

# The Collaboration Challenge

How Nonprofits and Businesses  
Succeed Through Strategic Alliances

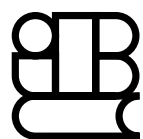
James E. Austin  
Harvard Business School

Foreword by Frances Hesselbein  
and John C. Whitehead

Jossey-Bass Publishers  
San Francisco







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# The Collaboration Challenge



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## ABOUT THE DRUCKER FOUNDATION

The Peter F. Drucker Foundation for Nonprofit Management, founded in 1990, takes its name and inspiration from the acknowledged father of modern management. By providing educational opportunities and resources, the foundation furthers its mission "to lead social sector organizations toward excellence in performance." It pursues this mission through the presentation of conferences, video teleconferences, the annual Peter F. Drucker Award for Nonprofit Innovation, and the annual Frances Hesselbein Community Innovation Fellows program, as well as through the development of management resources, partnerships, and publications.

Since its founding, the Drucker Foundation's special role has been to serve as a broker of intellectual capital, bringing together the finest leaders, consultants, authors, and social philosophers in the world with the leaders of social sector voluntary organizations.

The Drucker Foundation believes that a healthy society requires three vital sectors: a public sector of effective governments, a private sector of effective businesses, and a social sector of effective community organizations. The mission of the social sector and its organizations is to change lives. It accomplishes this mission by addressing the needs of the spirit, mind, and body of individuals, the community, and society. This sector and its organizations also create a meaningful sphere of effective and responsible citizenship.

The Drucker Foundation aims to make its contribution to the health of society by strengthening the social sector through the provision of intellectual resources to leaders in business, government, and the social sector. In the first nine years after its inception, the Drucker Foundation, among other things:

- Presented the Drucker Innovation Award, which each year generates several hundred applications from local community enterprises; many applicants work in fields where results are difficult to achieve.
- Worked with social sector leaders through the Frances Hesselbein Community Innovation Fellows program.
- Held twenty conferences in the United States and in countries across the world.
- Developed six books: a *Self-Assessment Tool* (revised 1998) for nonprofit organizations; three books in the Drucker Foundation Future Series, *The Leader of the Future* (1996), *The Organization of the Future* (1997), and *The Community of the Future* (1998); *Leader to Leader* (1999), and *Leading Beyond the Walls* (1999).
- Developed *Leader to Leader*, a quarterly journal for leaders from all three sectors.

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# Contents

Foreword	viii
<i>Frances Hesselbein and John C. Whitehead</i>	
Preface	xi
1. The Strategic Benefits of Alliances	1
2. Understanding Strategic Collaboration	19
3. Making the Connection	41
4. Ensuring Strategic Fit	61
5. Generating Value	87
6. Managing the Relationship	121
7. Collaboration Drivers and Enablers: Jumpstart and American Eagle Outfitters	147
8. Guidelines for Collaborating Successfully	173
Notes	189
The Author	193
Index	195

# Foreword

We are living in a time when no organization can succeed on its own. The development of results-focused nonprofits and businesses creates a growing opportunity for these organizations to work together and create new possibilities that further their respective missions. Nonprofits know they must become more businesslike. Businesses know they must become more socially responsible. A growing number of farsighted leaders are moving their organizations beyond the institutional barriers to cooperation and are meeting the collaboration challenge head-on. These leaders are not content to limit their vision of what can be achieved to the results within their own enterprise. They count on the results made possible by the combined efforts of effective organizations across all sectors of the economy.

These are the leaders we meet in this important new book by the Harvard Business School's James Austin: people such as Howard Schultz, chairman and CEO of Starbucks, and Peter Bell, president of CARE, who forged a partnership that continues to improve the lives of farmers around the world—and brings unexpected benefits to both organizations at home. And people such as The Nature Conservancy's president John Sawhill and Georgia-Pacific's CEO Pete Correll, who discovered that traditional adversaries can find ways to work together for the common good.

Jim Austin takes us deep inside thriving partnerships engineered by successful businesses such as Hewlett-Packard, Reebok, the Bayer

Corporation, Timberland, Nordstrom, and Visa and respected nonprofit organizations such as Amnesty International, City Year, National Geographic, American Humane Association, and Time to Read. We discover that collaborations between businesses and community groups and other nonprofits can bring benefits far beyond the tangible objectives they were designed to accomplish. Well-managed collaborations can help build brand identity and goodwill, reinforce employee commitment, and uncover new business opportunities and sources of revenue. And—essential in this knowledge society—they provide powerful opportunities for organizational learning.

Of course the key to achieving such benefits is to understand the nature of collaboration, the potential pitfalls, the points for leverage, and the management strategies that work in bringing different organizations together. That is the reason Jim Austin wrote this book. He has studied a wide variety of partnerships and collaborations in all kinds of industries, from low-tech to high-tech, and involving all kinds of nonprofits, from local grassroots organizations to global giants with household names. He gained unprecedented access to the decision makers who instituted and managed these alliances and who provide firsthand accounts of their successes, trials, and lessons learned. Sifting through these myriad alliances, Austin has uncovered the common elements and key strategies that make for effective collaborations. In *The Collaboration Challenge*, he illuminates these key lessons for all leaders, and makes it possible for each of us to meet the collaboration challenge.

We are pleased to collaborate on the Foreword to Jim Austin's important new book. Through our work with the Initiative on Social Enterprise at the Harvard Business School and the Drucker Foundation, we have both been traveling on parallel tracks. This book links the engines of our organizations to pull toward a common goal: enhancing the leadership and management capabilities of nonprofits. The Drucker Foundation is pleased to present this practical and inspiring guide to the collaborations essential to building a better world in the times to come.

As we look around us in a new century, we realize that businesses and nonprofits in today's interconnected world will neither thrive nor survive with visions confined within the walls of their own organizations. They need to look beyond the walls and find partners who can help achieve greater results and build the vital communities to meet the challenges ahead. That is why *The Collaboration Challenge* is so important to all leaders, whether in business, government, or nonprofit institutions.

*December 1999*

Frances Hesselbein  
*Chairman*  
*Board of Governors*  
*The Peter F. Drucker Foundation*  
*for Nonprofit Management*

John C. Whitehead  
*Founder*  
*The John C. Whitehead Fund*  
*for Not-for-Profit Management,*  
*Harvard Business School*

# Preface

This book is for nonprofit and business leaders who are seeking ways to partner effectively with each other for mutual benefit and social good. Cross-sector collaboration between nonprofits and businesses has been growing, and this trend will accelerate as we enter this new century. These alliances are becoming of strategic importance to the partners. Yet there is a relative paucity of literature on this phenomenon.

This book documents the experience of over fifteen strategic alliances between business and nonprofit organizations and establishes a basis for understanding the nature and evolution of cross-sector collaborations. It presents an analytical framework leaders and others can use to think systematically about creating, building, and managing such partnerships so as to generate value for both partners and for society. By conducting in-depth analyses of partnering experiences, I have attempted to capture the wisdom of the practitioners and present insights on the determinants of alliance effectiveness. Readers will discover new ways of looking at cross-sector collaborations and practical guidance on how to achieve successful alliances.

## **The Audience**

This book offers many useful tools and insights not only for executives and directors of business and nonprofit organizations engaging in strategic partnerships but also for staff, line managers, and consultants

who carry some responsibility for planning and implementing these partnerships. Academics and graduate students in both business and nonprofit management will also find innovative ideas to reflect on in these pages.

## **Overview of the Contents**

Chapter One introduces the major alliances discussed in the book and the many forces impelling them, making the new century an age of alliances for many businesses and nonprofits.

The next five chapters analyze how these alliances function, with many case study examples. Chapter Two looks at the various stages a business-nonprofit partnership may pass through, with different needs and benefits for the parties. Chapter Three addresses getting started, particularly at the top leadership level. Partnerships between businesses and nonprofits, just like partnerships between businesses alone, must be built around a strategic fit. Chapter Four explores the important areas of alignment, and Chapter Five describes how partners can analyze the value of their collaboration. Chapter Six discusses the ongoing practical management of a partnership.

Chapter Seven offers a detailed case study that demonstrates at length the drivers and enablers of alliances discussed in the previous chapters.

Finally, Chapter Eight presents a series of highly practical collaboration guidelines and a list of key questions for leaders.

## **Acknowledgments**

I would like to express my deep appreciation to Harvard Business School (HBS) research associates Linda Carrigan and Arthur McCaffrey for their excellent assistance in the research project that underlies this book. Their diligence and skill in carrying out case study fieldwork and writing up the results were outstanding and their intellectual companionship invaluable. I am also grateful to Katherine Korman Frey, Harvard Business School M.B.A., 1999, for her energetic and enthusiastic assistance in conducting the survey component of the research.

I am particularly grateful to the businesses and the nonprofit organizations studied in this research project for their generosity in sharing their time, wisdom, and experience so that others might learn. Their community spirit is exemplary. It is my hope that this book they have helped to create will also prove useful in furthering their cross-sector collaborations.

The manuscript for this book benefited from the insightful review of my colleague Professor Rosabeth Moss Kanter, whose pioneering studies of alliances guided many of us who have followed in her footsteps. The original research was presented at the Harvard Business School Social Enterprise Research Forum in November 1998, and the comments of the forum's academic and practitioner participants also enriched this book. I especially appreciate the helpful suggestions of my HBS colleagues Allen Grossman, Bloomberg Senior Lecturer in Philanthropy, and Elaine Backman, senior research associate. Alan Shrader, Jossey-Bass executive editor, was a gifted adviser as I sought clarity and utility for the reader. The manuscript also benefited from John Simon's and Elspeth MacHattie's skilled editorial assistance.

I am also grateful to Frances Hesselbein, chairman, and Rob Johnston, senior vice president, of the Drucker Foundation for the opportunity to publish this book as part of the foundation's distinguished book series. I first presented these concepts about alliances at a Drucker Foundation annual leadership conference. Peter Drucker's vision and wisdom have served as an inspiration and a magnet, drawing many of us through new intellectual doors that he opened. It is my hope that this book contributes to the unrelenting quest for learning and excellence embodied by Peter Drucker and the Drucker Foundation.

Finally, this book would not have been possible without the support of the Harvard Business School Division of Research and HBS dean Kim Clark's encouragement of the Initiative on Social Enterprise.

*Boston, Massachusetts  
December 1999*

James E. Austin

To John McArthur

*former dean of the Harvard Business School  
and extraordinary educational entrepreneur*

and John Whitehead

*distinguished investment banker, government policymaker,  
and nonprofit director*

*Their vision of the profound role of leadership and management education in the betterment of society gave birth to the Harvard Business School Initiative on Social Enterprise. Leaders of action create lasting legacies. This book is one part of the legacy from their vibrant and enduring social enterprise leadership.*



# The Collaboration Challenge



# The Strategic Benefits of Alliances

The twenty-first century will be the *age of alliances*. In this age, collaboration between nonprofit organizations and corporations will grow in frequency and strategic importance. Collaborative relationships will increasingly migrate from the traditionally philanthropic, characterized by benevolent donor and grateful recipient, toward deeper, strategic alliances. These changes are already under way, and the changing alliance landscape is rich in variety, with businesses and nonprofits from Boston to Seattle finding new ways to work together to achieve their goals and contribute to society.

## The Faces of Collaboration

These alliances do not require grandiose strategic plans; patience and perseverance are often sufficient to turn small beginnings into significant strategic alliances. Consider, for example, the relationship between the nonprofit City Year and the outdoor boot and apparel outfitter Timberland, begun in 1989 when City Year requested from Timberland fifty pairs of boots for its urban youth service corps, founded the previous year. The service corps program organizes youths from diverse ethnic, racial, and economic backgrounds into teams to work on a wide range of community service projects such as serving as classroom aides in inner-city schools or assisting staff at neighborhood Boys and Girls Clubs. Expansion of

the relationship over the ensuing decade found Timberland supplying City Year's official uniform and becoming its major corporate backer, providing about \$1 million annually in cash and in-kind gifts and helping the organization to expand nationally. City Year in turn played a central role in helping Timberland develop and implement its strategy for community service and a high-engagement corporate culture. City Year also helped Timberland employees carry out community service projects, to which they gave more than twenty thousand employee hours in 1998. Each organization considers the relationship with the other to be of central strategic importance.

That these emerging strategic alliances go far beyond check writing in order to leverage the competencies of each partner and create two-way value is evidenced by, among others, the collaboration between The College Fund (UNCF) and Merck. UNCF, the largest and oldest minority educational assistance organization in the United States, and Merck, a leading global pharmaceutical company, have been collaborating for three years to increase the number of African American biologists and chemists. In 1995, they launched the UNCF-Merck Science Internships. The undergraduates, doctoral students, and postdoctoral scientists who receive these internships are assigned mentors from Merck's research staff and given assignments at Merck's research facilities. Through its network of associated colleges, UNCF affords Merck access to bright minority students with an interest in science, and these students are in turn provided access to Merck's scientific talent, facilities, and work opportunities.

Similarly, the National Science Resources Center (NSRC), a nonprofit organization created by the Smithsonian Institution and National Academy of Sciences to improve the teaching of science in K-12 education, has brought to a collaboration with Hewlett-Packard (HP) high credibility and access to key curriculum decision makers in the public education system. A leading designer, manufacturer, and service provider of products and systems for mea-

surement, computation, and communications, HP, like Merck, has a basic interest in increasing the supply of scientists. NSRC has focused on curriculum design and teacher training. HP's technical advice and the active involvement of its scientists and managers have lent a valuable perspective and competency that NSRC alone was unable to bring to the educational and developmental processes. Through this alliance, HP has enhanced its reputation in the educational community, and participating employees have enjoyed highly motivating and satisfying experiences.

Businesses and nonprofits sometimes perceive a natural strategic fit—the mutuality of interests that is central to creating strong alliances—such as the fit between the American Humane Association (AHA) and Ralston Purina Company. It was logical for the AHA, which advocates for animal causes and represents animal shelters throughout the nation, and Ralston Purina, the world's largest producer of pet foods, to join forces to create the Pets for People program, which aims to increase pet adoptions and thereby save thousands of animals that would otherwise have been euthanized for lack of homes.

A common objective, in this case the promotion of literacy, is also the basis of a strong collaboration between the Time to Read national program and media and entertainment giant Time Warner, Inc. Time to Read helps local nonprofits such as Chicago's Off the Street Club recruit children, youths, and even adults from disadvantaged areas for tutoring by Time Warner employee volunteers trained by Time to Read. Instead of financial grants, Time Warner supplies reading materials (especially magazines published by the company), classroom space, and tutors at its various offices around the country.

Even when a strategic fit is not immediately obvious, common ground can often be discovered. The alliance between The Nature Conservancy and Georgia-Pacific involved a dramatic shift from a contentious to a collaborative relationship. Historically, The Nature Conservancy (TNC), an international conservation organization

and the largest private owner of nature preserves in the United States, and Georgia-Pacific Corporation, one of the world's largest forest products companies, had pursued competing agendas for common lands. The former wanted to preserve the land untouched, the latter to use it intensively. However, mounting environmental pressures on the forestry industry and growing difficulties for environmentalists in gaining control of ecosystems through land purchases led these organizations to reassess their opposing strategies. Their 1994 landmark agreement to jointly manage unique forested wetlands in North Carolina represented a substantial shift for both organizations to strategies built on partnerships to accomplish both their individual and their newly shared goals.

A similar incongruity seemed to exist between Reading Is Fundamental (RIF) and Visa International. RIF is a national nonprofit that works through local volunteer programs in thousands of communities throughout the United States to inspire young people to read. Visa operates the world's leading consumer credit card payment system. Although there is no obvious connection between the credit card business and literacy promotion, research that revealed that this social cause was viewed positively by Visa cardholders became the basis for a cause-related marketing collaboration in which Visa donates to RIF a percentage of charges during certain periods when the reading program is promoted.

Another unexpected fit is that between the human rights advocacy organization Amnesty International and sports shoe manufacturer Reebok International Ltd. Reebok's CEO, seeing a connection between the cause of human rights and the underlying values that he wanted to foster in Reebok's corporate culture, sponsored a celebrity concert world tour that Amnesty International had organized to promote the fortieth anniversary of the Universal Declaration of Human Rights. Reebok has since engaged in other activities with Amnesty International, and human rights has become a core value in the company.

Before strategic fit can be explored, a potential partner must be found. That task can be particularly daunting when cross-sector alliances are sought because information about the availability and suitability of partners is not readily available. Sometimes serendipity appears to play a role. The idea of forming an alliance with Starbucks Corporation came to a CARE manager as he was drinking a cup of Starbucks coffee. A systematic getting-acquainted process began formally in 1991, when Starbucks was a young, \$20 million coffee retailer and CARE was a well-known, forty-five-year-old international relief and development institution with annual revenues of approximately \$300 million, some ten thousand employees, and operations throughout the world, and it evolved into an increasingly deep partnership. By 1998, Starbucks had boomed into a global company with sales of almost \$1 billion and was CARE's largest corporate donor. CARE president Peter Bell has referred to the alliance as "having more richness to it than other relationships."<sup>1</sup> And Starbucks chairman and CEO Howard Schultz illustrated the importance of the partnership to Starbucks when he said: "We have to weigh what's affordable against what we think is right. That's why we keep giving to CARE even when profits are tight."<sup>2</sup>

Alliances can take many different forms. Some, such as the arrangement between the Bidwell Training Center and the Bayer Corporation, come to involve multiple partners in an effort to assemble more abundant resources and more powerful combinations of competencies. Bidwell, which trains disadvantaged inner-city youths and unemployed adults of southwestern Pennsylvania for jobs in high-tech, culinary, and medical fields, partnered with Bayer, a major pharmaceutical and chemical company, to develop a chemical technician training program. Then the two partners incorporated other chemical companies and government actors into the alliance in order to bring in more capabilities and resources and expand job placement opportunities.