Partnering with Nonprofits
Partnering with nonprofits:
Driving profit with purpose

In 2008, The Home Depot® had a problem. The end of the year was approaching, and the company had excess inventory it needed off its balance sheet. A typical solution was to clear it off the books, take the hit on the bottom line, and send the excess to a landfill. But The Home Depot decided it didn’t want to go with the typical solution.

The company began looking for a productive use for its excess inventory, one that would provide a better financial outcome for the company. During the search, The Home Depot discovered and subsequently contacted Good360®, a Virginia-based nonprofit that specializes in receiving new corporate product donations and distributing them to their network of nonprofits. Good360 approached the potential relationship as a true organizational partnership right from the start. Cindy Hallberlin, CEO of Good360, explained their approach to The Home Depot partnership this way:

*We listened. We didn’t come in with a cookie-cutter plan. We said, “What’s your plan and vision?” We got aligned, not just with management but also with technology. We made sure there’s a marriage between their system and ours so we could be as efficient as possible.*

The partnership started small. Initially, The Home Depot distributed their excess inventory directly to twenty-five Good360 stores, and the stores turned around and distributed the inventory to 25 local nonprofits. By 2009, it became clear that something would have to change. Some of the local Good360 stores had more inventory than their local nonprofits could handle, in effect just pushing the inventory further down the distribution channel.

The Home Depot and Good360 began to work collaboratively to find a solution to the problem. The two organizations developed a strategy to build a system of warehouses to supplement the existing network of Good360 stores. The new model would allow Good360 to store larger amounts of product, and instead of distributing goods to individual nonprofits, many local nonprofits could visit the warehouses to pick up donated goods.

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Today, the partnership has grown to nearly 1300 stores and five warehouses, developed by local nonprofit partners with seed grants from The Home Depot.² The partnership has distributed goods to more than 600,000 low-income families.³ It’s created a huge amount of customer loyalty for The Home Depot, and considerable goodwill. While that may seem intangible, it’s converted to tangible business results. For example, a single nonprofit served by the partnership purchased $500,000 worth of building supplies in a single day at The Home Depot.⁴ Hallberlin explains, “Nonprofits have collective buying power. If you get donations from The Home Depot, you’re going to go there for discretionary purchases.”⁵

The partnership between The Home Depot and Good360 is a great example of how the relationships between businesses and nonprofits are evolving. Businesses face rising expectations from consumers, employees and shareholders alike. In today’s hyper-competitive environment, it’s not enough to simply produce a good product and generate a profit. Consumers are looking to align with brands that mean something, and that embody their own beliefs and views. In fact, according to a 2010 Cone, Inc. study, 80% of Americans are willing to switch brands—if a brand supports a good cause.⁶ That statistic has serious implications for how organizations create value in today’s economy.

The move from philanthropy to cause marketing
As we pointed out, statistics show that people are seeking brands that support causes that are important to them. This trend doesn’t seem to be slowing down, and it’s pushing companies to reconsider their philanthropic efforts. While in the past, it may have been sufficient to write a check in support of a particular cause, today that can come across as passive and inauthentic. Nonprofit partnerships have evolved into strategic partnerships, tied to the products and services of the business.

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² Ibid
³ Ibid
⁴ Ibid
The evolution makes perfect sense if you look at the trends regarding social activism among young adults. Consider some of these statistics from the 2012 TBWA “The Future of Social Activism” Survey:

- 56% of young adults are activists, supporting or boycotting businesses based on their beliefs
- 66% of young adults would be more likely to seek employment with a company that supports a cause they care about
- 74% of young adults think that companies should create economic value

What’s significant about these numbers is they point to the fact that cause marketing is by no means a fluffy, feel-good marketing tactic. It’s a strategic relationship that can become a true competitive advantage for companies, with measurable impact on the bottom line. Talya Bosch, vice president for social ventures at Western Union says, “Companies are looking for sources of competitiveness for the business, and realizing one way business can grow is by solving social problems.”

If companies are feeling pressure to engage meaningfully with causes that customers and employees care about, nonprofits are feeling the pressure to find ways to increase their impact and efficiency. According to a recent survey of almost six thousand nonprofits produced by the Nonprofit Finance Fund, it continues to become more and more challenging for nonprofits to secure adequate funding. Antony Bugg-Levine, CEO of the Nonprofit Finance Fund, characterized the situation this way:

*Nonprofits are changing the way they do business because they have to: Government funding is not returning to pre-recession levels, philanthropic dollars are limited, and demand for critical services has climbed dramatically. At the same time, 56 percent of nonprofits plan to increase the number of people served. That goal requires change and innovation—for nonprofits, for those who fund them, and for the broader systems we need to preserve and expand economic opportunity and social progress.*

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How serious is the challenge facing nonprofits? Statistics from the survey reveal some of the key areas of concern:

- 42% of survey respondents report that they don’t have the right mix of financial resources to thrive and be effective in the next three years
- 1 in 4 nonprofits has 30 days or less cash-on-hand
- Over the next twelve months, 39% plan to change the main ways they raise and spend money
- 23% will seek funding other than grants or contracts, such as loans or investments

Nonprofits, simply put, need to figure out ways to do more with less. Stepping back to look at the big picture reveals the convergence of these two trends, the pressure put on businesses to be transparent and authentic in their philanthropic efforts, and the need for nonprofits to become more effective and innovative with less funding. As these trends converge, it creates an environment where strategic partnerships between businesses and nonprofits become much more valuable for both sides. So much so, that they can become a core component of the business. Cause marketing connects business with activist consumers, and helps solve larger and more complex social problems by providing aid to nonprofits that extends beyond simple funding.

**Enter the B corporation**

This new relationship between businesses and nonprofits, one built on a strategic alignment that helps both sides accomplish performance and purpose-inspired goals, has led to the development of a new legal entity, the Benefit Corporation, or B corp. The B corp is the result of a growing movement in the business community to redefine what “success” means.

Traditionally, success was measured solely in terms of profitability. Today, as we’ve identified, success in business requires a broader definition as consumers, employees and shareholders hold greater expectations on businesses. The B corp measures success according to the “triple bottom line” of profit, people and planet. It measures its financial gain, but also its effect on society and the environment.

B corps demonstrate how cause marketing can become a core competency, and a real strategic advantage that converts to positive financial outcomes for the business and its nonprofit partners. A great example of this is eyeglass maker

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10 Ibid
**Warby Parker**, which became a certified B corp in 2012. Warby Parker designs and sells its own designer eyeglasses for a surprising $95, disrupting the eyeglass market traditionally controlled by a few large companies that keep prices artificially high. In addition to offering a disruptively priced product, Warby Parker employs a one-to-one model, meaning that for every pair of eyeglasses the company sells, it gives a pair to someone in need. What’s truly unique is how it gives the eyeglasses away.

In order to effectively distribute its donated eyeglasses, Warby Parker partners with a nonprofit called **VisionSpring**. Warby Parker gives funding and donated eyeglasses to VisionSpring, and VisionSpring contributes knowledge of emerging markets down to a local level, in addition to recommendations on what products may be culturally appropriate for those markets. VisionSpring then trains local, low-income entrepreneurs how to start their own businesses selling eyeglasses at affordable prices, using the donated Warby Parker products as inventory.

The two organizations are strategically united around providing access to eyeglasses for the almost one billion people worldwide that don’t have access. According to Warby Parker, getting a pair of glasses can increase an individual’s productivity at work by 35%, and increase their income by 20%. Lane Wood, Director of Social Innovation for Warby Parker sums up the effort, “Our partners are helping create jobs, and our glasses are great tools at alleviating poverty.”

In some ways, the B corp signals a return to the roots of the corporation. In an article written for Moyers & Company, Jamie Raskin, professor of law at American University’s Washington College of Law, explains:

> When corporations first came into being in the early 19th century, their reason for existence was to serve the public, not profit. Typical corporations were private-public partnerships that were chartered to build or create something that the government couldn’t do on its own, like build a bridge or an interstate railroad. But over time, through various changes in the law, the definition of a corporation evolved to what we have today.

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12 Ibid
13 Ibid

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In many ways, things are coming full circle. Business success is about more than maximized profitability, and customer loyalty isn’t won solely with products and services. The social impact of a business, how it behaves, is once again becoming as important as what it makes. So much so, that in cases like Warby Parker or The Home Depot, the social impact of a business can become a true competitive advantage, as much a part of the brand promise as anything else.

So the question is: What could your business do to make the world a better place? And how could you partner with a nonprofit to make that happen in a mutually beneficial and impactful way?

Share a passion for a specific mission

A truly effective partnership with a nonprofit organization needs to start at a higher level than whether or not your products and services match up with the need the nonprofit addresses. In the Warby Parker example, the company and its nonprofit partner were united on mission, and that makes all the difference. When considering a partnership with a nonprofit, finding the opportunity to spend some time with their leadership team to understand their culture is essential. Why? Because having compatible cultures is incredibly important to the overall success of any partnership you try to form. Culture is a barometer of whether an organization understands, and is true to, its mission.

In an article for Fast Company, Shawn Parr, CEO of Bulldog Drummond, an innovation and design consultancy based in San Diego, says:

> Culture is a balanced blend of human psychology, attitudes, actions, and beliefs that combined create either pleasure or pain, serious momentum or miserable stagnation. Mobilizing and energizing a culture is predicated on the organization clearly understanding the vision, mission, values, and goals.  

Parr underscores that not only does culture dictate whether an organization is stagnant or building momentum, it also provides a living, breathing example of whether the organization understands and lives its mission. Is it just something written on the wall, or do employees embody it and put it into action every day? As Parr says, “Long-term success is dependent on a culture that is nurtured and alive. Culture is the environment in which your strategy and your brand thrives or dies a slow death.” Making sure you’re culturally compatible with a prospective partner makes everything easier. It’s easier to stay focused on your joint mission, it’s easier to build trust, and it’s easier to deal with conflict when it arises.


16 Ibid
Building partnerships on trust

We mentioned the importance of spending some time with the leadership of a prospective nonprofit partner so you could get a sense of their culture, mission and values. Not only is that important in terms of making sure that you’re united on mission, it’s also critical in determining if you have shared values, which is what makes trust possible. Wei-Skillern and Marciano describe the benefits of being able to operate based on trust versus control:

> In many partnerships, nonprofits feel they must exert control to ensure quality. But when networked nonprofits share the same values, they do not have to try to manage for every contingency. Although partners may still opt to have formal contracts, they more often use them to define roles and responsibilities rather than to enforce rules. For them, trust governs the network.  

While this might sound a little touch-feely, the reality is that trust-based partnerships can be more efficient for both nonprofits and businesses. Wei-Skillern and Marciano conclude, “[N]etworked nonprofits are often far more productive because they don’t have to rely on formal control mechanisms. Instead, their partners’ internal motivation and commitment drive them to work hard for the shared vision of the network.”

These partnerships, forged from a joint sense of mission and powered by trust, are uniquely positioned to deliver more social good. The business and nonprofit are equals, connected in significant ways that go well beyond simple funding. And because the relationship functions on trust and not control, the structure can be decentralized. This puts the nonprofit in a better position to form a holistic and coordinated plan of action to address social issues. Wei-Skillern and Marciano said, “According to our research, nonprofits that pursue their missions through networks of long-term, trust-based partnerships consistently achieve more sustainable mission impact with fewer resources.”

The partnership between shipping giant FedEx® and The American Red Cross® is a wonderful example of a long-term partnership that’s built on a joint mission and powered by trust. The two organizations have been working together for the last 18 years. The Red Cross reached out to FedEx for input on how to most effectively station supplies and equipment. The Red Cross wanted to improve their ability

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18 Ibid

19 Ibid
to quickly and efficiently deliver help to places struck by disasters. Rose Flenorl, manager of social responsibility for FedEx, said, “We provided in-kind shipping, quality management, logistics, supply chain help, and helped come up with a plan of action to keep inventory in our warehouses and get it shipped out.”

Over the years, FedEx has contributed more than $10 million in cash and in-kind donations to the Red Cross. They’ve shipped thousands of tons of relief supplies, including 650,000 pounds of supplied in 2011. In addition, the two organizations have partnered on things like a disaster preparedness survey for small businesses, and an online training seminar covering emergency preparedness, also for small businesses. FedEx contributes expertise and resources, beyond just financial support, in joint support of the Red Cross’s mission to prevent and relieve suffering both in the U.S. and around the globe.

FedEx’s contribution to the Red Cross has been substantial, but what’s in it for FedEx from a business perspective? Wouldn’t it just be easier if they wrote the Red Cross a check and called it a day? Perhaps. But as we discussed, the real business advantage for FedEx comes not just from the tax benefits of their donations. The fact that the company is leveraging its expertise and resources to create greater efficiency for the Red Cross shows the authenticity behind FedEx’s efforts. And that’s what connects with consumers and wins their loyalty. Flenorl explains:

*The partnership with the Red Cross strengthens the attributes and the brand of our corporation. When we have a good reputation and brand, that increases our revenue. Employees want to work for a company that’s concerned about its community. Our team members live in these communities. We can recruit and retain them.*

She speaks to the fact we highlighted earlier. As more consumers become “activists,” brands that authentically contribute expertise and resources to make a positive impact on society will win their support, and their loyalty. There can be real bottom-line impact from nonprofit partnerships.
Tips for building a successful nonprofit partnership

We’ve highlighted some crucial trends in the evolution of business and nonprofit partnerships. Clearly, it can be in a business’s best interest to adopt cause marketing to help create differentiation in the marketplace. But in order for the initiative to be effective, it has to be a sincere partnership that extends beyond a convenient product tie-in or a short marketing campaign. Consumers are too savvy to believe something that isn’t authentic. Building a partnership that provides real competitive advantage demands a joint focus on mission, and compatible cultures and value systems that encourage a trust-based relationship. Here’s how you can start down that path with your organization.

1. **Choose one cause that you believe in passionately, and that your organization has the expertise to improve.** In his book *DRiVE: The Surprising Truth About What Motivates Us*, author Daniel Pink talks about the importance of blending purpose with the pursuit of profit. Pink introduces his concept of Motivation 3.0, which involves a shared sense of greater purpose among an organization’s employees. In this context, a meaningful and deep partnership with a nonprofit can provide that authentic sense of shared purpose.

   In the book he quotes Gary Hamel, a business management expert and founder of Strategos®, an international management consulting firm based in Chicago. Hamel says, “Business leaders must find ways to infuse mundane business activities with deeper, soul-stirring ideas, such as honor, truth, love, justice and beauty.”

   The message here is the best partnerships will be those built on passion for a shared mission, and where the business is able to apply its expertise in ways that move that mission forward. If the partnership is successful, the business benefits from the boost to internal motivation that comes from the sense of achievement. Pink explains that it contributes to a “we” mentality versus a “you” or “they” perspective within the business. It unifies employees towards making a difference. In fact, it’s a simple way to gauge the impact of the effort. How do employees respond to questions about the partnership? Do they instinctively use “we” statements, or “they?”

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2. **Get to know your potential partner on a personal level.** In order to build a successful, long-term partnership with a nonprofit, you should vet potential partners just like you would a new vendor. Meet with an executive of each nonprofit you’re considering partnering with. Take the time to get to know their culture and values.

If you decide to move forward, take time to learn what the nonprofit really needs. Is it expertise in a certain area? Is it volunteer hours? Access to a network, or additional funding? Know and understand the nonprofits goals and challenges before deciding how you could help.

Lastly, promote establishing personal connections between employees and nonprofit personnel at various levels throughout both organizations. Introducing key players to their counterparts will encourage natural collaboration based on the motivation to achieve the shared mission.

3. **Think beyond your wallet.** We’ve mentioned this throughout this Blue Paper®, but it’s worth mentioning again. Here’s a great example:

Verizon Wireless® has an established partnership with New York City-based Children’s Health Fund®. Verizon provides Children’s Health Fund with tools for their mobile medical units that protect the privacy and security of medical information, as well as wireless technologies. That’s what makes sense to move the mission forward. If Verizon had chosen to simply give funding to the nonprofit, they would have missed the opportunity to help Children’s Health Fund solve a real problem, and they would have missed out on the true business value of the partnership for Verizon—intelligence.

Kathy Brown, Verizon’s senior vice president for corporate responsibility, says:

> We want to be in new markets with new communities, and we want to be close to the community and have an opportunity to understand customers’ needs and wants. We can understand much better how we can serve the community through partnerships, we can get metrics that are good for nonprofits on how they’re delivering services and that also are good for us, to see the effectiveness of the products we put into the market.26

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In addition to intelligence, Verizon benefits because, as Brown says, “our customers care that they’re doing business with companies that are responsible.”

There are other examples in the marketplace that can be looked to for guidance, like Product (RED). The organization has a clear mission to deliver an AIDS-free generation in Africa by the year 2015. All of the organizations that partner with them (Apple®, Nike®, Gap®, and Starbucks® just to name a few) are united in that purpose. Each Product (RED) partner leverages their expertise to develop specific products bearing the (RED) logo, which they market through their existing channels to raise awareness for the nonprofit. Each partner contributes a percentage of the revenues generated by the (RED) products to the nonprofit.

4. **Communicate consistently, and often.** Another key to building a successful nonprofit partnership is communication. In order to build or maintain the personal connections you worked hard to establish, and in order to keep both organizations aligned on mission-critical initiatives, you have to check in on a regular basis. Bruce Burtch, author of *Glowing Your Business™*, says, “Constant, clear, open, and honest communication is critical.” It can take some time for these partnerships to get on their feet. Burtch notes, “The most successful cross-sector partnerships and cause marketing campaigns do not hit their stride until the second or third year.” Keeping the lines of communication open will be of the utmost importance as you work to get your new partnership off the ground.

5. **Be authentic.** Authenticity matters, and in the case of cause marketing, it’s critical. If consumers think that your nonprofit relationship is just a play for their money, it could damage your organization’s reputation and cause them to choose a competitor’s product or service. If, however, they believe that the relationship is genuine, that’s when cause marketing can become a differentiator that motivates consumers to choose you over a competitor.

Ken Mueller, an Adjunct Instructor of Marketing at Messiah College and at the Pennsylvania College of Art & Design, points out some of the real business benefits of authentic cause marketing in an article he wrote for Inspiring Generosity. First, it helps put your customers in an “others first” mindset, where shopping becomes as much about giving as receiving.

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27 Ibid
30 Ibid
Second, it brings new people, those who have an interest in the cause you’re serving, through your door. Third, it builds a tremendous amount of goodwill for your organization among both new and existing customers.31

6. Celebrate your successes. The goal of your partnership is to achieve your shared mission. Whenever you make gains on mission-critical initiatives, take time to celebrate. Involve the key players from your partner’s organization. In fact, if there were any other entities involved, include them as well. It’s important to stop and reflect on the journey and the results of your hard work. Reflection is another opportunity to learn from everything that led to the achievement of the goal. Don’t miss that opportunity.

You can make a difference and still make money
Working with nonprofits has traditionally been looked at as something that costs your company money by adding expense. That thinking is what leads to short-term relationships, and smaller and less frequent donations to a variety of causes. But today, the evolution from simple philanthropy to cause marketing has created a new kind of relationship between businesses and nonprofits. These new relationships focus on achieving a shared mission, where the business and the nonprofit both have a vested interest in making that happen.

Establishing a partnership is akin to courting a key customer or investigating a new vendor. Investing time upfront is essential. Learn about their culture and values, and get employees connected to their counterparts at the nonprofit. Encourage open and consistent communication between the two organizations. Focus on understanding each other and building trust. Learn about what the nonprofit really needs and determine how your organization could help meet those needs beyond financial donations. Take time to understand how you can benefit from the relationship, and always keep authenticity in mind.

Building an effective partnership with a nonprofit, one that helps you contribute to a cause you believe in while creating a real competitive advantage through authentic activism, intelligence, lead generation, etc., can help your business face the rising expectations of consumers, employees and shareholders alike. It gives you the opportunity to grow an impressive triple bottom line: people, planet and profit.