



Canadian Mental
Health Association
Ontario

Risk vs. Reward

Considerations for non-profit
organizations on ethical fundraising
and forming collaborations

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About Canadian Mental Health Association, Ontario

The Canadian Mental Health Association (CMHA) operates at the local, provincial and national levels across Canada. The mission of CMHA Ontario – a not-for-profit, charitable organization funded by the provincial Ministry of Health – is to improve the lives of all Ontarians through leadership, collaboration and the continual pursuit of excellence in community-based mental health and addictions services. Our vision is a society that embraces and invests in the mental health of all people. As a leader in community mental health and addictions, we are a trusted advisor to government and actively contribute to health systems development through policy formulation and recommendations that promote mental health for all Ontarians. We support our 28 community CMHA branches which, together with other community-based mental health and addictions service providers, serve approximately 500,000 Ontarians each year.

Disclaimer

This document is intended to act as a guide, define key terms and provide recommendations. CMHA Ontario recognizes that the information in this document may be subject to change and that each organization has specific needs; as a result, policies and procedures may vary. This document is not intended to provide legal advice.

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Executive summary

In recent years, many community-based mental health and addictions agencies have experienced an increase in the number of private companies that sell substances such as alcohol and cannabis seeking to make donations or develop collaborations. This circumstance is the result of increases in substance legalization and regulation, and has led non-profit organizations that provide mental health and addictions services to review their policies related to collaborations with the private sector.

To help work through various ethical considerations related to forming collaborations with private companies, the Canadian Mental Health Association (CMHA), Ontario Division, has created this resource to provide any non-profit organization with a framework of details to consider when approached about a donation opportunity or partnership.

While Risk vs. Reward: Considerations for non-profit organizations on ethical fundraising and forming collaborations uses examples of collaborations with companies that produce substances, it also discusses the different forms of collaborations, outlines benefits and risks, details how to assess an opportunity, and provides language to support decision-making.

The goal of this resource is to support agencies in ensuring their approach to collaborations considers the risks, both internally and externally, while honouring their unique position of promoting an important cause in the community.

Key indicators and questions to consider are provided throughout this document, including:

- The purpose the collaboration will serve in meeting a non-profit organization's primary mission
- The extent to which funding will be coming from a private company that requires ethical consideration
- The potential harm to the community that occurs as a result of the private company's products or services
- The visibility of the collaboration in the community to clients, partners and government
- The link between the non-profit organization and the private company

CMHA Ontario believes strongly in the value that can come from cross-sectoral collaborations. However, the risks may often outweigh the benefits for non-profit organizations. *Risk vs. Reward: Considerations for non-profit organizations on ethical fundraising and forming collaborations* provides the tools to work through such considerations as a team.



Considerations for non-profit organizations on ethical fundraising and forming collaborations

Forming collaborations is part of every non-profit organization's cycle and is viewed as a natural way to grow, keep current with industry and expand the opportunities available to consumers. The nature of collaborations varies, ranging from the co-creation of a program or product, combining resources, engaging in fundraising, making silent investments or public financial donations. With such collaborations, partners may come from within the same sector or across multiple sectors, including non-profit agencies and for-profit corporations.

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This document will discuss collaborations that occur across sectors, where non-profit organizations are approached by members from private industries with offers of sponsorship or donations. This could be to work toward a common goal, engage in

research of mutual interest, or to provide funds as part of their corporate social responsibility plans. A non-profit organization and a private business working together is referred to as a "business-non-profit partnership" (BNPP).¹ For the purposes of this document, the terms 'business' and 'company' will be used interchangeably.

The central premise of BNPPs is that working together allows members of the partnership to create more value than they could have separately.² Each collaboration exists on a con-

tinuum, determined by factors such as the goals, resources, level of engagement, internal and social changes created, and the strategic value for both organizations.³ The collaboration continuum reflects this tendency of relationships to be fluid and evolve over time.

Collaboration continuum: four categories



1. **Philanthropic:** a unilateral transfer of resources, where the business acts as the funder and the non-profit as the administrator. The value of the resources transferred allows the non-profit to pursue its mission.
2. **Transactional:** a reciprocal exchange of resources, creating linked interests. These may be tangible or intangible.
3. **Integrative:** an integration of missions, strategies, values, personnel and activities, along with a co-creation of value. Integrative collaborations typically require greater commitment from leadership and are more complex in nature.
4. **Transformational:** a higher level of convergence, focused on co-creating transformative change at the societal level.⁴

Before we discuss where along the continuum a prospective collaboration may fit and how to assess your position, we will highlight the benefits and risks associated with the formation of BNPPs.

Benefits and risks of BNPPs

Benefits of forming BNPPs

As stated earlier, forming collaborations is viewed as a natural part of an organization's cycle, and would typically only be entered into if there were benefits for both members in the partnership. The benefits of BNPPs align with the collaboration continuum, in that there is a range of low to high involvement required from each partner in order to realize the benefit.

At the lower end of the continuum, partners may benefit from simply being associated with each other. This could mean that a business is gaining more clients due to their relationship with a non-profit organization, or the non-profit organization is receiving more media exposure through this relationship.⁵ While benefitting via association requires little active work by each member,

In most situations, a higher level of hands-on work translates into greater benefits for each partner.

other benefits, such as those realized through interacting, sharing, and transferring resources, require more hands-on work. In most situations, a higher level of hands-on work translates into greater benefits for each partner. For example, transferring resources and sharing knowledge may lead to more professional development opportunities for staff, or

financial supports to aid programming for clients.⁶ As the level of hands-on involvement increases, both partners are ultimately working toward creating a level of value for society which would not have been possible if each partner worked separately.⁷

While the creation of social value is an underlying premise of all BNPPs, and value creation is paramount, the risks are ultimately greater for the non-profit organization than the business in these relationships. This is especially true in cases where a dependency may build over time for resources, in order to sustain staff and client needs.⁸



Risks of forming BNPPs

- **Ethical risk**
An ethical risk arises when an organization accepts money in order to achieve good from a source that does harm. Ethical considerations are the most common to arise in accepting funds from companies that produce substances due to concern over whether a portion of the money may be coming from those consuming in a harmful way. For example, a charity that supports individuals living with alcohol dependence considering accepting money or forming a partnership with a brewery.⁹ The charity may feel that the ethical risk is low if the brewery only produces low-alcohol beer and encourages moderate consumption, however may view the situation differently if approached by a company that produces spirits with high alcohol content or is associated with binge drinking campaigns.
- **Contributory risk**
A contributory risk is when accepting funds either directly or indirectly leads to increased sales of the business's product. Direct contributions are when knowledge of the BNPP relationship influence a consumer in increasing their consumption, while indirect contributions are when the BNPP relationship is used to enhance their public reputation and reduce any negative perceptions.¹⁰ For example, a person may be more interested in visiting a specific restaurant when they learn a portion of their profits are donated to a local children's hospital.

- **Reputational risk**

Reputational risk occurs when the BNPP relationship is viewed as undermining the integrity of the community or sector as a whole, risking negative perceptions from stakeholders.¹¹ For example, another non-profit might disagree with the decision taken about acceptance of funds, and feels it undermines the work being done within the sector. Reputational risk could also result in clients of the non-profit seeking less involvement after the partnership due to personal beliefs and experiences.
- **Governance risk**

The BNPP may risk a non-profit's own capacity for independence and self-determination, creating challenges in maintaining effective governance. This could happen when outside stakeholders have a greater say in the direction of the organization than its own leaders, leading to co-optation.¹² Co-optation appears more likely in BNPPs that create a financial dependency for the non-profit, involve the non-profit endorsing the firm's product, or where personal ties exist between the organizations. Situations such as these would compromise the non-profit's ability to challenge a firm's behaviour or decisions.¹³ As the proportion of funding increases, so does the extent of reliance and co-optation.¹⁴ For example, a non-profit organization that derives 30 per cent of its annual income from industry sources is more likely to develop a reliance, risk co-optation and increase their governance risk, than a group that receives 10 per cent.
- **Neutrality risk**

It's considered a neutrality risk when a BNPP reduces the perceived level of objectivity or neutrality a non-profit has regarding the private company and their products. Recipients may not always realize the extent to which their perceptions have been influenced. For example, forming positive relationships during meetings can over time affect a non-profit's ability to critically judge a company's activities in an unbiased manner.¹⁵
- **Relationship risk**

When the BNPP affects relationships both inside and outside the organization, it's a relationship risk. In some cases, this could be that the non-profit's employees hold personal opinions about the partnership and do not feel safe in expressing them. It could also become a risk when employees do express their views, changing their relationships within the organization.¹⁶ Relationship risk also arises when new BNPPs or same-sector collaborations are being discussed and potential partners disagree with the partnerships already in existence.
- **Democratic risk**

A democratic risk occurs when a BNPP results in the vitality and integrity of the democracy within an organization being compromised by influences from private companies. This can happen through different chains of engagement. For example, at a higher level through politicians who have the capacity to create public influence, at a middle level where universities are directed a certain way due to acceptance of industry money, and at a lower level where researchers may feel silenced due to actions their organization has taken.¹⁷

As shown, the risks appear to be greater for the non-profit in any BNPP relationship. **Non-profit organizations carry a greater risk of compromising their organizational identity, creating a ripple effect on their work, their consumers, their reputation in society, and current and future stakeholders.**¹⁸ A common theme underlying the risks listed above is the potential loss of integrity. However, it is important to remember that this is not a black-and-white decision-making process. As discussed above, relationships occur over a continuum and the next section provides some questions to guide the decision-making process.

Evaluating risks and benefits of BNPPs

When considering forming a BNPP, it is helpful to explore the risks and benefits over a continuum rather than categorizing the potential partnership as purely positive or purely negative. This helps view the BNPP as varying in intensity over time and helps to switch the question from “*whether or not to accept industry money*” toward “*where along the continuum to draw the line about accepting industry money.*”¹⁹

The previous section discussed the benefits and risks of BNPPs. In this section, we will focus on steps that can help inform how to evaluate each of the risks, specifically in the context of businesses that produce substances. The table below lists the indicators of risk: purpose, extent, relevant harm, identifiers and link (PERIL).²⁰

Risks Indicators (PERIL)	Description
Purpose	The extent to which the primary mission of an organization clashes with the primary mission of an industry donor/sponsor.
Extent	The extent, or perceived extent, to which an organization’s funding comes from this industry source.
Relevant harm	The extent to which a consumption, or a subtype of consumption, contributes to harm.
Identifiers	The extent to which the source of funding is visible to people both inside and outside the organization.
Link	The extent to which industry funding is received directly, through mediating bodies, or contractual arrangements. The more direct the link, the stronger the influence and the more visible the association.

Process for decision-making

Using the risk indicators, a PERIL analysis can be carried out to think through and form a judgment on where an organization sits along the continuum. The six steps of the PERIL analysis provide an organized framework to carry out discussions.²¹

1. Identify the context for the discussion.
2. Gather additional information to inform the discussion.
3. Determine who will perform the analysis and the process.
4. Use the PERIL indicators to answer the questions above.
5. Synthesize the discussion.
6. Form a judgment and come to a decision.

The questions listed below highlight areas in which to gather more information and consider consequences. They will help inform the discussion you engage in regarding the potential partnership. Some organizations have used questions such as these to form a binary conclusion on their position in accepting funds, such as certain university faculties refusing funds from tobacco companies, whereas other organizations have used them to explore the opportunity along a continuum of risk.²² Appendix A can help synthesize information during your discussions.²³

As you progress in your decision-making journey, please refer to Appendix B and C for template acceptance and non-acceptance letters that can be used to support your position.



Key questions to consider

Purpose

- What is the purpose of the potential partnership?
- What is the end goal the donor/sponsor company is looking to achieve?
- What is the donor/sponsor company's mandate, mission statement and values? Do these align with the mandate, mission statement and values of your own organization?
- How does the end goal align with your organization's goals?

Extent

- How are the donor/sponsor company's products marketed and sold?
- With what other businesses or members of industry is the donor/sponsor company already affiliated? What is your organization's policy on partnering with or accepting funds from those other affiliated businesses?
- In what other social activities is the donor/sponsor company engaged?
- Toward which other non-profits has the company donated/sponsored, and what was the non-profit's experience with the company?
- What is the donor/sponsor company accepting in return? Is the request reasonable and does it comply with your organization's guidelines?

Relevant harm

- What are the range of products produced by the donor/sponsor company and how are they used/consumed?
- Which demographics form their primary consumer base?
- Are there any dangers associated with using/consuming their products? If so, what safeguards do they provide?
- What are the societal impacts of their products?
- How were their profits generated?
- What is the source of the funds fueling this donation/sponsorship?

Identifiers

- What information about the BNPP will be shared with the public? What is the reason/motivation for the chosen approach?
- Who will be consulted? Will this be a unilateral decision or will members of leadership, the board of directors and/or employees within the organization have input?
- Would accepting the donation/sponsorship create a dependency for continued funds in order to keep a program alive?
- Are there any safety issues that need to be considered in the process?

Link

- What is the current public perception of the donor/sponsor company and why?
- Who is the champion for this partnership within the donor/sponsor company and why?
- What percentage of the company's funds are allocated toward social responsibility activities?
- Would accepting the donation/sponsorship negatively affect public perception of your organization?
- Would your organization's services, products or expertise appear biased or influenced as a result of the donation/sponsorship?
- Which of your organization's programs and/or staff members would be impacted by the partnership?
- How would accepting the donation/sponsorship impact current or prospective employees of the organization?
- How would accepting the donation/sponsorship impact current or prospective clients of the organization?

Conclusion: considerations for decision-making

Cross-sectoral partnerships appear to be on the rise due to the search by both non-profits and businesses to create more social value and are viewed by some as inevitable when achieving social and economic goals. When considering whether to create collaborative projects or partnerships between non-profits and businesses, it is important to reflect upon the fit and the degree to which both can align their perceptions, interests and strategic direction. This involves identifying the linked interests, articulated through the social problem that affects both organizations.²⁴ Ultimately, the premise for any cross-sectoral partnership should be to create value.²⁵

Despite the goal of creating shared value for society, research suggests the risks with forming BNPPs are greater for the non-profit organization, especially as the relationship

When considering whether to create collaborative projects or partnerships between non-profits and businesses, it is important to reflect upon the fit and the degree to which both can align their perceptions, interests and strategic direction.

evolves toward a higher level of collaboration on the continuum. Although BNPPs typically emerge as a potential catalyst of social change, partnerships involving private firms and non-profit organizations may generate suspicion and ethical concerns within the non-profit sector.²⁶ This has prompted several debates on the

topic, and in some cases resulted in researchers leaving organizations due to the formation of partnerships with substance-producing companies.²⁷ Some researchers argue that businesses that engage in philanthropic activities or corporate social responsibility activities do so as an insurance policy for themselves, mitigating any current or future negative events and gaining positive public perception.²⁸

In the event your organization is approached by a private business with an offer to provide funds or form a collaboration, the PERIL analysis will provide the tools to think through and form a judgment on your position along the continuum. It is a useful tool in which to engage as a team and creates a sense of common purpose, helps reserve professional biases and considers your organization's reputation and public trust.²⁹

As you progress in your decision-making journey, please refer to Appendix B and C for template acceptance and non-acceptance letters that can be used to support your position.

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Appendix A: Ethical fundraising decision-making work sheet

Key questions to consider

Purpose

- What is the purpose of the potential partnership?
- What is the end goal the donor/sponsor company is looking to achieve?
- What is the donor/sponsor company's mandate, mission statement and values? Do these align with the mandate, mission statement and values of your own organization?
- How does the end goal align with your organization's goals?

Extent

- How are the donor/sponsor company's products marketed and sold?
- With what other businesses or members of industry is the donor/sponsor company already affiliated? What is your organization's policy on partnering with or accepting funds from those other affiliated businesses?
- In what other social activities is the donor/sponsor company engaged?
- Toward which other non-profits has the company donated/sponsored, and what was the non-profit's experience with the company?
- What is the donor/sponsor company accepting in return? Is the request reasonable and does it comply with your organization's guidelines?

Relevant harm

- What are the range of products produced by the donor/sponsor company and how are they used/consumed?
- Which demographics form their primary consumer base?
- Are there any dangers associated with using/consuming their products? If so, what safeguards do they provide?
- What are the societal impacts of their products?
- How were their profits generated?
- What is the source of the funds fueling this donation/sponsorship?

Identifiers

- What information about the BNPP will be shared with the public? What is the reason/motivation for the chosen approach?
- Who will be consulted? Will this be a unilateral decision or will members of leadership, the board of directors and/or employees within the organization have input?

- Would accepting the donation/sponsorship create a dependency for continued funds in order to keep a program alive?
- Are there any safety issues that need to be considered in the process?

Link

- What is the current public perception of the donor/sponsor company and why?
- Who is the champion for this partnership within the donor/sponsor company and why?
- What percentage of the company's funds are allocated toward social responsibility activities?
- Would accepting the donation/sponsorship negatively affect public perception of your organization?
- Would your organization's services, products or expertise appear biased or influenced as a result of the donation/sponsorship?
- Which of your organization's programs and/or staff members would be impacted by the partnership?
- How would accepting the donation/sponsorship impact current or prospective employees of the organization?
- How would accepting the donation/sponsorship impact current or prospective clients of the organization?

Risks	Context (How does the proposed donation/sponsorship apply to each risk?)	PERIL indicators (Are there any areas of concern among: purpose, extent, relevant harm, identifiers, link?)	Level of risk (What is the level of risk of the proposed donation/partnership? High/moderate/low risk)
Ethical			
Contributory			
Reputational			
Governance			
Neutrality			
Relationship			
Democratic			

Appendix B:

Template acceptance letter

Accepting a donation/sponsorship

[Begin with your organization's mandate.] At CMHA **[branch name]**, we work toward providing clinical and social services for individuals living with mental health and addictions-related issues and their families. We believe in a recovery-oriented approach, respecting that each individual carries the wisdom to make decisions about their own care, and work closely with partners to ensure our mental health and addictions services are delivered in a way that is supportive of the client's unique needs. Due to our role as a community service provider, we believe it is in the best interest of our organization to consider working with different partners to enhance the support services we provide for current and future clients.

With this in mind, we are pleased to accept a donation from **[donor/sponsor company name]** to support our **[program name]** program. With this donation, we anticipate an increase in the clients we are able to reach by **[percentage]** per cent. The views, information or opinions expressed by **[donor/sponsor company]** are solely those of **[donor/sponsor company]** and do not represent those of CMHA **[branch name]** and its employees.

[Include this sentence if your organization has multiple chapters/branches.] Please note that this decision has been made solely by CMHA **[branch name]**, independently of other CMHAs across Canada.

Please contact **[name]** at **[email]** for more information.

Appendix C:

Template non-acceptance letter

Not accepting a donation/sponsorship

[Begin with your organization's mandate.] At CMHA **[branch name]**, we work toward providing clinical and social services for individuals living with mental health and addictions-related issues and their families. We believe in a recovery-oriented approach, respecting that each individual carries the wisdom to make decisions about their own care, and work closely with partners to ensure our mental health and addictions services are delivered in a way that is supportive of the client's unique needs. Due to our role as a community service provider, we believe it is in the best interest of our organization to consider working with different partners to enhance the support services we provide for current and future clients. We take very seriously the responsibility that comes with this for our organization, pre-existing partners, clients, and other CMHAs across Canada. Our role as a community service provider, part of a large network of services across the province and the country, requires us to review each partnership opportunity carefully, to ensure the values, principles and goals align closely, while minimizing any harmful impact on our and the larger community.

With this in mind, we would like to thank **[donor/sponsor company name]** for approaching us to discuss partnership opportunities. After careful consideration, guided by our CMHA province-wide organizational framework, *Risk vs. Reward: Considerations for non-profit organizations on ethical fundraising and forming collaborations*, we feel this opportunity does not align closely with our values, principles and goals; however, we feel honored for being approached.

[Include this sentence if your organization has multiple chapters/branches.] Please note that this decision has been made solely by CMHA **[branch name]**, independently of other CMHAs across Canada.

If you have any questions about this partnership opportunity or about our guiding framework, please contact **[name]** at **[email]** for more information.



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