The Challenges of Matching Private Sector Donations to Humanitarian Needs and the Role of Brokers
The Challenges of Matching Private Sector Donations to Humanitarian Needs and the Role of Brokers

By

Rolando Tomasini*

Orla Stapleton**

And

Luk N. Van Wassenhove***

Revised version of 2009/36/TOM/ISIC

* Research associate, Humanitarian Research Group, at INSEAD Social Innovation Centre, Boulevard de Constance, 77300 Fontainebleau, France, E-mail: Rolando.Tomasini@insead.edu
  Tel: +33.1.60.72.41.99

** Research associate, Humanitarian Research Group, at INSEAD Boulevard de Constance, 77300 Fontainebleau, France, Tel: +33 (0)1 60 72 92 91, email: orla.stapleton@insead.edu

*** Academic Director of the INSEAD Social Innovation Centre Boulevard de Constance, 77300 Fontainebleau, France, Tel: +33 (0)1 60 72 42 66, email: luk.van-wassenhove@insead.edu

A working paper in the INSEAD Working Paper Series is intended as a means whereby a faculty researcher's thoughts and findings may be communicated to interested readers. The paper should be considered preliminary in nature and may require revision.

Printed at INSEAD, Fontainebleau, France. Kindly do not reproduce or circulate without permission.
ABSTRACT

Based on prior research, we identify the advantages and disadvantages of different types of corporate donations to humanitarian response efforts. In this paper, we focus on the cash donation process of corporate donors to humanitarian organizations in the aftermath of a disaster. We find that in this context of high uncertainty and information asymmetry, the appeals and donations process presents significant challenges to both the donor and the recipient organizations. We discuss the role of broker organizations in addressing these challenges and expediting the donation process. We also suggest areas for further research on this topic.

Keywords: Humanitarian, Disasters, Cash Donations, Corporate Social Responsibility, Broker, Matching Demand, Relief.
1. Introduction

In the wake of a disaster the first question on most people’s mind is “how can I help?” However, understanding how to go about setting up the donation mechanism can be difficult and time-consuming. Tomasini and Van Wassenhove (2009) use the analogy of planning the Olympics to describe the enormous challenges faced by humanitarian logisticians tasked with the responsibility of responding to a humanitarian disaster. In their scenario, the planning must be undertaken without knowing when or where the event will take place, how many spectators will attend or how many athletes will compete. In a crisis, the fact that it is lives and not medals that are at stake means that time is also of the essence (Tomasini and Van Wassenhove, 2009). One, although not the only, necessary condition, to their implementation of a rapid and effective response, is knowledge that adequate and appropriate resources are being provided. Bottlenecks in the donation process caused by delays or inappropriate donations can have a serious impact on the effectiveness of the response.

The focus of this paper is corporate donations of cash in response to international humanitarian disasters. It has four objectives. First, it highlights some of the challenges affecting humanitarian organizations in the wake of a disaster as they appeal for and try to manage donations. Secondly, it outlines the potential donations corporate donors can offer to humanitarian organizations and identifies cash as arguably the most practical form of donation. Thirdly, it presents the key questions facing corporate donors and recipient organizations regarding cash donations. Finally, it examines the role of intermediary organizations in providing solutions to many of these questions, and suggests avenues for further research on this issue. We refer to these intermediary organizations as brokers.

The paper is laid out as follows: section two outlines the motivations for the research, underlining the importance for humanitarian organizations to have visibility over the pipeline of donations, and the importance for corporate donors and their recipients to select the most appropriate form of donation. Section three discusses the different problems related to cash from both the humanitarian recipient and the corporate donor perspective. Section four, using the case study of Global Impact, describes the function of broker organizations in managing corporate donations to humanitarian organizations. Section five analyses the role of broker organizations and the potential
value they can add to the donor, recipient and to the broker itself. Section six summarizes the key ideas in the paper and suggests avenues for future research.

2. Motivations for this Research

Over the past decade, INSEAD Humanitarian Research Group has worked closely with humanitarian organizations, conducting research on the logistics of disaster relief operations and their relationships with the private sector (Tomasini and Van Wassenhove 2009). Through seconding and field research projects we have produced approximately 30 case studies, 20 academic and practitioner articles, and a general management book to illustrate management issues in preparing for emergencies, coordinating responses, and liaising with the private sector. These cases and publications have served to highlight some of the key issues affecting the humanitarian supply chain. The corporate-humanitarian donations process is one such issue that is examined in this paper.

This section shows the importance of resource mobilization in the humanitarian disaster relief supply chain. It provides two examples of disaster relief operations. The first highlights the need for greater visibility of the donations pipeline. The second illustrates the negative impact of inappropriate donations. From the corporate perspective, the section outlines the types of contribution that they can engage in, and identifies cash as the preferred type of corporate contribution in the immediate aftermath of a disaster.

*Mobilizing Resources and Minimizing Bottlenecks*

The Fritz Institute (Thomas, 2004) identifies resource mobilization as the third link in the humanitarian disaster relief supply chain (Figure 1). However, it is only upon the assurance of these resources that humanitarian organizations can begin to implement their relief operation. Taking this into consideration underlines the importance of the first stages in the supply chain to the speed and efficiency of an organization’s response.
During the first 72 hours following a disaster, assessments are generally carried out by international staff arriving to the ground, such as the International Federation of the Red Cross Field Assessment Coordination Teams (Samii and Van Wassenhove, 2002). These assessments provide an overview of the immediate requirements for which these organizations must appeal to donors. Appeals are generally completed by the fifth day, at which point, assuming their appeal is successful organizations must mobilize to receive the requested aid. The aid can come from multiple sources and be directed to multiple organizations. In this situation, it is very difficult for individual organizations to have visibility of incoming aid or outstanding needs.

The need for greater visibility of the humanitarian supply chain can be seen clearly in the humanitarian response operation following the El Salvador earthquakes in 2001. FUNDESUMA, an implementing partner of the Pan-American Health Organization and the World Health Organization, set up an inventory management system, called SUMA, at the airports in El Salvador to track all incoming goods and check them against appeals (Tomasini and Van Wassenhove, 2002). Greater visibility of the pipeline of in-kind donations helped the response effort to better define the procurement needs that had been accounted for, and those that were outstanding. Having an inventory management system in place created greater visibility as to what goods had entered the country as donations. It also increased the visibility as to what goods were in the pipeline. When a presidential commission was set up in El Salvador to manage all purchases from cash donations, the reports from SUMA helped to identify outstanding needs in the country and prioritize them in the procurement process. As a result, cash donations were used more efficiently.
To illustrate the negative impact of inappropriate donations, consider the case of the World Food Program’s (WFP) dilemma when responding to the 2002 Southern African food crisis. This case illustrates the complications in the humanitarian supply chain that can be caused by this type of donation. When aid from different donors reached the region in response to food shortages, maize in Zambia was found to have traces of genetically modified organisms. The Zambian government immediately refused the maize, a decision which was later supported by the other recipient countries. This left WFP with no other option than to procure equal amounts of maize locally overnight (Tomasini and Van Wassenhove, 2004). The rejected maize had to be removed from the area and it took a series of lengthy negotiations with the different recipient countries before agreement was reached to have the maize milled locally for human consumption in some countries.

These two examples serve to illustrate some of the pitfalls that donors need to be aware of when contributing to the disaster response. As a greater number of corporate donors enter the field, we explore the ways in which their contributions can add to the efficiency, rather than the inefficiency of the response.

Finding the Appropriate Corporate Contribution

Considering the increasingly important role that private sector organizations play as donors we established a year long research working group with the Conference Board Europe to examine these and other issues related to corporate donations to humanitarian disasters. The working group consisted of four corporate members: GlaxoSmithKline (GSK), Swiss Re, Philip Morris International and Shell, as well as one not-for-profit organization Global Impact. This collaboration resulted in the publication of a report entitled “Corporate Responses to Humanitarian Disasters: The Mutual Benefits of Private-Humanitarian Cooperation” (Van Wassenhove, Tomasini, and Stapleton, 2008). We developed case studies on each of the participating organizations, held numerous conference calls and drew on previous research, to better inform our findings. The final step was to share these findings with other practitioners and scholars via webcast. From this extensive exploration on the topic we identified four main categories of corporate contributions: partnerships, volunteers, goods, and cash.
Partnerships were identified as the ideal types of contribution but require a long term commitment from both parties. Several examples, including the TNT-WFP partnership ‘Moving the World’ (Tomasini and Van Wassenhove 2003), indicate that partnerships demand a large investment in time and resources from both parties and extensive dialogue and negotiations to develop mutual understanding, define roles and assume responsibilities (Tomasini and Van Wassenhove 2009). Given all the work required upfront it is clearly too late to form a partnership during a disaster. Collaboration may take place on a needs basis during a disaster, and even provide the foundation for a future partnership, but during a disaster humanitarian organizations need to focus on carrying out a timely response rather than on setting up partnership agreements.

Resources in the form of employee volunteers were also listed as possible forms of corporate contribution for disaster relief operations, though unless handled correctly can prove to be detrimental to the relief operation. Under these circumstances corporations benefit from the volunteers’ involvement by building stronger community relations, improving the employee morale and motivation, and providing challenging learning opportunities to their staff to apply their knowledge in a different setting. Volunteers need to be well trained, familiar with the local context, have experience with emergency situations and preferably fluency in the language of the country in order to be effective from the outset (Tomasini and Van Wassenhove, 2009). They can provide technical support or local knowledge to the international teams arriving at the scene. An example from the report includes DHL seconding air traffic controllers and telecommunications specialists to disasters. Other examples from our research include the seconding of senior logisticians by Agility during the Lebanese-Israeli crisis of 2006 (Tomasini and Van Wassenhove, 2009), or TNT’s seconding of local staff at the airport and logistics facilities in Indonesia during the Tsunami.

In-kind donations can also meet the specific requirements communicated by humanitarian organizations through public appeals. Even then donors should consider the costs associated with shipping and handling, unless the humanitarian agencies have expressed their intent to cover those expenses. To ensure the greatest level of efficiency, once pledged, donors should ensure that goods are delivered in a timely fashion to the right consignee and place so that they can readily be used as intended.
by the humanitarian agencies. As the Southern African WFP case illustrated, goods are only beneficial if they meet the requirements specified by the recipient organizations operating on the ground. Unsolicited donations are one of the main causes of bottlenecks in disasters causing delays, wasting valuable resources including warehousing space, and clogging the pipeline. Corporations, like GSK, engaging in this type of donations explain in the report that in-kind donations such as medicine require dialogue and planning with the recipient organizations. GSK builds in the donations in their production planning each year and invites NGOs to appeal in advance to make sure that goods donated meet the highest needs and will be distributed and implemented by the best possible partner in each community.

In the situation where there is no pre-established partnership or in-kind donations do not meet the immediate needs, cash remains the most common and efficient form of donation. Renée Acosta, Head of Global Impact pointed out that in the immediate aftermath of a disaster cash is often the most valuable donation. It provides the liquidity necessary to purchase essential relief supplies and equipment upfront. In fact, corporations with partnerships, volunteer and in-kind donations programs in place will still consider cash donations as part of their response to a disaster. Cash also gives humanitarians the flexibility to quickly adapt as new needs arise or operating requirements change. This approach is not only recognized by practitioners but also by researchers like Jahre and Heigh (2008) who explains that for “emergency supply chains funding is required immediately with maximum flexibility to be spent quickly”. Nevertheless, cash donations also present challenges to both the donors and the recipients.

3. Problems with Cash
In this section we focus on cash donations. Specifically, we explore the issues surrounding cash donations for each of the sectors.

3.1 The Humanitarian Perspective
From the perspective of humanitarian organizations, one of the main challenges is to raise funds for all disasters in their remit based on the needs, rather than on the media profile of the crisis. Indicating the rising importance of this problem, the 2006 World Disasters Report (IFRC, 2006) focused specifically on neglected crises. The report calls on aid organizations, journalists, governments and academics to work together to
address the symptoms - and causes - of neglected humanitarian crises. In his preface of the report, Mukesh Kapila, former Head of Conflict and Humanitarian Affairs, UK Department for International Development states:

“Despite the rhetoric on good donorship... millions remains consigned to the shadows of unfashionable crises and disasters. For them, every day is a lottery to live or die.”

Private donations in response to immediate appeals for funding following a disaster are directly influenced by the level of publicity the disaster receives. The media effect, or lack of it in many cases, makes it difficult for humanitarian organizations to raise funds for less widely known ongoing complex disasters. The variation in the amounts of donations given to different disasters throughout 2005 illustrates this problem. According to the report, the response effort to the Indian Ocean Tsunami was funded to the tune of 475 per cent while in the same year the response effort to the ongoing complex crisis in Djibouti was funded to the tune of just 39 per cent. Figure 2, taken from the 2006 World Disaster Report, shows that the top three humanitarian appeals of the year were on average eight times better funded than the bottom three appeals.

![Bar Chart](chart.png)

*Figure 2: Total percent coverage of priority needs in 2005. (Based on the figure “2005: The year of inequitable humanitarian aid” in World Disasters Report 2006)*
The United Nations’ humanitarian portal ReliefWeb keeps a page updated with ongoing crises and appeals. However, most of these crises are not mentioned in the international media on a regular basis. To compound this problem, donations earmarked for one disaster cannot be reallocated to another without the consent of the donor. In this context humanitarian organizations cannot forecast how much will be raised and for which disaster, rendering advance planning for sudden onset and ongoing disasters highly problematic.

### 3.2 The Corporate Perspective

Our research has identified four main reasons why corporations are keen to donate to humanitarian response operations: commitment to local communities where they operate, part of their corporate social responsibility programs, employee interest, and the case where employees are directly affected by the disaster (Van Wassenhove, Tomasini and Stapleton, 2008). However, in determining the best way to manage their donation process, corporations must address some challenging questions such as: To whom should they donate? How and when should they donate? How much should they donate? How can they ensure transparency and accountability in the use of their donations?

**Whom to Donate to?**

The diversity in structure, size and scope of different humanitarian organizations make it difficult to compare them. Further, these organizations can also be distinguished by their mission and mandate, and the political, philosophical or religious ideologies that guide them (Tomasini and Van Wassenhove, 2009). In the case of corporate giving, choosing the appropriate organization from a large pool of candidates is a major concern.

Efficiency is another important consideration in deciding who to donate to. Donors want to know how their money will be used and how capable the recipient organization is of using their funds efficiently. A generally accepted way to evaluate this has been to look at overhead costs. For several years WFP promoted their efficiency by posting on their website that only nine percent of the donations were used for overhead costs. This trend was also followed by other humanitarian organizations. While overhead levels are an indication of the percentage of funds that directly relate to helping the beneficiaries, direct spending does not necessarily
accurately measure the efficiency of aid activities. In an attempt to achieve the lowest level of overheads, some humanitarian organizations have sacrificed investment in important activities like staff training, communications, and pre-positioning of goods, activities that could increase their impact and efficiency. Finally, efficiency and impact are relative to the context in which the operation takes place. The majority of humanitarian operations take place in developing countries and emerging economies. It is important for donors to understand the operational difficulties and limitations of operating in a specific context before judging the organization’s performance.

When and How to Donate?
Having made the decision to raise and make a donation as a corporation, the practical questions of when and how need to be addressed. The days following a high profile disaster generate the highest level of attention but is this the most valuable time to donate? One representative from Global Impact that we spoke to suggested that donating to organizations between disasters could be of greater value as it facilitates the “planning for disasters” process.

Similarly, the corporation must consider how to manage the fundraising process within the company. Raising funds is a process that requires the engagement of diverse stakeholders. Donations could be made directly from employees to the humanitarian organization of their choice. However, the impact could be greater if channeled through their employer, who at times may match their donation, raise awareness to the cause from their customers, and help the humanitarian organization lower the cost of fundraising. This was the case of TNT with their global annual event “Walk the World”, first launched in 2003, where employees and customers from all over the world participate to raise funds together. Identifying and executing a donation can be time-consuming and costly, two factors that may deter corporations from becoming involved.

How Much to Donate?
After the Indian Ocean Tsunami many corporations tried to estimate how much they should donate. A virtual competition among corporations was played out in the media. No large multinational company wanted to be seen to be the one giving just one drop of water in an ocean of needs. Lack of familiarity with humanitarian operations combined with a certain level of hysteria in reaction to a highly publicized disaster of
this magnitude created what could be described as a frenzy of donations. This was halted by humanitarian organizations such as Médecins sans Frontières (MSF) requesting that people stop donating to the Tsunami fund. Although at the time this was highly controversial, MSF’s argument was that while their Tsunami operation was being overfunded the money could be directed to other operations or used to prepare for future disasters. Donors needed to rethink how much to give and where to direct their donations.

**How to Ensure Transparency and Accountability?**

From the mid 1990s onward, scandals such as that of ENRON and WorldCom precipitated increased public scrutiny over the role of corporations in society. In 2000, Kofi Annan, Secretary General of the United Nations at the time, launched the Global Compact, asking companies to embrace a set of core values in the areas of human rights, labor standards, and the environment and to “reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged.”¹ (Hanson, Stapleton and Van Wassenhove, 2007)

The non-profit sector was not immune to increased public scrutiny. The 9/11 attacks on the twin towers in New York shocked the world. As the people in the US struggled to come to terms with what had occurred, questions were raised over how resources could have been allocated in support of terrorist acts in the US, which in turn, initiated inquiries into the flow of international funds. By the end of 2001, Executive Order 13224 and the Patriot Act, passed by the US Congress, authorized the freezing of assets and property if links were found to previously identified terrorists. Following a brief spike in donations to US charities ($US 2.8million) directly after the attacks, donations to international charities saw a decline. In addition to this, the American Red Cross’ Liberty Fund suffered a scandal with accusations over the misuse of the ‘Liberty Disaster Fund’ which was established for the victims of 9/11. US Congressional hearings were held on the American Red Cross, which prefaced the resignation of Dr. Bernadine Healy, its president and CEO. The US Department of Treasury issued Voluntary Anti-Terrorist Guidelines for adoption by the NGO community. (Hanson, Stapleton and Van Wassenhove, 2007)

¹ Kofi Annan, United Nations, Millenium Declaration, September 8, 2000.
Under the anti-terrorist legislation, corporations are less certain about where it is safe to donate. To compound this problem, the loose wording of this and other legislation, such as, “Anti-Terrorism, Crime and Security Act 2001”, or “EU Code of Conduct for Charities” creates an accountability framework described by Oxfam GB as “impractical, unnecessary”, and potentially subject to “risks of abuse”\(^2\). Indeed, NGOs could potentially be labeled as terrorist groups without a solid basis for the accusation. Similarly, those donating to targeted recipients could be accused of supporting terrorist groups. The biggest challenge for corporate donors is to have clear visibility on last mile distribution where the real impact is made.

Figure 3: Key challenges facing corporate donors and humanitarian recipient organizations in terms of cash donations

Figure 3 summarizes the concerns of both corporate donors and humanitarian organizations in the process of raising cash donations. It illustrates the gap between the two sectors and highlights the need for an intermediary to broker the concerns of each sector and match corporate cash donations to the needs..

4. Case Summary: Global Impact

Corporate donors must respond to humanitarian organizations’ needs in the wake of a disaster without compromising their own interests. A trusted broker organization is an option available to both the donor and recipient in guiding them through the process. Some examples of these kinds of brokers include United Way, NGO-NET, Charitic or Global Giving. Although depending on the context a broker can be considered an extra layer in a process that needs optimization, we find that in the context of

corporate cash donations to humanitarian organizations a broker can expedite the donation process by addressing the concerns outlined above. In the following section we use the case of Global Impact to illustrate this.

4.1 Global Impact

Global Impact is a non-profit organization dedicated to “assuring help for this world’s most vulnerable” (Global Impact, 2009). Representing more than 50 of the most respected US-based global charities including CARE, Doctors Without Borders/MSF, Mercy Corps, World Vision and the US Fund for UNICEF, Global Impact manages fundraising and public awareness-raising campaigns in workplaces across the United States and overseas.

In response to increased public scrutiny regarding donations and their recipient organizations after 9/11, Global Impact began screening its member charities for compliance with the US Patriot Act and other federal, state and local requirements. Auditing procedures of member charities were tightened and all new Global Impact employees had to undergo background checks. This case illustrates the valuable role played by Global Impact as a broker between the corporate and humanitarian sectors during three international disasters from 2004 to 2006 (Hanson, Stapleton and Van Wassenhove, 2007).

Tsunami – The Birth of ‘Global Alert’

In the wake of this unprecedented disaster corporations were urged by their employees to respond, but it was not always clear how they would do so. Three corporate members, with Global Impact as administrative partner, formed an alliance to assist with the humanitarian response. Global Impact set up and managed a hotlink from the corporate intranets to a “white label” website. To corporate employees this website appeared to be located within the company intranet, but in fact it was a secured website managed by Global Impact through which employees could make credit card or payroll donations. The corporations would match the employee gifts under various formulae. Global Impact took responsibility for tracking employee and corporate donations, evaluating recipient charities, distributing the donated funds to charities, and tracking the use of these funds through annual charity reviews and reports. Financial transfers were managed, tracked to the identified charity, and receipts were produced for the corporate employees.
The Tsunami Global Alert, as this program became known, had a similar structure for each corporate partner. There were variations, for example in how the funds were to be distributed. In some cases the corporate partner identified the specific target charity up front, while Global Impact managed the transaction. In other, the corporation had specific program priorities and sought advice on which charity would fit. The corporate partner was responsible for engaging its employees in making donations to the relief fund.

Hurricane Relief – Central America
Following a US Government-led trip to the scene of the disaster caused by hurricane Stan, four American CEOs from John Deere and Company, PepsiCo Inc., LLC/Sun Trust Bank Inc., and American Electric Power, announced the distribution of USD 3.8 million to support victims of the 2005 Atlantic hurricane season. Global Impact was asked to join as their administrative partner.

The Advisory Board for the Hurricane Relief Fund consisted of a representative from each of the corporate partners, Global Impact’s CEO, and a representative from USAID. The corporate team met on a weekly basis via teleconference from mid-February to mid-July to decide, among other things, on the initiatives to be funded. The program areas ultimately identified were: education for the displaced, micro-financing, infrastructure reconstruction and future preparedness. As in the case of the Tsunami relief campaign, Global Impact played a key advisory role in matching donor requests to the right humanitarian organizations.

Although an intranet site for employee donations was established, the Hurricane Relief Fund was financed almost entirely by corporate gifts solicited by the CEOs, with the assistance of Global Impact. This became known as the Global Alliance. Each CEO volunteered a peer group list of corporate executives (totaling almost 700) with whom they had some relationship. Global Impact drafted a letter requesting a donation (corporate or personal). It was approved and signed by the partners and then mailed. The decision to approach the peer group rather than an employee giving campaign, as with the Tsunami, was influenced by a number of factors. While the corporate CEOs and presidents cared deeply about the events on a personal level, or had corporate links to the communities in the region, they did not feel it was
appropriate to appeal to their employees for donations via their corporate intranet. In addition, the series of storms that ravaged the Caribbean and Mexican coastline during that hurricane season caused enormous damage but did not get the same media attention as the Tsunami.

Perhaps the most important role Global Impact played was in keeping the (campaign) ball rolling. After the first solicitation there was a flurry of donations and it was Global Impact’s job to keep the corporate partners on track and keep the momentum going.

*Lebanon Crisis*

On September 22, 2006, the Department of State organized the first United States business delegation to Lebanon, bringing corporate leaders to the region in the wake of the conflict. The CEOs of four corporations committed their support to the US-Lebanon Partnership. They contacted Global Impact to manage the fund as administrative partner. The fact that Global Impact had already guaranteed the integrity of its member charities immediately offered assurances to the corporate partners.

Identifying the charities best suited to the donor requirements was one of the main challenges. Global Impact began to solicit proposals from charities to see who had the ability to support the specific objectives of the partners. After narrowing down the proposals they presented them to the corporate partners. In order to meet the disaster relief objective of the partnership Global Impact even looked outside their 50 members, and invited Habitat for Humanity International to get involved. Throughout the process, Global Impact played a coordinating role, making sure that the program reports and financial statements were returned on time and distributed to the donors.

*Global Impact – A Successful Broker*

Since 1995, Global Impact has seen its revenues grow from 6 to 141 million USD and in 2007 was ranked number 118 in the Philanthropy 400 ranking of non-profit organizations. Global Impact offer six types of donation campaigns to the corporate sector on behalf of its members: Employee Giving Campaign, Campaign Management, Charitable Fund Management, Global Alliance, Global Alert and Global Ambassador. They follow nine steps of engagement in matching donor
requirements to their members’ needs. Global Impact’s CEO, Renée Acosta, outlined these steps in February 2007 at The Conference Board Europe’s working group meeting on “Corporate Responses to Humanitarian Disasters” held at INSEAD (Van Wassenhove, Tomasini, and Stapleton, 2008). They are presented in table 1.

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>Determine the goal and scope</td>
</tr>
<tr>
<td>Step 2</td>
<td>Define and agree clear expectations, roles and responsibilities</td>
</tr>
<tr>
<td>Step 3</td>
<td>Agree to financial practices</td>
</tr>
<tr>
<td>Step 4</td>
<td>Determine the lead partners</td>
</tr>
<tr>
<td>Step 5</td>
<td>Assess the relationship and reputation capital of each partner</td>
</tr>
<tr>
<td>Step 6</td>
<td>Establish a system for frequent and meaningful communications</td>
</tr>
<tr>
<td>Step 7</td>
<td>Discuss and agree on how credit and acknowledgement will be given publicly</td>
</tr>
<tr>
<td>Step 8</td>
<td>Establish an exit strategy for all partners</td>
</tr>
<tr>
<td>Step 9</td>
<td>Evaluate the project</td>
</tr>
</tbody>
</table>

*Table 1: Global Impact’s nine steps of engagement*

In the aftermath of a disaster, when time is of the essence and humanitarian organizations are heavily engaged in the response operation, it is unlikely that these necessary steps could be taken without a broker such as Global Impact.

5. **Analysis of the Role of Broker Organizations**

This section explores some of the benefits that can be gained collectively by the broker, the donors and the recipient organizations, as illustrated in figure 4.
5.1. Collective Benefits of Broker Organizations in Alliances

In an alliance between corporate donors and humanitarian recipients, broker organizations adopt the responsibility of governing the alliance to achieve a coherent response to humanitarian disasters. This section identifies the collective benefits of broker organizations in these types of alliances. We first refer to a small sample of the abundant literature on alliances. The purpose of this is twofold: first, we define what is meant by the term alliance; second, we define some of the main characteristics of broker organizations within alliances. We then illustrate how these definitions apply in the case of corporate-humanitarian donations.

Rangan, Samii and Van Wassenhove (2006) argue that private-public alliances – constructive partnerships – are necessary for realizing an economic opportunity when industry specific competences are required or when positive externalities (significant public benefits), uncertainty, or high governance costs are implicated in the transaction. They point out that private and public actors have different objectives, and that private actors will tend to be reluctant to participate in actions in which expected public benefits far exceed private benefits. In the case of corporate-humanitarian funding alliances in response to disasters, we explore the possibility of
including an additional actor in the alliance who would take responsibility for its governance.

In network theory literature Snow, Miles and Coleman (1992), identify the role of a strategic center as broker, selector and caretaker of strategic alliances and inter-firm networks. The main advantages of strategic centers are that they “create a vision in which partners play a critical role, provide strong brand image with effective systems and support, create an atmosphere of trust and reciprocity and develop mechanisms for attracting and selecting partners” (Lorenzoni and Baden-Fuller 1995). Broker organizations, such as Global Impact, in governing the donation process from corporations to humanitarian recipients fulfill the role of a strategic center. They create new and innovative ways for corporations to donate and match the strengths of the donor with the capacity of the recipient organization. They can also provide a strong brand name that all partners can identify with. Through constant sharing of information, they create an atmosphere of openness and trust that is crucial in the donation process. Finally, they expand the network of partners to match the wide range of humanitarian organizations with the interests of corporate donors, creating a multiplier effect.

In addition to these services brokers also manage the motivation of their partners. Between disasters, brokers are constantly raising awareness of the work of their humanitarian member organizations and identifying the key areas of interest of their corporate donors. In this way, they build the foundation for a unified response in the event of a disaster. During a disaster response, brokers manage the donation process from beginning to end. They motivate partners throughout the duration of the response as the initial surge of activity begins to wane. They also monitor the progress of the project to ensure that donors are constantly up to date.

Corporations and humanitarian organizations operate under time and resource constraints. Administrative processes can consume large quantities of both. This can act as a deterrent for corporations to become involved in donating to humanitarian organizations. Bureaucratic processes also detract humanitarian organizations from their core activity of responding to disasters. Brokers administer the donation process from the initial stages of identifying and validating humanitarian organizations’ legitimacy to carrying out project evaluations for donors. Removal of the
administrative burden of the donation process increases incentives on both sides. The broker organization can benefit from an increase in humanitarian and corporate members and the revenue growth associated with this.

5.2. Donor Benefits

Broker organizations are in a strong position to advise potential donors on the special skill set or capacity of the receiving organization. This allows donors to align their core competencies or interests of their employees with those of the humanitarian organizations they sponsor.

Their in-depth knowledge of donation processes means that broker organizations can also alleviate some of the uncertainty and cost to corporate donors by advising them on the donation mechanism that may be best suited to their requirements. This could be establishing an internet link for their employees, partnering with other corporations with the same interests or establishing longer term funding projects as opposed to a once-off donation. The donor does not become overwhelmed by the multiple options available but can leverage specific strengths such as an interested workforce or a wide network of other CEOs.

Uncertainty regarding where or to whom money is being directed can be a deterrent to donors, particularly for corporate donors using employee or shareholder money. Research into the origins and objectives of each organization in the humanitarian field takes time and resources. By handling the certification of recipient organizations and administrative aspects of the donation process, brokers take responsibility for where the money is sent. This assurance that the money is being sent to a validated organization alleviates much of the uncertainty associated with giving. It further increases the level of donor confidence as they no longer give to an unfamiliar organization but rather to a trusted partner.

Once the initial donation has been made, finding out what the money was used for can be challenging. This is particularly important for corporate donors who are accountable to their shareholders or employees. Brokers carry out monitoring and evaluation of the humanitarian projects so as to inform donors of how their funds were used. Corporations then have visibility over the benefits brought about by their donations and communicate this to their stakeholders. This practice generates trust.
through transparency and allows donors to contribute to multiple projects without allocating valuable resources monitoring them.

5.3. Recipient Organization Benefits
The nature of humanitarian work requires preparedness to respond effectively to disasters. However, this preparedness is impaired by uncertainty in demand and supply. Reducing uncertainty in relation to funding, for example by converting pledged donations into cash, allows humanitarian organizations to better prepare. The role of brokers in the donation process provides organizations with greater visibility on the pipeline of donations. It also avoids the problem of overfunding as the broker can monitor the level of cash going towards one disaster or organization. With greater knowledge of the funds available, humanitarian organizations have a more secure foundation upon which to prepare and implement their response.

Fundraising takes a large amount of time and resources. To be considered for funding in the wake of a disaster, organizations must be present on the ground to carry out assessments, launch funding appeals and submit funding proposals within 72 - 120 hours. For smaller organizations this is particularly difficult, but for all involved it is time consuming and detracts from the core activity of responding to the needs of the beneficiaries. Similarly, between disasters, raising awareness and funding are very important but not all organizations have the resources. Brokers provide humanitarian organizations with a way to reduce resources spent on fundraising and publicity by raising awareness as well as funding on their behalf.

Today’s political climate has impacted corporate donors’ confidence in funding humanitarian organizations, increasing the need for humanitarians to show transparency in their organizations and to comply with certain legal requirements. For humanitarians these processes are not always clear and can consume valuable time and money. Brokers remove this additional pressure for compliance from humanitarian organizations and guarantee the integrity of the organizations for the donors.

6. Findings and Future Research
At the onset of a disaster, donations are as essential as they are unpredictable. However, bottlenecks in the donation process caused by delays or inappropriate
donations can have a serious impact on the effectiveness of the response. This paper serves to underline the key issues affecting corporate donations to humanitarian organizations in the aftermath of a disaster. Using descriptive case studies it highlights some of the challenges in matching donations to real needs. It describes different options available to companies who wish to donate to humanitarian organizations. These include partnerships, volunteer programs, goods, and cash. For each of these it identifies some of the advantages and disadvantages related to their implementation. It focuses on cash as the most common and arguably the most valuable form of corporate donations to humanitarian organizations and highlights some of the key challenges associated with this type of donation. Finally, it presents one example of a broker organization in expediting the corporate-humanitarian donation process and identifies the benefits that this type of structure can bring to all parties involved.

Humanitarians operate with high levels of uncertainty in response to disasters. Increased assurance of the quantity and type of donations helps reduce supply uncertainty. It also leads to increased efficiency as organizations spend less time and resources dealing with donors or unsolicited donations that can clog the supply system. Our findings suggest that broker organizations can relieve a significant administrative and financial burden for humanitarian organizations and actively encourage corporations to give donations by educating them on the work of various potential recipients.

Corporations require assistance in trying to contribute to humanitarian operations. Beyond the administrative process of making a donation, brokers can help corporations align their interests with the activities of a particular humanitarian organization. Brokers can also help overcome fears the donor may have related to donating to unfamiliar organizations. Brokers carry out due diligence on the humanitarian organizations and guarantee a level of transparency that reassures companies about destination and usage of their funds.

Finally, if well executed, the relationship between humanitarian organizations, corporate donors and the broker should yield winning scenarios for all three parties. The humanitarian organization will benefit from greater visibility of the donation pipeline, a reduction in resources spent on fundraising and publicity, and the alleviation of pressure to manage compliance with legal requirements. This
contributes to the overall efficiency and effectiveness of the response operation. The corporation may benefit from the high level of transparency the broker creates and by gaining visibility as to how their donation has been used. They can also communicate information on the impact of the donations, as provided by the broker, to their different stakeholders. Lastly, the broker wins in terms of building their brand. As the number of member humanitarian organizations and donor partners grows, the broker is in a stronger position to secure its funding revenue to cover the operating costs and invest in expanding its portfolio of services.

It would be remiss not to mention that this is an exploratory paper based on research previously carried out by INSEAD Humanitarian Research Group. As such, the main objective is to map the issues involved in corporate cash donations to humanitarian organizations in response to disasters. We suggest that further research is required to refine and deepen the ideas that we sketched here. One avenue of investigation could be that of the transaction cost theory. Our analysis of the role of broker organizations in matching donor corporations and humanitarian organizations could potentially be viewed through the lens of Williamson’s transaction cost analysis. Williamson (1975) identifies both bounded rationality and uncertainty as key elements impacting the cost of transactions and potentially driving them outside of the market economy and into a more integrated organizational setting. Williamson goes on to assert that there are so many kinds of organization because transactions differ so greatly and efficiency is realised only if governance structures are tailored to the specific needs of each type of organization (Williamson, 1981). As we have demonstrated throughout this paper, corporations and humanitarian organizations face critical information asymmetries in the aftermath of a disaster. Legislation regarding donations has also contributed to increase the level of uncertainty surrounding these transactions, as has the proliferation of international organizations entering the humanitarian sector. These factors together render the creation of a suitable governance structure for these types of donations increasingly complex. We therefore suggest that further research on the contribution of transaction cost analysis to understanding corporate donor-humanitarian matching and the role of brokers in governing this alliance could yield valuable insights from both a theoretical and managerial perspective.
References


Websites used:
The Fritz Institute: www.fritzinstitute.org
Global Impact: www.charity.org
ReliefWeb: www.reliefweb.int
The Conference Board: www.conference-board.org