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**Partnerships for Learning  
Managing Tensions in Nonprofit Organizations'  
Alliances with Corporations**

By Ted London and Dennis Rondinelli

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Stanford Social Innovation Review

518 Memorial Way, Stanford, CA 94305-5015

Ph: 650-725-5399. Fax: 650-723-0516

Email: [info@ssireview.com](mailto:info@ssireview.com), [www.ssireview.com](http://www.ssireview.com)



# Partnerships for LEARNING

## *Managing Tensions in Nonprofit Organizations' Alliances with Corporations*

AMONG THE peaks of the Sierra Madre Mountains lies the verdant El Triunfo Biosphere Reserve, one of the most pristine areas remaining in Mexico and the laboratory for a new kind of business and nonprofit partnership. Hidden under the canopy of giant ferns and evergreens grow “shade” coffee shrubs, flourishing not only with less sunlight and water but with less chemicals and soil. Protected from the elements and nurtured through organic farming, the crop yields a dark roasted harvest – one destined for a Starbucks near you. Last year, Starbucks bought 1.5 million pounds of Organic Shade Grown Mexico coffee from that region of Chiapas.

Symbiotic, too, is the public-private alliance behind the coffee: a partnership founded five years ago by Starbucks and nonprofit group Conservation International (CI). After CI identified Starbucks as a potential partner, its senior staff set up a meeting with corporate representatives.<sup>1</sup> After four months of negotiation, the two decided what each would provide and when. With funding from Starbucks, CI has trained local growers in organic farming methods and has run a nursery that sells seedlings and organic fertilizer at nominal prices. As farmers deliver, CI samples and grades each lot, attending to the quality control needed to sustain Starbucks' market for the coffee.

The result? “Our project in Chiapas has resulted in a 40 percent average increase in coffee farmers' earnings, a 100 percent growth in the cooperative's international coffee sales, and \$200,000

PHOTOGRAPH BY BRYAN REINHART/MASTERFILE

by TED LONDON AND DENNIS RONDINELLI



## Cooperation is a potentially more effective way to solve environmental problems than adversarial tensions – which often accompany public conflicts over business practices.

in non-Starbucks harvest loans to farmers' cooperatives," said Peter Seligmann, Conservation International's chairman and CEO.<sup>2</sup> Starbucks is also pleased: "The project has produced a sustainable solution for protecting the reserve, raising farmer income, and producing high-quality shade-grown coffee for Starbucks customers," said Orin Smith, the company's president and CEO.<sup>3</sup>

Beyond the success of its project, the alliance illustrates a growing shift toward cooperation among corporations and environmentalists. In researching nonprofit-corporate alliances that address internal operating practices, we discovered that one of the most important reasons behind the trend is that both see cooperation as potentially more effective for learning how to solve environmental problems than the adversarial tensions that often accompany public conflicts over business practices. By working together, companies can draw on the experience of environmental interest groups to improve both environmental and economic performance. In turn, nonprofits learn about how corporations deal with environmental issues, thereby increasing their capability to influence changes in corporate management practices. And by working directly with corporations to create programs to address environmental impacts of company facilities and operations, nonprofits can help prevent environmental harm from manufacturing and distribution instead of simply reacting to the results after the fact.

How can corporations and nonprofits best manage these kinds of partnerships? We examined the collaborative activities of a sample of 50 international corporations whose environ-

mental performance reports were listed on the Web site of the United Kingdom's Centre for Environmental Informatics.<sup>4</sup> Together, the 50 companies had more than \$1.8 trillion in worldwide annual sales and employed more than 5.3 million people. We also conducted a more in-depth analysis of eight major alliances, including interviews with 16 nonprofit and corporate participants.<sup>5</sup>

We found that even if all of the critical individual characteristics of the partners are in place (sidebars, p. 33), the success of nonprofit-corporate alliances seems to depend on another set of factors – the ability of both parties to manage internal tensions arising from differences in their purposes, structures, and perspectives. Most of the participants in the alliances we examined noted the opportunity for nonprofits and corporations to learn from each other as one of the strongest mutual benefits of collaborating. But learning-motivated alliances – in which knowledge sharing and exchange is a primary goal – are particularly difficult to manage. Among profit-making firms, such alliances are simultaneously competitive and cooperative, with both partners needing to manage the level of transparency and balance the knowledge sharing in the learning process. If not, such learning collaborations can turn into a learning race, with the loser finding itself in a much weaker competitive position vis-à-vis its alliance partner.

Our research suggests that tensions in nonprofit-corporate alliances do not arise from competition. After all, in such cases, each partner's revenue sources come from fundamentally different stakeholders. Rather, a different set of tensions challenges the stability and success of nonprofit-corporate alliances and affects knowledge exchange, sharing capabilities, and successful execution. The success of nonprofit-corporate environmental alliances depends on the ability of partners to recognize and balance these potential tensions.

### Teach, but Learn

An important motivation for both partners in these alliances is to teach. Corporations want nonprofit partners to learn about business. Nonprofits want their corporate partners to learn about

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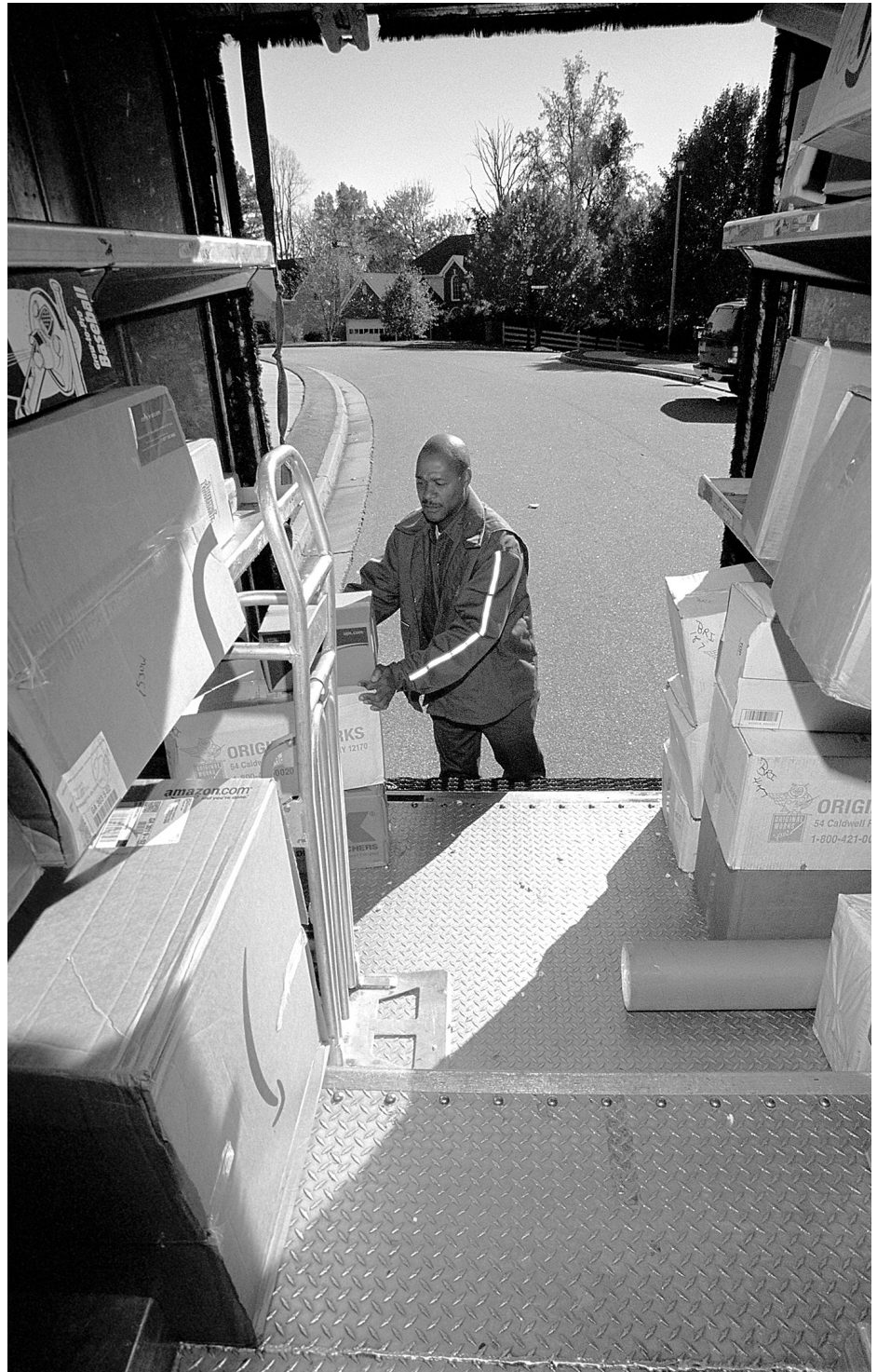
*Ted London is a Ph.D. candidate in strategic management, the director of the Base of the Pyramid learning laboratory, and an adjunct assistant professor at the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill. Prior to coming to UNC, he worked in the private and nonprofit sectors in Asia, Africa, and the United States. He can be reached at [londont@unc.edu](mailto:londont@unc.edu). Dennis A. Rondinelli is the Glaxo Distinguished International Professor of Management at the Kenan-Flagler Business School. He is the editor of the forthcoming book "Reinventing Government for the Twenty-First Century: State Capacity in a Globalizing Society." He can be reached at [Dennis\\_Rondinelli@unc.edu](mailto:Dennis_Rondinelli@unc.edu).*

the environment. While each wants its partner to better appreciate its own viewpoints and knowledge by coming together, conflict can arise when either partner becomes more interested in teaching than in learning, and a “race to teach” occurs. Corporations interested only in extolling the virtues of private enterprise and nonprofits only passionate about preaching the need for environmental protection make poor partners.

We found that the best alliances recognized the need to balance learning and teaching. As one manager noted, corporations need to be “interested in learning more about conservation”; as another put it, nonprofits “need to have a good understanding about business.” To minimize tension and maximize balance, both parties would do well to research a potential partner before any partnership, keep an open mind throughout the alliance, and have an exit strategy if things do not work out.

Being knowledgeable about how its partner operates helps to minimize the tension. “We do a lot of homework on the corporate culture of the partner – who the audience is and what the best way is to move the project through their company – to understand how to best provide information,” said Jill Rosenblum, director of communications and outreach at the Natural Step, a nonprofit that works with companies to assess ways to reduce waste through the entire production process. Interviews with workers and managers help the environmental group gain a clearer picture of the management culture, management structure, and what kinds of projects “make it to the top.”

Respect for each other’s expertise and maintaining an open mind can also help keep a relationship smooth. As Rosenblum said: “We enter into the partnership very honestly and humbly. We go in and offer our framework – rooted in sustainability and science – the instruments that we have, and they use that information to adapt their business model.” That goes both ways. United Parcel Service, for example, decided to work with the Alliance for Environmental Innovation (the Alliance), it says, because of the group’s “technical expertise and



*UPS signed an agreement with the Alliance for Environmental Innovation ensuring that either party could withdraw from the collaboration if one tried to dominate.*

experience in analyzing the environmental impacts from all stages of the life cycle of paper and plastic, and in implementing effective waste reduction initiatives.”<sup>6</sup>

Complementary expertise can mean greater motivation to learn from each other, in addition to less stepping on each other’s toes. The World Resources Institute (WRI), an environmental research and policy nonprofit, seeks to “find the best opportunities [for collaboration] and make the business case” for it,

according to WRI spokeswoman Jennifer Layke. For its Green Power Market Development project, an effort focused on building corporate markets for power from renewable energy sources, WRI convened independent experts from the Chicago Climate Exchange to present a vision for creating an emissions trading market where carbon dioxide credits can be bought and sold. “In order to have businesses value emissions, we needed a business case for the monetary value of reducing emissions,” Layke explained.

Negotiating a mutually acceptable exit strategy at the beginning can lower tensions if things do not work out in the end. Norm Thompson Outfitters, Starbucks, and UPS all signed agreements with the Alliance for Environmental Innovation ensuring that either party could withdraw from the projects if one party tried to dominate, or if little or no progress was made. While not unique to nonprofit-corporate alliances, adopting this approach provided another method for helping to maintain an appropriate balance between teaching and learning.

### Toward a Cooperative Independence

As in most types of collaboration, partners in nonprofit-corporate alliances must find a way to balance cooperation and independence. Conflict can arise in nonprofit-corporate alliances when one partner wants to control an aspect of the relationship that is critical to defining independence for the other. Since they come from different sectors of society, it is important that non-

profit-corporate alliances both during and after the project, as we see fit.”<sup>7</sup>

Nonprofits, on the other hand, may want a role in the internal corporate decision-making process concerning environmental activities. But according to several participants, companies want to retain control over internal processes such as procurement practices, raw material usage, and supply chain management. While they were willing to listen and learn from their nonprofit partners, corporate managers were not willing to cede control over decision making.

One way that partners balance this tension is to prescribe upfront areas of potential disagreement in which each partner is allowed to do its own thing. This can be done formally through the initial partnership agreement. In the partnership between the Alliance and Norm Thompson, the project’s final report and recommendations were not binding and each organization was free to critique its partner after the alliance ended. Such prenegotiated terms offered a way for both partners to maintain their independence and help ensure that a proper balance was maintained between collaboration and control. Establishing “rules of engagement” at the beginning can clarify each party’s responsibilities, turf boundaries, and what happens in the event of a falling-out. Indeed, in most of its corporate partnerships, the Alliance insists on a formal written agreement that clearly states the scope of work, specific deliverables, confidentiality provisions, resource



The success of nonprofit-corporate alliances depends on the ability of both parties **to manage internal tensions arising from differences in purpose, structure, and perspective.**

profit-corporate alliance partners recognize that they may assess independence in different ways.

Companies may wish to limit the advocacy activities of nonprofits during the relationship. But at the same time, noted a manager with several years of experience working collaboratively with corporations, nonprofits need to be advocates to retain their integrity and independence and “shouldn’t lose campaigning focus even if they work with companies.” Spelling that out beforehand can be wise: In a memorandum of understanding, for example, the Alliance for Environmental Innovation stipulates that it is “free to characterize the project, and to engage in advo-

commitments, termination clauses, and reporting conditions. This helps protect the independence of the nonprofit and recognizes the profit-making objectives of the corporation.

Informal understandings are important, too. They can be accomplished through a tacit understanding of the areas in which the partners can disagree, but in a way that is respectful. For instance, while WRI and its partners collaborate on the Green Power Market Development Project, they disagree on the Energy Department’s 1605b policy, which provides credit to companies for voluntary greenhouse gas reduction. While the partners could submit very different public comments on the standard, they

already have mitigated tensions by flagging emerging areas of disagreement ahead of time and, in the case of 1605b, giving each other notice that they would be making public comments. As Layke put it: “We have areas where we differ and areas of common interest. You have to remain transparent, respectful, and agree to disagree.”

### Moving the Mountain

The size of a project can also be an area of contention in intensive environmental management alliances. Nonprofit managers typically preferred to pursue larger projects with ambitious goals. WRI, for instance, is publicly committed to developing 1,000 megawatts of green power in the United States by 2010. Coming to agreement on specific goals with specific corporate partners proved a challenge. “The companies, when we started, said, ‘That is fine if you have that goal; that is not our evaluation at our corporation,’” Layke recalled. In general, nonprofits preferred wide-spanning projects in which the outcome would have companywide implications – to “take a mountain and move it inches,” said one manager in recalling a specific project. The key objective of that effort was to develop “a sustainable development management system and key performance indicators in the environmental, social, and economic spheres and in crosscutting governance and values areas.” Not only that, but the indicators would ideally “cross boundaries and [be] broadly applicable across multiple business operations.”

Corporate managers, on the other hand, typically wanted to avoid “biting off too big a chunk” in initial partnerships. Instead, these managers were apt to recommend smaller projects that could get off the ground relatively quickly and could help build the momentum for future projects. CI and Starbucks took this approach in Chiapas; with its success, the concept was extended to Colombia. “If Shade Grown Mexico failed, it would be an environmental, as well as a financial, failure for Starbucks, and the partnership would have ended,” said CI’s Jason Anderson. “Instead, it was successful for both and the partnership has expanded.”

But smaller as well as larger projects have their own downsides. Without structured deadlines and specified activities and responsibilities, large long-term projects can easily lose focus and founder. One manager told us about the potential dangers of an “unclear timescale” and the need to continue “to test the relationship as it goes along.” Smaller projects make it easier to focus but run the danger of having too limited an impact. One nonprofit manager lamented that while the partners had undertaken several smaller projects, the results were not “as contagious as [the nonprofit] would like.” Part of the reason may have been that the impacts of the collaborations have not caught the attention of senior managers. To generate addi-

## An Ideal Nonprofit Partner

- Is credible as a responsible, legitimate, and knowledgeable organization.
- Understands private enterprise and that corporations need to make profits.
- Is experienced in jointly improving a corporation’s economic and environmental performance.
- Gives cost-effective and technically sound advice.
- Recognizes that meaningful changes in large corporations take time.

tional momentum, the same manager reports, the nonprofit is “trying to measure the impact of [its] activities.”

Again, proactive planning can reduce misunderstandings down the line. To reconcile the differences between large and more modest goals, nonprofit and corporate partners often relied on an approach that allowed for future expansion. As in the CI-Starbucks alliance, the partners exercised the option of extending to Colombia after the project was successful in Mexico. Similarly, when the Alliance and Starbucks partnered to find ways to reduce coffee cup litter in 1996, they stipulated that both would

## An Ideal Corporate Partner

- Identifies a specific project or objective for collaboration.
- Selects managers who represent a cross section of administrative and operational units within the company.
- Assigns interested and committed managers to serve as “champions” for change.
- Gains strong commitment from high-level executives to address environmental problems.
- Involves external stakeholders, such as suppliers.
- Uses metrics for measuring environmental and financial aspects of operations so that both the nonprofit and the company can evaluate benefits important to them in the collaboration.

(Starbucks and the Alliance, for example, compared coffee cup designs in terms of energy use, air and water emissions, effluent flow, solid waste, and the cost in manufacturing.)



The paradox of achieving competitive and societal advantage can be resolved if both parties understand that **proactively supporting industry change can create a first-mover advantage for the corporate partner.**

determine “whether and how to proceed in jointly developing a broad, long-term program for Starbucks’ environmental initiatives,” thereby combining short-term and long-term possibilities for collaboration.<sup>8</sup>

In projects that were initially quite ambitious, alliance part-

ners negotiated shorter-term activities, responsibilities, and deadlines to help ensure that momentum was maintained. “Over time, we realized that we can’t achieve our goal without the companies,” said Layke. “The companies also realized that they have a larger role to play in stewarding the green power marketplace. Back and forth we negotiated to create the overlap – our expectations of annual purchasing of green power and what economics are acceptable [to the companies], and what they can get approved in their management.”

## Fatigued Funders and Eager Nonprofits

One of the challenges of nonprofit-corporate alliances is that it can take a long time to get results. Many nonprofit funders don’t want to wait. “There is a real phenomenon of funder fatigue and funders expecting a turnaround and impact in a time period that is not realistic,” said Jennifer Layke of the World Resources Institute. “So to expect results [from a grant] in a year is setting yourself up to not have the depth of impact you could have.”

Nonprofits must also compete with other nonprofits for the attention of potential corporate partners. “We’ve found there are a lot of nonprofits doing similar work and vying for the attention of corporate partners,” said Karen Tarica of the Marine Stewardship Council, a nonprofit that targets overfishing. Restaurant chains and supermarkets, for example, are often inundated with requests from organizations interested in joining forces.

“We want to maximize every opportunity for a good experience so that the corporate partner will continue the relationship with us. It’s easy for corporations to say, ‘That wasn’t a great experience, we don’t want to work with them anymore.’ Whereas, as a nonprofit, your program depends on [them]. Our resources are more limited and theirs more flexible.”

### The Meaning of Success

While none explicitly said so, both corporate and nonprofit partners tended to measure long-term success in different ways. Corporations tended to see that success in terms of developing a competitive advantage in dealing with environmental issues. As several corporate participants noted, a primary motivation was to access and leverage specific, contextual knowledge – Starbucks valuing Conservation International’s experience with farmers in southern Mexico, for example – or technical knowledge, which is what the Alliance for Environmental Innovation provided Norm Thompson when the outfitter switched to paper with a minimum of 10 percent postconsumer recycled content in all of its catalogs. One reason for the success, for instance, of the Alliance-UPS partnership was that top corporate executives “believed from the start that this environmental project could benefit its customers and its businesses in a tangible way. Because of that, there was high-level commitment to the goals of the project.”<sup>9</sup> As a result of this partnership, UPS has introduced reusable packaging, has eliminated bleached-fiber content, and has increased its use of recyclable materials.

Nonprofits, on the other hand, want to share solutions from the partnership so that others can adapt similar practices. The Alliance explicitly states that it prefers partnerships with companies that have sufficient purchasing power to create change in the supply chain and enough influence to create new “best practices” for corporate environmental management in their industries. “A lot of what we try to do is to develop a model that is replicable, to be used by any company,” said Rosenblum. “We select compa-

nies that are going to get you into a sector you want to get to, or supply chains you want to move.”

The nonprofit’s goal of sharing expertise presents a challenge for the corporate partner. For example, in 1992, Greenpeace collaborated with Germany’s Foron Household Appliances to refine and market an existing environmentally sensitive refrigeration technology.<sup>10</sup> As the technology could not be patented, Foron relied heavily on Greenpeace’s public endorsement and grassroots campaign to generate sales. In the first three months of the campaign, 70,000 orders were received. In the meantime, however, Greenpeace was actively giving away the technology to other companies and entrepreneurs as part of its efforts to generate industrywide change. By 1994, all German refrigerator companies either had or were in the process of adopting this new technology. With its mission in Germany completed, Greenpeace abandoned Foron to concentrate on a global campaign for spreading this technology. Without Greenpeace’s marketing support and without a competitive edge, the company lost its advantage and subsequently declared bankruptcy.

The paradox of achieving both competitive and societal advantage can be resolved if both parties understand that proactively supporting industry change can also potentially create a first-mover advantage for the corporate partner. In the CI-Starbucks partnership, for instance, CI informed Starbucks from the start that it would be trying to develop a methodology that it could use to approach even larger coffee companies like Kraft or Nestlé. “Starbucks knew when they signed up that we would be going to competing companies,” Anderson said. “It’s a double-edged sword.” But if the partners are successful in creating a new industry standard, then Starbucks will have a substantial head start from its collaboration and an opportunity to continue to push for higher industry standards. Like “drafting” in car racing, as another nonprofit manager explained, “There is an opportunity for nonprofits to pull them further ahead and these corporations may then pull others behind them.”

“Starbucks wants to be seen as industry leaders,” Anderson said, and the partnership gives the company both market and PR advantages. “They know that if this rolled out to the coffee industry, they charted the way.”

### Managing Learning Partnerships More Effectively

For both nonprofits and corporations, the value of these alliances is in finding more effective ways of addressing the environmental impacts of internal company practices. These partnerships, however, transfer a unique set of tensions to the alliance itself. These tensions arise from the underlying differences in goals and orientations rather than from competition between partners. This suggests that the structure and the process of nonprofit-corporate

learning alliances – whether focused on environmental issues, human rights, community development, poverty alleviation, or any of the many other social issues on which nonprofits and companies are now collaborating – require careful design and continuous attention to these potential tensions if the alliance partners are to effectively share knowledge and experience. In sum, the success of nonprofit corporate environmental alliances depends on the ability of partners to recognize and balance potential tensions that can arise during the process of designing and implementing alliances – tensions between teaching and learning, partner control and independence, achieving short-term success and maximizing long-term impact, and measuring success in different ways. □

1 Austin, J.E. and Reavis, C. “Starbucks and Conservation International” Harvard Business School case study (June 2, 2003).

2 Conservation International press release, August 2000.

3 Conservation International press release, winter 2003.

4 From more than 200 listed (<http://cei.sund.ac.uk/envrep>).

5 We set out to discover why nonprofits and corporations form these alliances and what factors account for success. We reviewed the partnership activities of nonprofit environmental groups that listed collaborative activities with the private sector. Representatives of DuPont, Starbucks, Bay Beyond, Norm Thompson Outfitters, Westvaco (now MeadWestvaco), Collins Products, and Shell agreed to be interviewed, as did those from World Resources Institute, Conservation International, the Center for Compatible Economic Development, the Nature Conservancy, the Natural Step, the Alliance for Environmental Innovation, Business for Social Responsibility, and SustainAbility (which is somewhat of a hybrid organization that operates as a think tank, an advocacy organization, and a for-profit consultancy). Both nonprofit and corporate participants responded to our questions with the assurance that confidential information would not be attributed to specific projects. Additional data was collected on some of the partners by a research assistant in 2003. See Rondinelli, D.A. and London, T. *Partnering for Sustainability: Managing Nonprofit Organization-Corporate Environmental Alliances* (Washington, D.C.: Aspen Institute, 2001); and Rondinelli, D.A. and London, T. “How Corporations and Environmental Groups Cooperate: Assessing Cross-sector Alliances and Collaborations,” *Academy of Management Executive* 17, no. 1 (2003).

6 United Parcel Service and Alliance for Environmental Innovation. *Achieving Preferred Packaging: Report of the Express Packaging Project* (Boston: Alliance for Environmental Innovation, 1998).

7 Alliance for Environmental Innovation. *Catalyzing Environmental Results: Lessons in Advocacy Organization-Business Partnerships* (Boston: Alliance for Environmental Innovation, 1999).

8 Alliance for Environmental Innovation. *Report of the Starbucks Coffee Company/Alliance for Environmental Innovation Joint Task Force* (Boston: Alliance for Environmental Innovation, 2000).

9 United Parcel Service and Alliance for Environmental Innovation. *Achieving Preferred Packaging: Report of the Express Packaging Project* (Boston: Alliance for Environmental Innovation, 1998).

10 Stafford, E.R.; Polonsky, M.J.; and Hartman, C.L. “Environmental NGO-Business Collaboration and Strategic Bridging: A Case Analysis of the Greenpeace-Foron Alliance,” *Business Strategy and the Environment* 9, no. 2 (2000).