its features and benefits?
- c. Who Cares? Why will the public pay attention? Who will want it?
- d. Doesn't someone else do that? Didn't our competition already do something similar? If yes, why is yours qualitatively different or better?
- e. Who are you? It's a great idea. We can see it will benefit us, but why should we trust you to pull it off?

What do you leave behind? A portable version of the above. Print out copies of the storyboards or power point presentation on regular paper. You can include more detailed statistics and more in-depth information on your organization, but don't give them too much information. Put the presentation, in the same sequence, into a portfolio that your contact can present to his or her colleagues at the company.

What to Watch For: Look for Body Language

Good Signs They start taking notes. They put on or take off their glasses. They ask for phone calls to be held. They let meeting run on. They call to say they'll be late for the next meeting. They ask someone to join them. They say: "You've really done your homework." If they start talking about making changes to the colors/layout/ideas on the storyboard, then they already own the idea.

Bad Signs They put you in a dreary, uncomfortable room. They look at their watches repeatedly. They don't serve you coffee, tea, or water. You may sense that you are meeting with the wrong people which is they aren't responding. You have nothing to lose by saying: "Is there someone else in the company that this presentation is more likely to appeal to based on their responsibilities?" If they are truly tuning you out, conclude the presentation, gather up your storyboards and your dignity and head for the door.

What's next? Unless they write you a check on the spot or tell you that they don't like your ideas, be sure to clarify next steps. Don't let them get away with "We'll be in touch." Specify that you will be sending along the additional information that was discussed, and you will call next week to set up a second meeting. After the meeting, send a thank you note and perhaps a brief e-mail noting an interesting news story in which you or the corporation was featured. Then call when you said you would.

THE TOOL KIT: Tips and Tools

TEN EFFECTIVE SALES PITCH TECHNIQUES

1. The precondition of a sale

First find out what they want to buy. If you don't know, ask and let them tell you. Find out a company's problems, then show them how "we can work together" to solve them. It is so much easier to sell someone what they want to buy than it is to convince them to buy what you are selling.

2. Negotiate backwards

It is helpful to figure out in advance where the other person would like to end up – at what point he/she will do the deal and still feel he/she is coming away with something.

3. Sweeten with self-interest

Never overlook the barter possibilities of throwing in quantities of your product, which you get at cost, but which is valued by the other party at something closer to retail.

4. Don't deal in round numbers

Round numbers get to be negotiated, usually by counter-offer round numbers. Odd numbers sound harder, firmer, less negotiable. Make it \$95,000 or \$104,500. Either way you will probably end up with more.

5. Remind them of your glorious past

People in business want to do business with winners.

6. Give them an early taste of what's to come

You should determine mutually agreeable objectives beforehand, which can be precisely defined and clearly stated. Any proposal, concept, or idea which directly responds to those objectives is halfway to being sold.

7. Get some no's

People have a need to say no, so let them. If you have a shopping list, throw in a few you don't need. If you're only there to sell one thing, make a suggestion or assumption and let them tell you you're wrong. People also have a need to feel smarter than you are. A few well placed "no's" create the right environment for a "yes."

8. Create favorable impressions

Speed attracts. Faxes, telegrams, telexes and cables get more attention than letters sent through regular mail. They carry an aura of importance that results in their generally being delivered to the addressee rather than diverted to an assistant. e-mail is easy to ignore and unlikely to have much impact. There's a saying that "everyone makes errors. It's when those errors are repeated that it becomes a mistake." You don't have to be perfect, but you should learn from your imperfections.

9. Timing

Extend, renew, or negotiate a contract when the other party is the happiest, not when the contract is about to expire. And sell one when the prospective buy is unhappy with your competition.

10. Remember the rule of 3's

The product/service will be competitively priced, affordable, and exclusively theirs.

Chapter Ten

Follow Up and Negotiations

After the First Meeting

It may be two weeks after the first meeting, and you are wondering why they haven't called. Don't be alarmed. In the previous chapter, we emphasized that before leaving the meeting you should remind them you'll be calling. Even if the company executives promised to call you, there are several reasons why they may be slow in following up:

1. They are busy people and even though they found your idea compelling, they have any number of other projects in the works.

Solution Call them so that your idea stays in front of them. Set up a date for a second meeting.

2. They like the idea but don't want to seem too eager.

Solution Call and remind them politely that you have other options to pursue if they aren't interested. Set up a date for a second meeting.

3. It isn't you—they are slow with everyone.

Solution Call them. Be pleasant and maybe use humor if you feel it is appropriate.

4. They really aren't interested.

Solution This is probably the least likely reason they haven't called, especially if they were enthusiastic at the presentation. But if they have lost interest, it's best to find out and move on. Call them.

The best approach for you to take with negotiations is a proactive one. This is often difficult for NGOs who are accustomed to waiting several months to hear from grantmakers. In the entrepreneurial world, patience is not necessarily a virtue. Persistence and polite assertiveness are much more likely to succeed.

Preparing for the Second Meeting

If you have a date for a second meeting, you have every prospect for success. The company will not be favoring you with its time just to be nice. Be prepared to talk business when you meet, but don't feel pressured to make instant decisions.

Three key things to take into the second meeting:

A positive mindset You have something of value to offer. You are an equal and not a petitioner. The best mindset is that “everyone is getting the best deal.”

Your desired price Humility is not a competitive advantage. Be bold and name a suitably high price that reflects your direct costs, indirect costs, the value of your brand, and a proper profit margin.

Your walk away price Any offer below this price ceases to make economic sense for your organization. Don't agonize about it. If you are not being treated as an equal business partner, simply walk away.

The Negotiations

This may actually be easier than you think. Your initial research should have indicated which companies to discard because their ethics and business style are in conflict with yours. Most potential partners will be looking for a win-win situation just like you. There are two things to remember:

- The company is considering partnering with you because they value your organization's good name and credibility, and they are impressed with the way your business proposal meets their needs.
- While all companies are looking for a “good deal,” it is in their best interest to treat you fairly. Nobody wants to work over the long-term with a partner who feels used and abused. You'll be working with their staff, dealing with customers, and quite likely talking with the media.

That said, it is your responsibility to understand the company's needs, help them understand how you operate, and to be very clear about articulating your own position. In other words, go in with a carefully reasoned plan of what you are offering the company and what you require in return, and then be prepared to make adjustments. Sometimes it's good to hold tightly on to your concepts, but flexibility and openness to new ideas on both sides may result in a solution where the whole really is greater than the sum of its parts.

Nobody can negotiate with someone with the flexibility of a rock. Yet no one respects you if you give in on every point. The space in between these two extremes is where negotiation happens.

Good negotiators:

- Understand both sides of the issue
- Communicate clearly, openly and respectfully
- Focus on the other party's issues as well as their own (the success of the joint venture)
- Listen to the other side's requests and give them genuine consideration

- ❑ Give specific reasons when they can't comply with a demand
- ❑ Understand the difference between furthering their interests and defending their position—why stick to one position when you can advance your interests in another position just as well (if not better)?
- ❑ Pursue a mutually beneficial agreement.

Chapter Eleven

Building Consensus Among Strategic Alliance Members

By now, you are well on your way to establishing a strategic alliance with a business, including a social purpose business venture or some of the other types of relationships with companies that were discussed in Chapter Three. You have made the initial contacts and made your presentations.

You are ready to bring everyone together to formally build a consensus on the commitments each party is prepared to make and to define the roles and responsibilities of each member. What are the first steps?

Select a Facilitator.⁶ One individual should serve as an alliance “champion” to help facilitate the formalization stage of establishing the strategic alliance. That could be you. As the alliance champion and “relationship manager,” you perform a number of indispensable tasks:

- Convene candidate organizations with diverse interests and priorities
- Create a sense of common ownership of the alliance among all parties
- Clarify the motivations, expectations, needs, and agendas of each potential member
- Anticipate/mediate any existing or potential conflicts of interest between members
- Ensure that a sense of equity is present between members with dissimilar levels of prestige, influence, and resources

This role of liaison or mediator is essential, and perhaps the single most important factor in a successful alliance.⁷

Understand the Drivers.⁸ It’s important for each party of an alliance to understand what drives the other organization to consider joining. As the designated champion, your task is to ask representatives of each organization to share what motivates them to come to the table.

Transparency by an organization about its motives for joining an alliance will help build mutual trust. It will also help identify potential conflicts of interests and individual agendas.

The following are a few illustrative reasons that organizations may offer to explain why they want to participate:

- The potential outcomes** of the alliance are relevant to key business or organizational goals

- ❑ For a corporation, there is a merging of market-driven goals and social responsibility goals **to do the right thing** and also profit by it
- ❑ The alliance provides an opportunity for both members **to pool limited human, material, and financial resources** to make them go further and have a bigger impact
- ❑ Participation is driven by **employees who want to give back to their communities** and to enhance the image of their company as being socially responsible
- ❑ **The timing is right**
- ❑ **The reputation and credibility** of individual organizations will be enhanced through such an alliance
- ❑ **A societal challenge** or opportunity that affects all organizations in some way that can be more effectively dealt with collectively rather than individually
- ❑ **An irresistible call** to join the alliance by a highly credible individual
- ❑ There is a sense that **some higher good** could not be achieved as well if each member acted on its own

After becoming certain you understand the company's motivations, ask participants to list the specific benefits they think each organization will get from the effort and time needed to build an effective alliance. Like motivations, the potential benefits organizations may perceive they will get from the alliance will be different for each organization.

Whatever the perceived benefits, it is imperative each party feels it is getting value from the alliance. "The more these perceived benefits can be articulated and shared, the more likely that the partnership will build on the mutual trust and understanding that is necessary for successful co-operation."⁹

Form a Common Vision¹⁰ A critical requisite for building a successful, strategic alliance is to have a clearly defined vision or mission statement that is "owned" by all members. Forming a strategic alliance without such a statement means the partnership is destined to fail.

In addition to a vision or mission statement, it's also important for members to agree on the goal(s), measurable objectives, strategies for achieving goals and objectives, and the outcomes or results of the strategic alliance. Often this will take the form of a one- to two-page "vision" document.

What strategies should you use to build a consensus among the group on a common vision? Local culture will influence which consensus-building strategy will work best.

One consensus-building strategy for you—as the alliance champion—is to prepare a draft mission statement for the group's reaction. After building consensus among members on the mission statement, prepare a draft of the goal(s), objectives, strategies, and outcomes in a one- to

two-page “vision” document for other members to review, edit, and approve. An alternative is to form a subcommittee or task force to build consensus among the partner organizations, and to incorporate those suggestions in the final draft.

Another consensus-building strategy is to have each representative individually “brain storm” and prepare a draft mission statement for the strategic alliance. The mission statements are then circulated among the group for everyone to see. The group then agrees on one mission statement, or lifts key phrases and prepares a final, agreed upon statement. Continue using the same process on goals, objectives, strategies, and outcomes.

Whatever strategy you use to build consensus on a vision document, it may take some time to arrive at an agreement among all parties. Well facilitated, the time spent working together as a group is a good way to build a spirit of camaraderie, mutual respect, and consensus among members, as well as to get their buy-in of the alliance. It will also help the group to understand those matters that are non-negotiable for each member, as well as to figure out how their capacities can best be put to use.

A key point to keep in mind is at the end of the visioning process, all members should feel the alliance is based on mutual benefit and they will gain more than they may give up.

Define Operating Procedures¹¹ You have worked out a vision document for the strategic alliance that includes a mission statement, goals and objectives, strategies, and outcomes. At this point, you are far enough along to know who will be the members of the alliance. All parties understand why they want to work together, and there is a consensus among the group on what the alliance wants to accomplish.

Once your basic negotiations are complete, the next stage is the development of a comprehensive plan of action and a formal agreement on who does what and how revenue is allocated (see the next chapter for details on how to do this). You will want to work very closely with your accountant in developing the production and marketing plans—the point of this venture is to make a profit. Depending on the complexity of the agreement, you may want to have your lawyer involved in drafting it, and you definitely want legal advice before signing any formal alliance document(s).

According to Sue Adkins in *Cause-Related Marketing: Who Cares Wins*, there are a number of key steps to the process of completing the formal agreement:

- Understand your responsibilities and liabilities
- Understand the contractual model
- Highlight the key issues
- Identify the pitfalls
- Negotiate and agree on the contract

- Re-read the contract
- Sign!

Before putting the deal in motion, review the financial, legal, and value considerations one more time.

The following checklist will help you review the various aspects of the strategic alliance:

- Do you understand the terms of the agreement?
- Is the partnership a “win win” for both parties?
- Is the prime purpose of the partnership clear?
- Are the objectives for both sides clear?
- Is your organization’s good name and “brand” adequately protected?
- Has a qualified accountant signed off on the financials?
- Is there a clear payment schedule?
- Do you understand the nature of the payments—royalties, donations, payments for services?
- Does your organization have a minimum financial guarantee?
- Has a lawyer signed off on the agreement?
- Does the plan of action clearly state each party’s roles and responsibilities?
- What is the duration of the agreement?
- Is there a clear exit/cancellation strategy?
- Is there a clause for renewing the agreement?
- Is there a proper licensing agreement for your logo and brand?
- Have you clarified who owns the intellectual property rights?
- Is there a clear process for approving logos, marketing materials and press releases?
- Do you have the right to review and reject promotional materials?
- How does the agreement affect third parties such as suppliers and collaborating NGOs?
- Have you covered the issues of exclusivity?

Formalize the Alliance It’s time now to make the strategic alliance official. This could be in the form of a brief letter of agreement, or, for a more complex partnership, a Memorandum of Understanding (MOU). Based on good faith, such a document helps alliance members build a consensus on its administrative structure, specific organizational commitments, and roles and responsibilities. It also may be used to explain the alliance to the headquarters of each participating organization.

MOUs often vary in content and details depending on the nature and complexity of the partnership. For uncomplicated partnerships, the MOU may consist of the following:

- Membership** The name of each member of the alliance and where they are located
- Purpose** What the members of the alliance intend to do together
- Areas of Collaboration** What each organization agrees to do
- Work Method** How the organizations will work together, including specific roles and responsibilities, and the dissemination of learnings
- Terms of the MOU** Definition of the duration of the MOU and other special conditions
- Signatures** Space for signing the MOU by authorized representatives

The following is an example of an MOU.

**Memorandum of Understanding
between
The Company
and
The International Foundation**

Preamble

WHEREAS THE COMPANY is a multinational corporation constituted in accordance with the laws of the (PUT IN COUNTRY), with headquarters at (PUT IN ADDRESS) and

WHEREAS THE INTERNATIONAL FOUNDATION is a charitable, non-profit organization, organized under the laws of (PUT IN THE COUNTRY) with headquarters at (PUT IN ADDRESS)

WHEREAS THE COMPANY and the INTERNATIONAL FOUNDATION (“the Parties”) mutually desire to promote and support programs attending to the needs of children and youth around the world, to contribute to the formulation of long-term strategies to strengthen and expand positive children and youth development and mobilize resources for children and youth development

THEREFORE the Parties execute this Memorandum of Understanding (MOU) to set forth and coordinate the efforts in favor of children and youth throughout the world.

I. Areas of Collaboration

1. Program Support - The Parties agree to establish a Support Program for the INTERNATIONAL FOUNDATION's Network to strengthen and expand effective children and youth programs and overall children and youth sector and to strengthen long-term initiatives which have a positive impact on the development of young people.
2. International Activities - The Parties agree to promote “best practice” on positive children and youth development internationally through activities which include but are not limited to joint publications, international events/workshops, development of a database on children and youth development and cause-related marketing.

3. Technical Assistance – The Parties agree to make available to each other and Partners, where feasible, technical expertise and support. For example, the INTERNATIONAL FOUNDATION will make available to THE COMPANY expertise on positive children and youth development and NGO development while THE COMPANY will make available its business expertise.
4. Resource Mobilization – The Parties agree to explore options to leverage global resources for children and youth development.

II. Work Method

5. Each year the Parties will agree upon a set of activities to be conducted and the indicators for success. During that time the resources available for the activities will be defined. At that time the Parties will also evaluate the activities of the previous year.
6. Specific roles and responsibilities for THE COMPANY/INTERNATIONAL FOUNDATION activities will be determined each year depending on the agreed upon activities. It is understood that all children and youth development and learning activities will be implemented by the INTERNATIONAL FOUNDATION with overall coordination and monitoring while other activities, such as cause-related marketing, will occur under THE COMPANY leadership
7. Both THE COMPANY and the INTERNATIONAL FOUNDATION will seek other international and national funding sources to contribute to their joint venture.
8. Where appropriate and necessary both THE COMPANY and the INTERNATIONAL FOUNDATION will offer technical support to ensure the success of the joint activities.
9. The Parties shall promote the dissemination of learnings from this partnership within their respective organizations and networks as well as more broadly.

III. Terms of the Memorandum of Understanding

This MOU will have unlimited duration. It can be terminated by mutual agreement of the Parties.

This MOU may receive cooperation from other donors based on the acceptance of the Parties.

In acceptance of the aforementioned, the duly authorized representatives of the Parties sign this Memorandum of Understanding.

Name	Name
Title	Title
THE COMPANY	THE INTERNATIONAL FOUNDATION

For more complex partnerships, especially involving multiple stakeholders or multifaceted financial transactions, you may want to consider including the following information:¹²

- Name of the Strategic Alliance.**
- Membership** The name and brief description of each alliance member organization.
- Situational Statement** A quick overview of the challenge or need the alliance was

formed to address, and why the alliance is the best vehicle to do so.

- ❑ **Mission, Goals, Objectives, and Outcomes.** The mission of the alliance; its goal in addressing the situation; the objectives for achieving the goal; and the expected outcomes.
- ❑ **Operating Principles.** A consensus of the group on how to manage its activities. This would include: (1) a description of the alliance's administrative structure ; (2) the basis for how decisions are made and by whom; (3) the process for admitting new members; (4) the procedures for resolving conflicts; (5) funding arrangements; human, material, and financial resource management procedures; (6) internal/external communications; (7) the terms of modification and/or renewal; (8) the terms for terminating the agreement; and (9) the time period the agreement is applicable and its end date.
- ❑ **Responsibilities of Alliance Members.** A description of the commitments of each member, the roles each member will perform; and the expertise, human resources, money, space, and equipment that will be contributed.
- ❑ **Timeline.** Describes the alliance's implementation timeline according to task, priority, and responsibility.
- ❑ **Evaluation.** How will the impact of the alliance be evaluated? What will be evaluated? Who will be involved? Will there be exit procedures? Will the audit of the alliance's finances be required? How will adjustments be made to the alliance's structure and operations?

You will, of course, want to adapt specific components to meet the particular needs of your alliance.

Why Some Alliances Break Down During Start Up You should know that during the consensus-building stage, many fledgling strategic alliances do not get beyond the initial conversation stage. Some of the reasons include:

- ❑ Lack of agreement on a common vision or operating procedures
- ❑ A perception of inequity between certain members
- ❑ Insufficient transparency and openness regarding motives for participating
- ❑ Ambiguity regarding the capacity of an organization to commit staff or resources
- ❑ No real consensus regarding the mutual benefits of a proposed alliance.

In spite of these challenges, if a strategic alliance is built painstakingly on a "good faith" negotiated agreement around a common vision and clearly defined operating principles, it has a better chance of continuing over time.

Chapter Twelve

Maintaining the Alliance

You are pleased with the transparency between both partner organizations regarding their motives for participating in the strategic alliance and their individual expectations and agendas. You have all agreed on the alliance's mission, goal, objectives, strategies, activities, and outcomes. And you have also agreed to an MOU which clearly describes the alliance's governance structure and functions, as well as each member's roles and responsibilities.

The strategic alliance has now been established! So how do you conduct business in a strategic alliance? Implementing the strategies of the alliance is the same as running any type of project—it is the "...ongoing operation of coordinated or cooperative activities enabled by the agreements reached in the previous stage."¹³ So now, what needs to be done?¹⁴

Communicate Frequently Foremost in maintaining a successful strategic alliance is communication between both parties. After good leadership, good communication is the second most important factor in a successful strategic alliance—its by-product is long-term trust.

Communication can occur in a variety of ways, including face-to-face meetings, teleconferences, and list-serves. How often and through what venue will be decided by the group. Whatever mechanisms for communicating are used, dialogue and feedback among members should be regular, open, and transparent. Also contributing to good communication and trust-building are joint decision-making, problem-solving, and conflict resolution skills. Given the potential for misunderstanding, it's important to remain vigilant on these issues.¹⁵

Tackle Obstacles Beyond misunderstandings of terminology and working culture differences between NGOs and corporations, there are other obstacles that can pop up and threaten the cohesiveness of any partnership. In order to avoid derailing the strategic alliance, it's important for you to recognize these obstacles early on so that they can be dealt with in a direct way.

Generally, these challenges can be clustered into three categories:

Conflicting priorities between members, including:

- Concerns about funding (how it is mobilized, who disburses it, how it is allocated, and how it is accounted for)
- Concealed/conflicting agendas of individual members
- Lack of full consensus regarding mission
- Prejudice between members (cross-sectoral and/or cross cultural)

Limitations of participants, including:

- Personal antagonism between individuals
- Absence of adequate leadership or a strategic alliance “champion”
- Lack of capacity and/or time of staff servicing the alliance
- Limited confidence in certain members of the staff of other organizations

Frustrations over operations, including:

- Embracing autocratic rather than participatory governance arrangements
- Failure of organizations/individuals to carry out roles and responsibilities
- Loss of purpose
- Limited respect for commitments made to the strategic alliance.¹⁶

Beyond these obstacles, there is another potential obstacle you may encounter at some point during the operational stage of your strategic alliance: the transition from a “founder-leader” focused, or individual-driven initiative to a more institutionalized structure. Such an occurrence could be an opportunity for developing a deeper sense of teamwork among both alliance members, or it could lead to a crisis of confidence in the endeavor.

On the other hand, the new representative of the partner organization may not value the strategic alliance as much as a former representative did, and the risk is that if an organization’s involvement in the strategic alliance has not been institutionalized, continued participation may be in jeopardy.

When facing any of the obstacles mentioned above, stay calm and don’t get emotional. Take your time and try to identify the source of the problem. Understand and depersonalize the core issues attached to it—this is the first step in arriving at a solution.

Figure out whether you can have any impact on the obstacle or if it’s something you have to work around. Whatever needs to be done to overcome it, try to be as objective and participatory as possible in trying to solve it, and always use conciliatory language with all parties involved.¹⁷

Review Progress As a part of the consensus-building stage, you’ve worked out a vision document outlining the alliance’s mission statement, goal, objectives, strategies, and outcomes. You have also prepared an MOU which outlined your operating procedures, responsibilities of alliance members, and a timeline. Now is the time to review how the group is doing in each area. Consider the following questions:

- Are the strategies of the alliance being implemented as planned? If not, why?
- Is the alliance on track with its timeline? If not, why?

- ❑ Are members' roles and responsibilities being performed as agreed? If not, why?
- ❑ What problems or holdups are being encountered and what changes need to be made to overcome them?
- ❑ What adjustments should be made to the alliance's operations, structures, and strategies that would lead to a better attainment of its goal and objectives?
- ❑ What have we learned and how can we use these "learnings" to improve the strategic alliance?

These and similar questions will help set the agenda for monitoring the progress of the strategic alliance.

Be Flexible Flexibility is an important factor for the cohesiveness of any strategic alliance. Being flexible means that both partners will feel free to periodically review and revise their approach based on the experience of working together and learning what works.

Of course, a strategic alliance is not a static entity—it is always evolving. Leadership, institutional needs, roles and responsibilities, and even members change. This may be as a result of external factors or changes in organizational capabilities, staffing, relationships, funding, performance, or even a shift in the focus of the alliance itself.

For the strategic alliance to flourish, it must be flexible and also adaptable. Again, partner organizations should regularly review any significant changes of circumstances and make adjustments, and when necessary, fine tune or re-negotiate an earlier agreement or MOU. Being flexible and being able to adapt to change are other key indicators of any successful alliance.¹⁸

Exercise N

AGENDA PLANNING

Your strategic alliance is up and running. You have had two quarterly meetings and are now preparing for the third. Prepare an agenda for this meeting. Based on your understanding of this chapter, what points would you cover in the meeting?

Chapter Thirteen

Evaluating the Alliance

During the consensus-building phase of your strategic alliance, you and your corporate partner discussed how its impact was to be evaluated. You probably described the evaluation process in an MOU signed by both parties, and defined the roles and responsibilities between and among members.

But why is it so important to measure the impact of your alliance? There are at least three basic reasons:¹⁹

- ❑ **Accountability** Both member organizations have committed time, resources, and personnel to the alliance. They also committed to accomplishing its goals and objectives through the strategies that all parties agreed to implement. In order to justify continued participation, members must be able to demonstrate value and report back to their respective organizations and/or Boards.
- ❑ **Improvement** Evaluation helps to identify and explain which elements of the strategic alliance are successful and which are less effective. It also helps alliance members to analyze problems and make decisions to improve operations. This built-in feedback keeps the alliance on track, confirms what does or does not work, and determines what aspects give the highest return for the human, material, financial, and time resources that are invested collectively. Evaluation is also the means for identifying what changes took place as a result of the alliance. The lessons learned can be reincorporated to make it even more effective.
- ❑ **Dissemination** Careful documentation of the alliance's impact is the best means for helping member organizations to integrate learning back into their own organizations, as well as helping others learn from the experience. Such documentation is also a very effective tool for promoting the viability and visibility of the strategic alliance, while boosting its credibility.

So how do you go about measuring the impact of a strategic alliance? What's involved in the evaluation process?

Decide What to Evaluate²⁰ The first decision you need to make is what should be evaluated—the alliance itself, the results of the alliance, or both? It's similar to asking what type of evaluation will be conducted—impact or process evaluation or both?²¹ You will probably want to use both types of evaluation because they are highly interrelated. To evaluate the alliance itself, you will need to do a process evaluation. To look at the results of the alliance, you will want to do an impact evaluation.

Process Evaluation A process or formative evaluation looks at the operations of the alliance to determine if the approach or structure chosen by its members was effective in terms of the efficient use of resources (human, material, financial, and time) as well as impact. Some of the themes you will look at in a process evaluation include:²²

- Whether the alliance's governance, operations, and activities occurred as planned
- The level and quality of member involvement
- Whether it increased organizational funding or enhanced the business
- The degree of equity present between members with dissimilar levels of prestige, influence, and resources
- The effectiveness of a lead organization in the operations of the strategic alliance
- Any holdups, constraints, or obstacles encountered and how addressed
- The quality and quantity of human, material, and financial resources contributed by members to support the alliance
- Any adjustments that could be made in the strategic alliance's governance and operations or human, material, and financial resources that would lead to a better attainment of goals and objectives

Impact Evaluation An impact or outcome evaluation will demonstrate what changes have taken place as a result of activities conducted by the strategic alliance. Both goals and measurable objectives are used as benchmarks to measure success. Some of the themes you will be looking at in an impact evaluation include:

- The extent to which the strategic alliance has achieved its goals, objectives, and outcomes
- Any unintended outcomes—both positive or negative—for both partners of the strategic alliance and/or other groups targeted by them
- Any tangible and intangible benefits—both intended and unintended—delivered through the alliance, both to member organizations and/or to other groups targeted by them
- Evidence of the “added value” of the partners working together rather than individually
- Key lessons learned and how they will be used and disseminated.

Decide How to Evaluate Your next decision is to determine how you will evaluate the alliance. Will you use qualitative or quantitative methods, or a mixture of both? Qualitative methods are often anecdotal and may involve case studies, notes from meetings, observations, or unstructured or semi-structured interviews with representatives of member organizations (and/or groups targeted

by it), one-on-one, or in a small group. The use of quantitative methods will involve questionnaires or structured interviews and some level of statistical manipulation and analysis.

The decision on which method or combination of methods to use will be based on how much time, expertise, and resources the members of the strategic alliance are willing to commit; the purpose of the evaluation; and how widely the findings will be disseminated (internal or external use or both?).²³

Decide Who Will Evaluate Another key question is who is responsible for the evaluation? Will you conduct it internally and distribute the tasks among one or more member organizations? Will you form an evaluation subcommittee made up of representatives of member organizations? Or will the alliance hire a third party to serve as an external evaluator? Again, your decision will be based on the factors cited previously.

Decide How To Communicate Your Findings Your next task is to decide how to communicate your findings and the extent of the report. One of the challenges you may face is to publicize your efforts early in the alliance's lifecycle or even before definitive results of its impact are validated. Following are suggestions to help you manage going public and how to communicate the findings of your evaluation effectively:²⁴

- Brief your audience(s) on “anticipated” outcomes if it is too early to measure impact;
- Identify early accomplishments (however small they may be) to demonstrate immediate value or outcome of the strategic alliance while longer-term and deeper benefits are maturing;
- Discuss the work in progress as an example of “interesting” or even “innovative” practice, rather than “good” or “best” practice;
- Early on, tell realistic stories that emphasize the process and learning aspects of the strategic alliance rather than its results;
- Use quick appraisal methods to evaluate impact and disseminate results to the partners of the alliance to maintain their enthusiasm and motivation;
- Make sure your evaluation strategy gives ample opportunities for partners to periodically review and revise practices; and
- Make reports engaging and well illustrated by using good stories, charts, bullet points, and statistics.

Remember, “...the value of constant assessment and learning cannot be underestimated. Nor can the value of recognizing and celebrating progress—however small it may be.”²⁵

Exercise 0

EVALUATION PLANNING

Return to the “Decide What to Evaluate” section above and review each theme listed under the categories of process and impact evaluations. Then turn the themes listed in each category into evaluation questions.

Under each question, describe what tools or methodologies you would use to gather the requisite information to answer each question. For example:

Question	Information Gathering Methodology
Has the alliance's governance, operations, and activities worked out as planned?	
What has been the level and quality of member engagement?	
Has the initiative achieved its goals, objectives, and outcomes?	
What are some of the key lessons learned, and how will they be used and disseminated?	

Chapter Fourteen

Knowing When to Say Goodbye

As long as both members of the strategic alliance accomplish more working together than individually, they will continue their involvement. However over time, factors may arise to influence their continued participation. Many factors can change, including:

- ❑ Changes from the original goal of the strategic alliance or the situation that initially brought everyone together
- ❑ Changes in focus
- ❑ Changes in relationships between members
- ❑ Changes in members' needs, priorities, and capacities

At some point, you and the corporation may begin to wonder: is the present arrangement the best way to continue, or would some other structure be better? Has the alliance served its purpose? Has it outlived its usefulness?

Maybe you're thinking that the strategic alliance has accomplished what it set out to do. Is the work finished? Is it time to end it, and if so, how? Ending a strategic alliance generally falls into two scenarios.²⁶

Unintentional Ending In an unintentional termination of a strategic alliance, the "end" is never actually decided upon. "[Members] ...simply drift apart over time, [limit or] cease meeting, maintain the barest of communication around any remaining joint [initiatives], and return to their pre-alliance level of relationships."²⁷

Sometimes however, the end of an alliance can be abrupt. Perhaps a new organization wants to join, thus complicating present working arrangements and relationships and triggering the other member to leave. Or long-simmering differences between members can flair up once a peacemaker has left. Whatever the case, if the end is not planned, the image, impact, and good accomplished by the alliance will suffer.²⁸ An unplanned ending may also come back to reflect negatively on former alliance members and even their individual operations.

Planned Ending In this case, alliance members will come together, discuss the ramifications of ending the alliance, then make a decision on how and when to end it and manage the termination. Often this involves preparing a final report on outcomes, redistributing any assets or resources held in common, and perhaps even holding a celebration to publicize accomplishments.²⁹

For these reasons, it's important, early on, for you to get all parties to agree at what point your work will be completed and how and when to end the alliance. "The most important question [for you to consider] is how well, and in how orderly and conscious a manner, the termination is completed."³⁰

Exercise P

CIRCUMSTANCES FOR ENDING AN ALLIANCE

Under what circumstances would you consider ending membership in a strategic alliance? Please list and be specific.

Exercise Q

OTHER STEPS NEEDED TO END AN ALLIANCE

We've mentioned several things that need to be completed in a planned ending of a strategic alliance. What other steps or tasks need to be carried out in a planned ending?

Conclusion:

Preparing for Even More Success

We know it has been challenging for you to put together your first strategic alliance. You've faced many obstacles along the way, but you've not been intimidated. You've learned a lot about your organization, your resources, and your assets.

You have a great Strategic Alliance Team that knows what to do, and after tasting the fruits of success, is eager to do more. You figured out what you want from a corporation, how to make the pitch, and follow up. Now that the strategic alliance is established, you know what it takes to maintain and evaluate it.

What's next? Go back to Chapter Three and look at the various types of relationships and see if your current business partner might be interested in working together on one or more of the other options mentioned there.

If not, don't let your SA Team get lazy! Look for opportunities to develop a strategic alliance with other companies. Consider establishing a multi-sector partnership involving your organization, a company, and a government agency.

We said at the beginning that this book is a work in progress, and that we want to keep learning about better, more effective ways for NGOs to develop profitable, productive alliances with companies. Please assist us in this endeavor by letting us know your experiences as you enter into the world of strategic alliances. We want to know what's working, and what's not working. What are your success stories, and what lessons have you learned? Sharing such experiences is vital if we are to continue to strengthen the NGO sector around the world. Please submit your stories and/or experiences (including helpful "tools and tips") to:

Jack Boyson

Director of Technical Support Services

International Youth Foundation

e-mail: jackb@iyfnet.org

For more information on the International Youth Foundation, please go to our website:

www.iyfnet.org.

Appendix I

References

¹ See Jane Nelson and Simon Zadek's publication entitled *Partnership Alchemy, New Partnerships in Europe*, The Copenhagen Centre, page 17 for more information on definitions and principles of partnerships.

² See the Nonprofit Ventures Network at www.seedco.org/nvn for more information on social purpose businesses.

³ See *Growing Your Organization: A Sustainability Resource Book for NGOs*, by Susan Pezzullo published by International Youth Foundation, Chapter 5: *Forging Alliances with the Corporate Sector*, pages 50-63 for more information on developing partnerships with corporations.

⁴ Ibid.

⁵ Ibid.

⁶ See *Business as Partners in Development* by Jane Nelson, The Prince of Wales International Business Leaders Forum in collaboration with The World Bank and The United Nations Development Programme, page 275, for more information on the "role of intermediary leadership;" *The Guiding Hand, Brokering Partnerships for Sustainable Development* by Ros Tennyson and Luke Wilde, The Prince of Wales International Business Leaders Forum and the United Nations Staff College, the definitive guide to facilitating alliances; *Managing Partnerships* by Ros Tennyson, The Prince of Wales International Business Leaders Forum, pages 64-66, on "understanding the intermediary role" and "selecting the right intermediary;" and *Partnership Alchemy* by Jane Nelson and Simon Zadek, page 39-43, The Copenhagen Centre, on "leadership."

⁷ Ibid.

⁸ See *Partnership Alchemy*, page 33, for more information on "drivers and triggers."

⁹ From *Business as Partners in Development*, page 275.

¹⁰ See *Putting Partnering to Work*, Business Partners for Development, the World Bank, page 23, for more information on consensus building among partners; and *Business As Partners in Development*, page 275, on the importance of "clear and common goals based on mutual benefit."

¹¹ See *Tools for Alliance Builders*, USAID, page 21-22, for more information on "getting it on paper;" *Real Collaboration, A Guide for Grantmakers*, by David La Piana, pages 9-11, monograph, on "formalization;" *Putting Partnering to Work*, page 24, on "partnership tools: what are the key elements of a partnership agreement?" *Managing Partnerships*, by Ros Tennyson, page 13, The Prince of Wales International Business Leaders Forum, for a "sample partnership agreement."

¹² Ibid.

¹³ *Real Collaboration*, page 11.

¹⁴ See *Putting Partnering to Work*, page 26, on “partnership maintenance;” and *Real Collaboration*, page 11, on “operation.”

¹⁵ *Ibid.*; also see *Partnership Alchemy*, page 45, on “communication;” and *Business as Partners in Development*, page 277, also on “communication.”

¹⁶ Based on *Managing Partnerships*, page 72, “identifying obstacles.”

¹⁷ See *Managing Partnerships*, page 74

¹⁸ See *Putting Partnering to Work*, page 26, on “partnership maintenance;” *Real Collaboration*, page 13, on “operation;” and *Partnership Alchemy*, page 47, on the “ability to adapt.”

¹⁹ Adapted in part from *Planning Projects and Writing Proposals, A Step by Step Approach*, by Jack K. Boyson, pages 71-76, Andrews University Press, on “describing the monitoring and evaluation systems.”

²⁰ See *Business as Partners in Development*, page 277, on “evaluating and celebrating progress;” *Managing Partnerships*, page 83, on “deciding what you are measuring;” *Partnership Alchemy*, page 45, on “measurement and evaluation;” *Putting Partnering to Work*, page 26, on why “it is important to measure the impact of the partnership;” and *Managing Partnerships*, page 113-121, for tools and guidelines on information gathering for evaluation purposes.

²¹ Adapted from *Managing Partnerships*, page 83, on “deciding what you are measuring;” and *Putting Partnering to Work*, page 26, “partnership tools: checklist to evaluate partnerships;” and *Planning Projects and Writing Proposals, A Step by Step Approach*, page 72, the “basic categories of evaluation.”

²² *Ibid.*

²³ See *Managing Partnerships*, pages 83-88, on “deciding what you are measuring;” and *Planning Projects*, page 74-75 for more information on the type of methodology to use.

²⁴ See *Business Partners in Development*, page 277, on “evaluating and celebrating progress;” and *Managing Partnerships*, page 89, on “using results creatively;” and *The Guiding Hand, Brokering Partnerships for Sustainable Development*, pages 71-74 on “assessing the value,” and pages 94-95, on “handling the pressure to go public.”

²⁵ From *Business as Partners in Development*, page 277, on “evaluating and celebrating progress.”

²⁶ See *The Guiding Hand*, pages 75-79, on “moving on;” and *Real Collaboration*, page 14, for more information on how to terminate an alliance.

²⁷ Adapted from *Real Collaboration*, page 14.

²⁸ *Ibid.*

²⁹ Adapted from *The Guiding Hand*, page 77, on how to “terminate the partnership.”

³⁰ From *Real Collaboration*, page 14.

Appendix II

Where to Get Technical Assistance

The following are some print resources we recommend on all facets of strategic alliances, social purpose business ventures, and cause related marketing:

Publications

Anatomy of a Business Plan by Linda Pinson and Jerry Jinnett; Dearborn, Michigan.

The Big Idea, by Robert Jones; Harper Collins

Brand Spirit: How Cause-Related Marketing Builds Brands by Hamish Pringle & Marjorie Thompson; Wiley.

Business as Partners in Development, by Jane Nelson, The Prince of Wales International Business Leaders Forum, in collaboration with The World Bank and The United Nations Development Programme.

Cause-Related Marketing: Who Cares Wins by Sue Adkins; Butterworth Heineman.

Collaboration Challenge: How Nonprofits and Businesses Succeed Through Strategic Alliances and the accompanying workbook; *Meeting the Collaboration Challenge: Developing Strategic Alliances Between Nonprofit Organizations and Businesses* by James E. Austin; Drucker Foundation/Jossey-Bass.

Common Interest, Common Good by Shirley Sagawa and Eli Segal; Harvard Business School Press.

Enterprise in the Nonprofit Sector by James C. Crimmins and Mary Keil; Rockefeller Brothers Fund.

Everybody's Business by Adrian Hodges and David Grayson; Dorling Kindersley.

Filthy Rich: How to Turn Your Nonprofit Fantasies into Cold, Hard Cash by Richard Steckel; Ten Speed Press.

The Guiding Hand: Brokering Partnerships for Sustainable Development by Ros Tennyson and Luke Wilde, The Prince of Wales International Business Leaders Forum and The United Nations Staff College.

Holding Together: Collaborations and Partnerships in the Real World by Rajesh Tandon, UNDP.

How to Write a Business Plan by Mike McKee; Nolo Press.

Increasing Cultural Participation: An Audience Development Planning Handbook for Presenters, Producers and Their Collaborators, Paul Connelly & Marcelle Hinand Cady; Wallace Reader's Digest Funds.

The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value by Frederick F. Reichheld; Bain & Company.

Making Money While Making a Difference: How to Profit With a Nonprofit Partner by Richard Steckel; High Tide Press.

Managing the Double Bottom Line: A Business Planning Reference Guide for Social Enterprises by Sutia Kim Alter; Save the Children.

Managing Partnerships: Tools for Mobilizing the Public Sector, Business, and Civil Society as Partners in Development by Ros Tennyson, The Prince of Wales International Business Leaders Forum.

The NESsT Learning Series:

The NGO Business Hybrid: Is the Private Sector the Answer?

The NGO Venture Forum: Profits for Nonprofits

Sustaining Nonprofits: The Impacts of Merging Mission and Market

NUTS! Southwest Airlines Crazy Recipes for Business and Personal Success by Kevin Freiberg and Jackie Freiberg; Bantam Doubleday Dell.

Partnership Alchemy, New Social Partnerships in Europe by Jane Nelson and Simon Zadek, the Copenhagen Centre.

Promoting Corporate Citizenship in the Global South by Darcy Ashman, Institute for Development Research, Boston, MA.

Putting Partnering to Work, Business Partners for Development, The World Bank.

Real Collaboration, A Guide for Grantmakers by David La Piana.

Selling Social Change (Without Selling Out) by Kim Klein; Chardon Press.

Social Entrepreneurship: The Art of Mission-Based Venture Development by Peter C. Brinckerhoff; Wiley.

Strategic Tools for Social Entrepreneurs and Enterprising Nonprofits: A Toolkit for Social Entrepreneurs by J. Gregory Dees, Jed Emerson & Peter Economy; John Wiley & Sons.

Tools for Alliance Builders from the Global Development Alliance Secretariat, USAID.

What Works in Public/Private Partnering: Building Alliances for Youth Development by William S. Reese, Cathryn L. Thorup, and Timothy K. Gerson, published by the International Youth Foundation.

Web Resources

We have found the following websites to be helpful. Many offer online and other technical assistance on strategic alliances and entrepreneurial research:

AddVenture Network

<http://www.avrpartnership.com/RichardSteckel.htm>

AddVenture Network provides technical assistance on how to plan and manage successful strategic alliances between corporations and nonprofits.

Ashoka

www.ashoka.org

Ashoka: Innovators for the Public promotes social entrepreneurship around the world, especially in developing countries.

Bplans.com

www.bplans.com

The website for business planning software. Some free samples and planning tools.

Business Ethics

www.business-ethics.com

Business Ethics: Corporate Social Responsibility Report ranks America's (many of them are international) best corporate citizens. The site also offers interesting and informative articles on social responsibility and an excellent list of links to worldwide resources.

Businesses for Social Responsibility

www.bsr.org

Businesses for Social Responsibility is one of the leading groups of socially responsible businesses. BSR has members in Europe, Australia, New Zealand and the United States, and is spreading its reach to other areas of the globe.

Business in the Community

www.business-impact.org

This is the home of Britain's Business in the Community. The Resource section has research reports which help you bolster the case for social responsibility.

Business Partners for Development

<http://www.bpdweb.org>

BPD is an initiative of the World Bank in collaboration with some 120 organizations worldwide to study, support, and promote examples of business, civil society, and governments working together for development.

Cause Branding

<http://www.coneinc.com>

Cause Branding helps corporations integrate values and social issues into brand equity and organizational identity.

The Center for Corporate Citizenship

<http://www.bc.edu/centers/ccc/>

The CCC of Boston College provides a variety of services and tools on corporate social responsibility and on participation in strategic alliances.

The Center for Corporate Citizenship

<http://www.uschamber.com/ccc/default>

The CCC, an affiliate of the U.S. Chamber of Commerce, fosters corporate citizenship by promoting and facilitating public-private sector and nonprofit civic partnerships.

The Copenhagen Centre

<http://copenhagencentre.org>

The Centre promotes partnerships between business, government, and civil society for social development purposes. It offers a number of tools on corporate social responsibility and partnerships.

Corporate Community Investment Service

www.CorCom.org

Corporate Community Investment Service is an American organization that creates links between businesses and nonprofits. The website has some helpful case studies and articles on public/private partnerships.

CSR Europe

www.ebncsc.org

The website for Corporate Social Responsibility Europe. It's a business-to-business membership group but you'll find some useful information at the website.

International Training and Consulting Institute, International Youth Foundation

<http://www.iyfnet.org>

The ITCI provides trainings, tool kits, and technical assistance to nonprofits and corporations on how to establish and maintain strategic alliances.

Morebusiness.com

www.morebusiness.com

A website for entrepreneurs offering articles, sample agreements and model business and marketing plans. The website's goal is to sell consulting and software, but there's plenty of helpful free information to get you started.

NESsT

www.nesst.org

Nonprofit Enterprise and Self-sustainability Team (NESsT) works with nonprofits throughout Latin America and Central Europe on earned-income generating projects. Also see “The NESsT Learning Series” publications.

Points of Light Foundation

<http://www.PointsofLight.org>

PLF seeks to help businesses create and improve employee volunteer programs that meet strategic business goals. They provide tips on how to create an employee volunteer program and list books and reports on Corporate Volunteerism and Community Relations.

Prince of Wales International Business Leaders Forum

<http://www.iblf.org>

PWIBLF offers methodologies and provides technical assistance to support partnership-building among businesses, civil society organizations, and international development agencies worldwide.

The Roberts Enterprise Development Fund

www.redf.org

The Roberts Enterprise Development Fund offers a whole host of free publications on social entrepreneurship. There’s an excellent FAQ section, which should answer many of the questions your Board has on the ethical, legal, and practical issues around social enterprise.

Sustainabilityonline.com

<http://www.sustainabilityonline.com/HTML/Collaboration/index.html>

Sustainabilityonline provides tips, tools, articles, case studies, questions, and answers on how different organizations can collaborate.

Appendix III

Glossary

Many business and accounting terms are used interchangeably by both for-profits and nonprofits. However, some of the words listed in this glossary may be unfamiliar to you, especially if you generally deal with the program side of operations. Go over them with your financial officer and try to get comfortable with some of the phrases you’ll be hearing.

The following is by no means an exhaustive list, but it's a good start.

Accounts Payable (AP) —money owed by you to other suppliers.

Accounts Receivable (AR)—money owed to you from customers for services or products you supplied to them.

Accrual Accounting—an accounting system where both revenues and expenses are recorded when the order is placed rather than when payment actually changes hands. This method gives a complete picture of your organization's financial expectations and its financial obligations. (See *Cash Basis Accounting*.)

Assets—anything of value owned by your business; some assets are fixed such as buildings, furniture and equipment; others are liquid, such as cash. Lending institutions generally require you to pledge your assets as collateral when applying for a loan.

Barriers to Entry—any factors that prohibit or inhibit a business from entering a particular market.

Book Value—the value of an asset that has been depreciated over time. (A computer system that cost \$10,000 three years ago, may now be worth \$3,000 on your balance sheet.)

Brand Image—how customers perceive a particular brand (warm, classy, safe, reliable, fashionable, old-fashioned, etc.).

Break-Even Point—the point at which the cost of producing the product/service is covered by the sales.

Cash Basis Accounting—accounting system where transactions are recorded as the money changes hands rather than when the order is placed. Most major businesses and financial institutions prefer to see accrual accounting.

Collateral—items of value pledged as security for a loan. These could include your house, car, business assets, family jewelry, or children's college fund.

Competitive Advantage—sometimes referred to as comparative advantage is a better price, better product, better distribution, better brand recognition, better customer loyalty, or any other factor that gives a business the edge over its competitors.

Contingency Plan—second and third options that can quickly be put into place if the original plan fails. Allocate at least 3%-5% of the project budget to allow for a change in direction.

Cooperative Advertising—among for-profits, manufacturers and retailers frequently share costs of promotions that feature and benefit them both; in for-profit/nonprofit relationships, the goal is to have the corporation pick up all the costs.

Copyright—exclusive legal right to publish or reproduce books, music, works of art, etc.

Cost of Goods Sold (COGS)—all of the costs involved in producing and selling a product or service, such as labor, materials, operating and administrative costs, and distribution.

Cross-Selling—marketing several different products simultaneously by linking them together in a promotion or other sales technique.

Demographics—analysis of population segments by age, income, employment, marital status, geographic location, and other characteristics.

Differentiation—how a company (or nonprofit) sets its products and services apart from the competition by emphasizing service, cost, value, or some other specific feature.

Direct Marketing—marketing and/or selling products and services directly to the consumer without the aid of intermediaries. Methods can include websites, catalogs, mail order promotions, and direct response television advertisements.

Discretionary Income—the money consumers have available after paying for essentials such as housing, food, and other essentials.

Distribution Channels—the ways that products ultimately get into the hands of the consumer such as wholesalers, distributors, retailers, and direct sales. Each method has different costs and other benefits and drawbacks that must be weighed in choosing how best to distribute the product.

Economies of Scale—lowering the unit cost of a product by producing it in bulk. This is only a cost-saving measure if you have the capacity to sell all of the product produced in a reasonable time. Sometimes it is cheaper to produce smaller quantities at a higher unit cost to avoid storage expenses and the risk of product sitting on the shelf and going out of date.

Feasibility Study—market research and financial calculations to determine if a business idea is potentially viable.

Fixed Costs—business costs that remain essentially the same however much product or service is generated. Fixed costs include rent, utilities, administration, and core labor costs.

Focus Group—a small gathering of people who provide open-ended feedback on a product or service with their opinions, preferences, feelings, and impressions. Focus groups are a highly structured market research tool and are generally led by an experienced professional to ensure an unbiased outcome.

Goodwill—businesses place a cash value on goodwill in their balance sheets. For nonprofits, the goodwill (integrity, name recognition, customer loyalty) they bring to the table is a highly valuable intangible asset.

Gross Profit—the amount of profit made when the cost of goods sold is deducted from the total sales volume.

High-Involvement Purchases—these are purchases close to the consumer’s heart and where their sense of self worth and identity is at stake.

Industry Profile—a report on a specific industry (timber, cosmetics, banking, etc) with descriptions of its history, size, income, products, distribution methods, customers and other pertinent information.

Intangible Assets—these include credibility, integrity, a strong organizational personality, name recognition, allies in the community, and supporters in high places. Goodwill is an intangible asset.

Intellectual Property—publications, software, musical compositions, and other outcomes of the intellect can all be copyrighted and protected by law.

Keystone—doubling the cost of making the product (or producing the service) to determine the retail price. Many businesses set their prices at keystone plus 25%.

Licensing Agreements—a legal document allowing one company to use the brand name or logo of another to market its products.

List Price—the official price of a product or service, stated in catalogs, websites, etc. Generally a good starting point for negotiations.

Loss Leader—products or services sold at a loss to attract customers on the assumption that they will make additional purchases once “hooked.”

Mark-up—the amount companies charge above the base price to make a profit.

Market Penetration—how many customers a company can obtain in a given market. Some markets are easier to “penetrate” than others, depending on how well the competition is doing, and whether the company has name recognition or other products in the market.

Market Research—The study of potential customers and the best way to market products to them. Methods can include gathering basic demographic data, surveys, product tests, focus groups, etc.

Market Saturation—the market has been so well penetrated that there is now no room for new businesses unless they compete for customers with companies who have already saturated the market.

Market Segment—a specific identifiable group of customers, such as teenagers with disposable income, new parents, well-paid working women, etc.

Market Share—the percentage of business one company has versus its competitors in the same industry.

Marketing Mix (Product, Price, Placement & Promotion)—the correct blend of the “Four Ps” can make the difference in getting a competitive advantage over other businesses with similar products.

Merchandising—the whole package of market research, product development, promotion and sales techniques.

Niche Market—a small and specific market for a group of consumers sharing a common background, interests and buying habits, such as health food. A niche business might cater to people interested in an unusual hobby, or it might meet the needs of an un-served ethnic minority that no other business has identified.

Operating Environment—external conditions that the company cannot control but must operate within such as the economy, local regulations, and availability of labor.

Outsourcing—contracting with another company or organization for specific activities such as production, distribution, sales, or programming.

Perceived Value—how much the product is worth to the consumer. Perfume with a famous designer name on the label is perceived as much more valuable than lavender water from the local discount drug store even if the ingredients are identical.

Point-of-Purchase Displays—promotions in stores to encourage customers to buy.

Price Ceiling—the very most you can expect customers to pay for a product or service.

Price Elasticity—the variation in the amount customers are willing to pay based on factors such as availability, quantity, and perceived value.

Price Floor—the very least you can charge and cover costs.

Pro Forma—future financial projections based on current assumptions.

Product Positioning—the way a product is priced and promoted relative to competitors' products, e.g. cheaper, better, longer lasting, connected with a charity, etc.

Profit Margin—the amount of money you make beyond expenses. In accounting terms this is the net income divided by sales.

Psychographics—while demographics yields information on age, income, occupation, etc., psychographics profiles customers' attitudes, opinions, and motivations.

R&D—Research and Development is an important part of your entrepreneurial efforts. You need sufficient money budgeted for R&D before embarking on a social enterprise.

Return on Investment—how much you are getting back on what you put into the venture. ROI is calculated by dividing net profits by total investment.

Shelf Life—how long a product remains edible, usable or fashionable.

Storyboards—charts showing sequence of events, product development, etc., used in presentation to companies.

Sunk Costs—costs that have been incurred and cannot be recouped.

Tangible Assets—solid items such as buildings, machinery, furniture, equipment, and products.

Target Return on Investment—a financial goal of how much profit you expect to make on a given investment.

Test Marketing—Like a pilot project or model program, test marketing is a way to roll out a product in a small area (one city for instance), gauge customer reaction and make any necessary changes to the product, packaging, price, etc., before launching it in a larger market.

Trade Name—the name under which you do business, which may differ from the actual name of the organization or company.

Trademark—a symbol or name specific to your company or product (like the Nike swoosh), which can be officially registered and protected by law.

Unit Costs—a useful calculation to determine how much one item or “unit” costs, figuring in all expenses such as materials, labor, overhead, etc.

Variable Costs—costs that will alter based on the amount of production. For instance, costs for labor and materials are a variable cost, while rent is a fixed cost.

Working Capital—the amount of current assets over current liabilities. This is the money used to operate the business. Without sufficient working capital, businesses are likely to encounter cash flow problems.



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