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# Philanthropie Aktuell

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## EDITORIAL

Dear readers,



«One can either choose to change the world or oneself. The second being the more difficult». This adapted quote by Mark Twain describes the challenges nonprofits face with sustainable management. As Claus Daub's contribution illustrates, value-oriented future prospects are crucial for nonprofits, however, they often lack external pressure to bring their own management in line with their self-declared goals.

This dilemma is closely related to the current dominant mentality of cost-efficiency in nonprofits: Sustainable solutions in management, infrastructure and staff are often expensive in their initial investments and only gradually pay off later. Nonprofits financed by donations tend to make a point of avoiding high administration costs. In the end, costs for infrastructure and administration are considered as missing the actual purpose and can therefore not be justified.

However, nonprofits shouldn't just look at the inputs when evaluating their own structures and processes, but should rather consider output and impact. Sustainability doesn't just mean an economical usage of resources – it rather extends to a resource input that retains value.

Your Georg von Schnurbein

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## What is the role of sustainability in NPOs?

**Expert opinion implies that sustainable action is characterized by a sense of responsibility and a long-term orientation. Following this logic, nonprofits should, in fact, be exemplary in the field of sustainable organizational governance. However, reality paints a different picture – despite the number of opportunities nonprofits potentially have to practice sustainable management. An article by Prof. Claus-Heinrich Daub.**

When it comes to demanding organizational responsibility towards future generations, neither the public discourse nor the scientific literature takes nonprofits into account. It is business corporations that are primarily seen as causing the pressing ecological and social problems that affect humanity globally. They are frequently accused of encouraging un-ecological and socially harmful consumer behavior, while only considering ecological and social issues when they add to profit generation. Hence, in recent years, a discourse has evolved around the societal responsibility of companies (Corporate Responsibility), finding its practical form in the concept of Corporate Sustainability Management or «sustainable management». The concept describes a mode of organizational governance led by the idea that economic goals of a corporation can be brought into harmony with ecological and social issues. Alignment can be achieved in two steps. First, all structures and processes are examined in consideration of their effects on business success and their effects on the ecological and social environment of the corporation. Second, the structures and processes are optimized to achieve as many positive impacts as possible in all three dimensions.

### Increased Public Pressure

The reasons for companies to establish

sustainable management practices are diverse. Their increased engagement is primarily due to a growing public pressure that businesses are exposed to in recent years, which poses a potential threat to their reputation and freedom of action. To thus make an effort in demonstrating sustainable organizational behavior is a logical as well as a legitimate risk minimization strategy. This is where the difference lies and where it becomes clear why nonprofits are comparatively reserved when it comes to sustainable management: Nonprofits find themselves exposed to considerably less pressure and consequently face a very manageable risk if not practicing sustainable management. They often enjoy a solid reputation from the outset, building on their engagement in societal tasks which is generally perceived as morally good and important.

This results in the businesses being often accused of irresponsible behavior, not least by nonprofits, where in actual fact they are far more advanced in sustainable management matters than nonprofits. Those who live in glass houses shouldn't throw stones. A little example can help to illustrate the problematic further: A recent study on protestant churches in Germany attested a great need of catching up in eco-fair procurement, an area already on the agenda of many companies today. For churches to

be especially engaged in sustainable development is apparently not evident in their own organizational practices. Slightly exaggerated, this means it is acceptable for the coffee served at the seniors' afternoon meetings to obviously be «unfair-trade» or the rug on the community hall floor to be knotted by Indian childrens' hands. Although we can't assume bad intent behind these actions, the matter of facts remains.

**Different Starting Points**

The starting point for the establishment of sustainable development differs between nonprofits and businesses with regard to many crucial aspects. It is generally accepted for companies to primarily be economically successful whilst only meeting minimal moral standards. All actions exceeding these standards can effectively be publically promoted through labels like «Corporate Social Responsibility» or «Corporate Citizenship» In the case of nonprofits, actions are aligned with ethical criteria from the start and therefore lack a comparable profiling opportunity. Taking it even further, nonprofits are actually limited by their high moral claims. According to their stakeholders, nonprofits are expected to not pursue certain goals if the path cannot be followed maintaining high moral standards. Due to this fact, i.e. fundraising is regularly criticized as being a potentially immoral practice.

One of the greatest challenges for nonprofits is the absence of management models that could guide them in aligning their structures and processes towards sustainability. Many renowned models, like the St. Galler Management Model, include some thoughts on responsible and sustainable action, but they exclusively focus on business corporations. Models specifically designed for nonprofits, like the Freiburger Management Model for Nonprofits, barely include elements of sustainable management.

Consequently, nonprofits must help themselves to parts of existing models and produce descriptions on their own. What this means in practice can be seen in the field of stakeholder management: In contrast to business corporations, nonprofits cannot and must not be primarily focused on the influential, so-called instrumental stakeholders. Quite the opposite, nonprofits are expected to give those stakehol-

**Factbox: Global Reporting Initiative – G4 Sector Disclosures NGO**

The Global Reporting Initiative (GRI) is a non-profit organization that produces standards and guidelines for sustainability reporting in collaboration with various corporations, international organizations and interest groups. The GRI's Sustainability Reporting Framework consists of different principles and indicators that enable companies and organizations to measure, understand and report on their economic, social and environmental performance and governance. At this point in time, the fourth generation of the reporting system, the so-called G4 has been published. The GRI's mission is to promote a responsible and transparent standard reporting practice on corporate activities, products and

services to allow for more standardization and comparability. Since 2010, the NGO Sector Disclosures document exists as a supplement, especially adapted to the needs and specific features of the third sector. It complements the G4 guidelines in further improving the sustainability reporting practice in the nonprofit sector. Among others, the specific topics are: Program Effectiveness, Public Awareness and Advocacy, Ethical Fundraising, Resource Allocation and working with volunteers. The guidelines and further documents are available on the website of the GRI.

Source : Global Reporting Initiative (2014): G4 Sector Disclosures NGO  
[www.globalreporting.org](http://www.globalreporting.org)

ders and interests high priority that are at the other end of the power spectrum and that depend on the organization (ethical-normatively relevant stakeholders). A specific challenge for nonprofit organizations therefore lies in keeping both types of stakeholders in balance.

The awareness that nonprofits will need to be held accountable for their ways of orientating themselves towards the guiding principle of sustainability still needs to be developed. There are, however, examples of nonprofits that are piloting this approach

already today. For instance, the Schweizer Jugendherbergen, the Swiss association of youth hostels, and the University of Basel are among the first organizations to have taken on the challenge. Both nonprofits are in the process of seizing the opportunities that arise through a strict devotion to the principle of organizational sustainability. This helps them to sustainably secure their credibility as well as their financial existence.

For the past 20 years, Prof. Dr. Claus-Heinrich Daub has been teaching, consulting, and doing research in the following areas: sustainable organizational development, corporate social responsibility, strategic marketing of sustainable products and services, sustainability communication, and sustainable consumption.

**Sustainability at the University of Basel**

**The University of Basel is taking the lead in sustainable development amongst the Swiss institutes of higher education. By developing a Master program and establishing a Sustainability Office, the University of Basel is an active contributor in the sustainability discourse.**

As is often the case, a tragic event was the trigger for a positive evolution. In 1986, a large fire at the company grounds of Sandoz located near Schweizerhalle caused severe environmental damages and impacted on the ecosystem going beyond the Swiss national border. Students took action in face of the incident by starting an initiative to include the subject of sustainable development in the university's curriculum. They were successful. By establishing the program Mensch-Gesellschaft-Umwelt (Human-Society-Environment) and later a Master in Sustainable Development (MSD), the

university now teaches and contributes to research on this hot topic. Particularly the MSD is highly popular amongst students. What's more, the rectorate established a Sustainability Office in 2012. The reasons for this type of institution were firstly, the decision on the overall goal to promote sustainability, and secondly, to go beyond a formal commitment by implementing the topic in teaching, research, public relations, and in daily operations. Furthermore, the university has its own mission statement on sustainability in the university.

[www.nachhaltigkeit.unibas.ch](http://www.nachhaltigkeit.unibas.ch)

[www.msd.unibas.ch](http://www.msd.unibas.ch)



## Sustainability as competitive advantage

The Schweizer Jugendherbergen (SJH), the association of Swiss Youth Hostels, has undergone a lot of change in the course of its 90 years of existence. Instead of staying overnight in simple dormitories, travelers can choose from a network of 52 houses, ranging from a romantic castle to a city designer-lodge to a wellness-hostel. At the same time, whilst generating an annual revenue of 47 million Francs, the nonprofit is a trendsetter in the field of sustainability. The CEPS speaks to Fredi Gmür, CEO of SJH.

**CEPS:** What does the SJH associate with the term sustainability and how is it implemented?

**FG.:** For the Swiss Youth Hostels, sustainability means working with an extensive sustainable management plan. On the one hand, we consider ecological aspects in the construction and operational phases and, on the other hand, we set our prices at an affordable level whilst offering good quality and fair wages. At the same time, we need to generate appropriate economic revenues to secure our organization's future.

Already when constructing a youth hostel, the path is laid for its ecological operation. For new buildings or extensive reconstructions we follow the standards of Minergie and ECO. During the operation, we work with a comprehensive environmental management system.

### Fredi Gmür



Following his commercial training Fredi Gmür went to the United States for advanced education in business administration, marketing and tourism. He then worked as director of tourism in two Swiss regions. In 1996 he became the CEO of Swiss Youth Hostels.

We benchmark ourselves against the highest standards and the best labels, while designated partners serve as our indicators. For this reason, all youth hostels are certified with the EU Ecolabel and the ibex fair-stay label. The largest energy factor in our operations is heat. By improving building envelopes and heating systems, the consumption of heat energy can be reduced. Switching from conventional heating systems based on fossil fuels to ones based on renewable energies (where possible) can further reduce CO<sub>2</sub> emissions. Connecting to district heating systems as well as operational optimizations also helps us to improve energy efficiency. New and replacement investments are made considering the highest energetic requirements. By consequently buying the most efficient machines and devices (top-ten devices, heat recovery systems) and

lighting (energy-saving lamps, LED), the energy consumption of our youth hostels are continuously reduced. Since 2010, we purchase our entire electricity from renewable Swiss hydroelectricity plants. In addition, we work with water-saving valves to lower water consumption. High priority is put on accessibility when building new houses or renovating old buildings. In cooperation with the foundation Denk an Mich (Think of Me), we launched the project «vacation – accessible for all». This project has the goal to design all of our offers barrier-free, starting with the access to information on the internet to the operational units themselves. All ecological and social services must respect the boundaries of economic viability at all times. In economic aspects, we therefore work with the common economic principles except for the big difference that we as nonprofits are not profit-oriented.

**CEPS:** The SJH offers affordably priced overnight stays and fair-trade in conjunction with sustainability. Are there tensions between social goals and profitability?

**FG.:** Sustainability is a constant balancing act between the different requirements. Tensions only occur when one dimension is prioritized to the detriment of the others. Of course, when regarding economic considerations, not everything can be implemented that would be optimal in a societal or ecological sense. The art lies in finding the equilibrium.

**CEPS:** What do you see as the biggest achievements?

**FG.:** The biggest achievement lies in the fact that the SJH still exists today and that we are able to stand on our own two feet. The organization almost closed down in the early 90s. We managed the economic turnaround inter alia thanks to our focus on sustainability. More recently, another great achievement was surely the Watt d'Or award for our sustainability philosophy.

**CEPS:** How do guests experience the sustainability concept of the SJH?

**FG.:** Guests come across our measures in a number of places in the youth hostels. At the breakfast buffet they can find local

and regional products as well as the Max Havelaar fair-trade label. When clearing the table, they meet our recycling stations or see the current energy production of our solar panels on the information screen. The latest action is that every guest comes across the opportunity of voluntary CO<sub>2</sub> compensation when paying the bill; approximately 60% of our guests use the opportunity. However, we refrain from asking our guests to save energy because the resource efficient decisions are mainly made during construction and operation.

**CEPS:** Will the importance of sustainability grow in tourism?

Yes, I am absolutely convinced of that. An intact environment is fundamental for vacations.

**CEPS:** Thanks you!

## CEPS INSIGHT

### CEPS Publications

Within its series CEPS Forschung & Praxis (Research & Practice) two new volumes have been published in German language. In Volume 13 «Social Impact Bonds», Georg von Schnurbein, Tizian Fritz & Steve Mani explain how this financial instrument is set up and critically discuss its application. The Volume 14 «Der Schweizer Stiftungsreport 2015» (Swiss Foundation Report) is edited by Beate Eckhardt, Dominique Jakob und Georg von Schnurbein. Within the report current developments in the foundation sector are shown and new statistics on the foundation sector presented.

### Diploma Ceremony

On the 9th of April the CEPS had the honor to give out seven diplomas in Nonprofit Management & Law. We wish the graduates from our advanced education program all the best for the future and congratulate!

## NEWS

The Jacobs Foundation, one of the largest foundations in Switzerland, has announced that it will invest CHF 50 mio. in a new Africa Program to improve the living conditions of cocoa farmers and their families.

[www.jacobsfoundation.org](http://www.jacobsfoundation.org)

**Investment with Impact**

Back in April, the academic research network ACRN Oxford hosted this year's social and sustainable finance and impact investing (SSFII) conference at the University of Oxford. Tizian Fritz, PhD student at the CEPS, was amongst the 100 participants and presented an excerpt of his thesis.

With its first-class infrastructure, the Said Business School was the perfect host for the conference. Among the attendees were not only renowned scholars, but also practitioners from social enterprises, pension funds, and nonprofit organizations. This mixture of theoretical and practical backgrounds contributed to a stimulant and open-minded exchange of ideas. Another welcome effect was the fact that the still new research topic attracted participants of all ages.

Recurring topics in the conference presentations and discussions were new funding concepts such as «Social Impact Bonds», tested in Switzerland for the first time. Other topics were the current investment trend from fossil fuels, whereby institutional and major investors are selling their shares in respective companies, and the conceptualization of social risks and returns in financial investments. Both keynote speeches by Prof. Olaf Weber (University of Waterloo) and Prof. Alex Nicholls (University of Oxford) were among the highlights. Questions with regard to obstacles were raised that still need to be overcome for social and sustainable investments to become mainstream and how social risks in such investments can be captured and integrated. Tizian Fritz illustrated, by means of a rather provocative example, how mission-oriented organizations cannot assess an adequate form of risk and performance

measurement for their financial investments without the inclusion of the organization's core values (e.g. their mission).

The positive atmosphere of the conference, however, was not able to conceal or was even an indication for the participants' preaching to the choir regarding most of their research topics. Only Sir Martin Smith voiced concerns in his welcome speech, when addressing the blending of social impact and financial investments. Yet, the fact that the conference was sold out shows that there is a growing interest in this field of research. There is good reason for hope that the debate will increasingly lead to non-monetary factors playing a role in the financial decision-making of the future.

Tizian Fritz

**DID YOU KNOW?**

**137**

In the past year, 363 charitable foundations were established in Switzerland. At the same time, 226 foundations were liquidated by the supervisory authorities. This shows a net growth of 137 charitable foundations, the total number adding up to 13.064 foundations in Switzerland.

Source: Stiftungsreport 2015

**First SIB**

Together with a group of entrepreneurs the Canton of Berne launches the first Social Impact Bond in Switzerland.

Social Impact Bonds (SIB) have been around for about five years now. Basically, SIB are contracts between private organizations and the public sector to commit to payments going towards improved social outcomes, which, in turn, result in public sector savings. Rather than the state, it is private investors that pay for the new programs. With the basic principle «pay for success», expectations are that new and better social interventions are achieved. Repayment to investors is contingent upon the prior specified social outcomes being reached. Normally, the investor receives a percentage of the costs saved by the state. The Canton of Berne has now launched the first SIB in Switzerland in cooperation with a group of entrepreneurs called Invethos. Its goal is to get refugees and asylum seekers into the job market faster than by means of existing programs. This will also lead to cost savings on the part of the Canton. After a public call for proposals, the Caritas was selected to implement the new integration project. It is based on the idea of «supported employment», where the target group is given the opportunity to start working in a company directly instead of first being placed in long training programs.

**CALENDER**

**CEPS ADVANCED STUDIES**  
Enroll now! (Courses in German)

**Philanthropy in the Morning**  
**How to create a strong brand?**  
18 June, WWZ, Uni Basel

**CAS Communication & Impact Measurement**  
Modul 1: 17 - 20 August, Nottwil  
Modul 2: 7 - 9 September, Basel  
Modul 3: 28 September - 1 October, Basel

**Cours intensif en gestion des fondations donatrices (in French)**  
16 - 18 September, The Graduate Institute, Genève

**Intensive course**  
**Financial management in NPO**  
26 - 30 October, Gunten

**Coming up**

**ERNOP - 3rd Research Conference**  
**Interdisciplinary Research on Philanthropy: Connecting the Dots**  
9 - 10 July 2015, ESSEC, Paris, France

**EMES- 5th Research Conference**  
**Building a scientific field to foster social enterprise eco-system**  
30 June - 3 July 2015, Helsinki, Finland

**ARNOVA - Research Conference**  
**Innovation, Inspiration, and Creativity Across Boundaries**  
19 - 21 November 2015, Chicago, USA

**ISTR - 12th Research Conference**  
**Accountability, Transparency, and Social Innovation**  
28 June - 1 July 2016, Stockholm, Finland

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