

Due diligence an essential part of sponsor partnerships

Ethics audits becoming common "pre-nup"

A MANUFACTURING COMPANY SPONSORS a charitable organization that keeps 95% of all donations to cover overhead expenses. An animal rights group accepts sponsorship funds from a company whose foreign subsidiary engages in animal testing. These are colossal fiscal and public relations misadventures that could have been prevented by an investment in an ethics audit.

More common in Europe than in North America, and more prevalent in the US than in Canada, an ethics audit allows -- among other things -- for sponsors and properties to see how potential partners measure up before they tie the knot.

David Nitkin, President and founder of Toronto-based EthicScan Canada, the country's oldest ethical audit firm, says that almost three-quarters of alliances between private and non-profit collaborators collapse within three years. "One of the reasons is that they haven't performed due diligence," says Nitkin.

A considerable number of Nitkin's clients are not-for-profits seeking information on their profit-seeking counterparts, checking not only ethics, but the company's policies in dealing with sponsorship partnering.

"If you're one of the 90,000 charities in Canada, you'll be part of a group that hits each corporation 200 times per day," says Nitkin. "If you aren't prepared to differentiate yourself, you don't have a snowball's chance in hell of attracting positive attention. You don't know the company's funding formula? There's a request that's going into the garbage. Instead, let them know that you've researched them, that you want their employees and pensioners to make you the charity of choice."

Turning the microscope around

Nitkin says that, increasingly, business has begun to turn the microscope around, checking out their not-for-profit sponsorship partners with equal vigour. However, ethics scans rarely involve a cookie-cutter approach. Nor is pre-scanning just a matter of exposing organizational hypocrisy. Potential partners can also find out if their corporate cultures suit each other. What do they expect to gain from an alliance? How well did the prospective partners function in previous relationships? Does the

organization have a written code of ethics? How does its environmental record score? Does the organization practise employment equity? If a sponsorship opportunity involves company employees volunteering in the community, will those employees project satisfaction with their employer?

Nitkin offers clients a general corporate overview of potential partners, or his company will investigate corporate ethics using more than 200 variables. "Some partners will be concerned about whether a potential partner has a unionized work force, while another will be interested in knowing whether the employees are contented. Others will be more interested in environmental policies. A not-for-profit is usually more interested in the variables that relate to their goals. For example, the Girl Guides might be interested in corporate practices that affect women and children -- attitudes toward child labour and human rights."

For some organizations, ethical scanning has become routine policy before entering into arrangements now referred to as the "S" word in our nation's capital.

"Ethics scanning is essential to successful partnering," says Jim Mintz, Director of Marketing and Corporate Communications with Health Canada. "The government doesn't want to be embarrassed if we work with certain organizations in the private sector."

How do potential partners feel about pre-emptive scanning?

"The companies are advised that they're being scanned. They can't say you're sneaking up on them," says Mintz. "They also get a copy of the ethics report."

The companies being scanned also take part in their own audit. Management answers some questions directly, while employees may be quizzed separately. Avoiding answers or refusing information leaves researchers to imagine the worst. While some companies initially balked at being researched, that's no longer true, says Mintz. "Nobody likes to be checked out, but if the companies don't want to go through with the scan, they don't want to work with us."

Mintz says that when scans indicate potential problems, they're often cleared up by an explanatory telephone call. "No company in North America is perfect, but at least you can go to your Minister and say, we're partnering with XYZ

Corporation and there are these issues you should know about. Not-for-profit organizations talk about the money they have to spend to research a partner. Well the cost of a mistake is a hell of a lot more."

While many organizations tout their own codes of ethics, or their relative ethical ranking among similar companies, there simply isn't a standard method for comparing ethical performance. Only a few consultants even provide independent ethics audits in Canada.

"Some corporations hire internal ethics auditors who may advise management about ethical considerations on an ongoing basis," says Jane Garthson, principal consultant with Toronto's Mills, Garthson & Associates, a company promoting ethical business practices. "Others may have themselves scanned, but that doesn't necessarily mean that management hasn't cherry-picked the information they want to present."

"I don't think we're very far at all in coming to terms with ethical performance guidelines," says Bill Maxwell, Chairman of the Ethics Practitioners Association of Canada. "A made-in-Canada ethical standard is beginning to develop, but we're wrestling with ethical values versus legal compliance. Many corporations have ethical codes that are beautifully crafted, and never incorporated into corporate culture."

Tennis BC

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The USTA is also putting its money where its mouth is.

"Tennis Canada is providing one big cash contribution, and the USTA is providing very good cash contribution as well as all of this contra material," he says, referring to chair officials, a head referee (including their travel and accommodation expenses), and even marketing materials, bellboy shirts and tennis balls.

The venue is the Hollyburn Country Club, shifted from Jericho Tennis Club because the tournament has now doubled in size. Like Jericho, Hollyburn offers a spectacular setting with skyline views of the city, great sightlines for signage and superb hospitality opportunities, the latter being the principal benefit sought by title sponsor Odlum Brown.