

Notes from Ethical Corporation's Business-NGO Partnership Conference
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Session: What can we learn from failed partnerships: When companies and NGO's get it wrong, what are the key lessons?

Speaker: Jon Entine, Adjunct Fellow at the American Enterprise Institute for Public Policy

Key ideas from the session:

1. Speaker believes that the main reason that companies engage in NGO partnerships is for ***Brand Reputation Management***.
2. There is an ***Integrity Premium*** associated with being ethical/charitable. People will pay more for a product or service that they perceive is being delivered by a company with high ethical standards.
3. When an NGO is thinking of partnering with a company, they must consider ***why*** that company is interested in a partnership. This isn't cynical, it is critical thinking.
4. When a company is considering partnering with an NGO, they must consider if that NGO is right for the company. Will the partnership yield the ***desired outcome?***
5. Both the NGO and company must ***consider the issues*** surrounding these sorts of partnerships: they are risky, integrity cannot just be "bolted on", and CSR must be intrinsic to the operations.

Brand Reputation Management

- Companies do not engage in CSR to "move the measure" of an issue, they do it to benefit their business
- Engaging in NGO partnerships allows companies to distinguish themselves in the market, drives sales through the Integrity Premium or through marketing, or allows them to raise the bar for their competitors (forcing extra costs on the competition by making them 'catch up' in CSR issues.)

Integrity Premium

- People will pay more for a product or service if they think the company has integrity.
- A study done by Mori shows how important a company's values are to the consumer. 74% of respondents say that a company's values impact their decision to buy.

Case Study: Rainforest Crunch

- Ben Cohen (Ben and Jerry's) and John Clay came up with the idea of creating a nut snack sourced from the indigenous people of the Amazon rainforest. The idea was to give these people a stream of income that would dissuade them from selling their land to developers, thereby preserving the rainforest and supporting these people. This was under the banner "Trade not Aid."

- The plan was hatched at a Grateful Dead concert and in only a few weeks, the product was created. In one year, it was rolled out to the market.
- The product was very successful in the market for years, driving demand for nuts in the region.
- Unfortunately, none of the nuts were sourced from indigenous people; every nut came from commercial producers, many with poor labor practices (Moran family holdings).
- The nut market became commercialized overnight, driving the nut prices down. Prices dropped 97%. This forced those indigenous nut farmers who had been making a living off of the boutique nut trade to go out of business and sell their land to developers.
- Of the millions of sales generated from the product, less than \$50,000 went to indigenous peoples. \$450,000 went to marketing. \$300,000 went to each of the main developers of the product.
- Worst sin on the part of Ben Cohen was that he was aware of the fact that this product was having a negative impact, but allowed the sales to continue for an additional 5 years because the sales were so good.
- **LESSON:** The product was recklessly thought out and not all of the stakeholders were included in the plan. Impulses are not good enough. Good intentions do not make good works.

Case Study: The Body Shop

- Rainforest issues were the craze in Hollywood and the media.
- Ann Roddick's company developed a Brazil nut product line under the Trade not Aid ideal.
- The products only accounted for .03% of sales, but were heavily touted in the Body Shop Annual Report.
- It turned out to be a PR gimmick as none of the oil came from the Amazon.
- There were market disruptions in the Brazil nut trade due to the products.
- Amazon tribes sued the Body Shop for intellectual product rights claiming that their name was used but none of their nuts.
- When the issue was uncovered in an article written for Business Ethics Magazine, Body Shop sales dropped.
- **LESSON:** Critically think about why companies engage in CSR. For companies, don't over promise or over promote (or lie) about your CSR efforts as it could have a negative impact if brought to light.

Are NGO's right for your company? Consider if the partnership will accomplish what you want. Possible outcomes:

- Build your image
- Repair your image
- Make a difference in your community
- Increase customer loyalty
- Increase consumer loyalty

Consider the issues around NGO-company partnerships:

- They are risky.
- Integrity cannot just be “bolted on”
- CSR must be built into the product or service and must be intrinsic to operations

Q&A

We consider Businesses to be efficient and do research, why does it seem like they don't do this for charitable opportunities?

Because the CSR movement is young and many companies don't have the experience at it or can't draw upon a documented history. This increases the need for transparency and checks and balances in these sorts of projects.

As an NGO, how do you challenge a company to have high ethical standards, but not risk that they will go to work for another less demanding NGO?

Companies DO want to do good. You must work with them at the beginning to set clear expectations on what will be accomplished ahead of time.
