

**THE ETHICS OF FUNDRAISING (D):
THE EVIL CORPORATE SPONSOR AND THE VIRTUOUS NONPROFIT**

Stella Duguod, an MBA student from Germany, had a lot going for her. She was energetic, smart, and somewhat wealthy, thanks to an inheritance from an aunt. Bored at her previous job and wanting her summers off, Duguod enrolled in the Tuck School of Business at Dartmouth in Hanover, New Hampshire. Friends and acquaintances often professed admiration for Duguod because of her true commitment to helping people who were not as lucky as she was in brains, money, or looks. They also recognized Duguod's strong dedication to leaving everywhere she went a better place. At the same time, everyone, including Duguod, recognized her strong (some called it ruthless) ambition.

Duguod decided to spend her summer interning at a nonprofit organization that was being started by two MBAs whose backgrounds and interests mirrored her own. "Finally," she sighed when she received the offer to work with them, "I have found a job where I can live out my values." The organization's mission was targeted toward young people ages 13 to 18, which Duguod found empowering. "Working with youth is the only way to radically change the future of the world," she said.

The organization ran on a tight budget. On her first day, Duguod helped paint the donated office space the organization called headquarters. This is genuine work, she reflected, rolling up her sleeves and preparing to get her hands dirty. The first day was not the only time she got her hands dirty in the course of her internship.

Duguod's main assignment for the summer was to identify several potential corporate sponsors for the Web site project the organization was undertaking. She assessed how likely they would be to donate funds, what in-kind services they might offer, what benefits her organization could provide the sponsors, and whether there was an organizational fit between the two groups in terms of goals and market served. As likely targets for their fundraising and partnership efforts, she analyzed socially responsible firms, companies with a youth focus, and firms in the high-tech sector, obtaining information about these companies in a variety of ways.

This case was prepared by Wendy Bolger (MBA '01) and Research Assistant Jenny Mead, under the supervision of R. Edward Freeman, Elis and Signe Olsson Professor of Business Ethics, Darden Graduate School, University of Virginia. It was written as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Copyright © 2003 by the University of Virginia Darden School Foundation, Charlottesville, VA. All rights reserved. *To order copies, send an e-mail to sales@dardenbusinesspublishing.com. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of the Darden School Foundation.*

Her first step was to call friends who worked at these companies and ask them for confidential information ranging from corporate strategic direction and annual charitable giving to market share. This tactic was successful; Duguod's warmth and generosity induced others to provide her with all the information she requested.

She also e-mailed all her Tuck School friends who were interning with consulting firms. Duguod found that the money-grubbing consultants were actually happy to oblige her too, because it was for a good cause. Her classmates sent her copies from firm archives of engagements that were done in the past for the firms she was researching. A friend at an Internet research firm, sympathetic to the financial plights of nonprofits, waived his firm's subscription fee and sent her *gratis* the latest reports on consumer habits and Web site hit rates.

After reviewing this considerable data, Duguod sat down to prepare her recommendation to the directors. Internet Service Provider (ISP) was a company headquartered locally with a nationwide consumer base, which was currently acquiring both legacy firms and competitor Internet plays left and right and generally reaping the benefits of its first-mover advantage. It also hoping to increase its hold on the shifting, young consumer market. Teenagers aged 13 to 18 were considered the toughest segment from which to attract repeat site visits, because of their short attention spans, inclination to follow the latest trend, and the influences of surging hormones. Because of their extensive corporate resources and interest in teen eyeballs, Duguod ranked ISP as the number-one partnership target.

At this point her directors took over, and negotiations with ISP progressed well: the company made an in-kind offer to host the site on its server, saving the nonprofit hundreds of thousands of dollars annually. A few days after this breakthrough, however, the discussions came to a halt. ISP wanted to structure its agreement so that it would have guaranteed access to all information Duguod's group collected on the site about its young members. ISP insisted that it needed the right to use the data in return for its sponsorship of the site. It planned to exploit the data for research about teen preferences and for marketing opportunities.

Duguod did not really see what was wrong with ISP's request. She had no problem with the academic discipline of research, or with marketing for that matter, because that was her concentration at Tuck. She did know that U.S. Congress just passed something called COPPA or the Children's Online Privacy Protection Act, but since it had not yet been enforced, the industry was unclear as to how the guidelines applied. Her directors, on the other hand, were up in arms about the latest development, and it brought negotiations to a standstill.

Her internship was drawing to a close. Unless one of the parties budged soon, Duguod would not be able to claim any results from the exhaustive research and recommendations she spent the summer preparing. Without an agreement, the work she did was hardly enough to make her resume shine if she wanted to get a full-time job after graduation at one of the emerging venture philanthropy or social entrepreneurship organizations. Obviously, she would not get an offer from her current employer.

As she rode her bike home to the room she had sublet for the summer in a group house, she wondered if it might be time to call her old college friend over at the ISP Foundation. Maybe she could find out more about ISP's negotiation position and what its BATNA¹ was. Based on her friend's guidance, she could make a win/win recommendation to her directors that would be sure to seal the deal with ISP, locking in a future for both the Web site and for Duguod.

¹BATNA is the next best alternative in a bargaining or negotiation situation. The term stands for the "best alternative to no agreement."