

Operation Orphan and Danbro Accounting: an SME-charity partnership

Abstract

This Practical Note reviews a long-term partnership between Operation Orphan: a small development charity, and Danbro: an accounting services firm. This partnership was formed in 2010 when Danbro committed to underwriting 100% of Operation Orphan's UK administrative costs, enabling other donations to directly support orphans and vulnerable children in Zimbabwe and beyond. We discuss the core elements underpinning the partnership: governance arrangements, trust, relationship and long-term financial commitment, and explore how issues of power and partnership sustainability are perceived and managed. The case concludes with a reflective note on the broader implications of this type of SME-charity partnership model.

Key words: partnership, SME, charity, trust, relationship, financial support.

1. Introduction

This Practical Note reviews a long-term partnership between Operation Orphan and Danbro. Operation Orphan supports orphans and vulnerable children (OVC) both internationally and within the UK and has six employees and a 2019-2020 turnover of £328,000. Danbro is an accounting firm with approximately 160 employees and a 2019-2020 turnover of £170 million. Both partners are based in the UK. The partnership began in 2010 when Danbro agreed to indefinitely underwrite Operation Orphan's administration costs. This Practical Note is based upon a series of recorded discussions between Brad Moore (founder Operation Orphan), Helen Broughton (founder Danbro) and Jo-Anna Russon (Researcher)¹. We discuss the core elements of the partnership and the challenges and implications of the model.

Operation Orphan

Charity was founded in 2003² by Brad and his wife, when they began raising funds (approximately £2000 annually) to support school fees for HIV orphans in Mutare, Zimbabwe. Brad grew up in Mutare, and the funds went to friends who were responding to the HIV crisis locally. Operation Orphan's mission statement is "Keep a child warm, safe, healthy and learning", and they seek to do this by working within a child's current care structure. In Zimbabwe, most orphans are cared for by the extended family, and Foster (2010) and Ringson and Chereni (2020) point to the need to understand and support these traditional models. Operation Orphan engages with relevant individuals (e.g. grandparents, school, social services) to identify gaps in care, and work with families and communities to strengthen the existing care

¹ Jo-Anna Russon is not connected to either organisation but worked for ten years in the voluntary sector and was interested in the long-term nature of their partnership and financial model as an alternative to competitive short-term funding cycles.

² Operation Orphan registered with the UK Charity Commission in 2010 upon reaching the £5000 gross annual income threshold.

structure of the child in a way that is culturally relevant, rather than imposing external solutions. From the outset Brad was committed to what he called the “100% promise”, whereby if an individual donated £5, this would go directly towards OVC care structures. The establishment of the partnership with Danbro in 2010 provided the opportunity to fulfil this vision.

Danbro

Danbro³ provides accountancy, payroll and financial services and was founded by Helen and her husband in 1998⁴ after he was made redundant. They initially provided services to the contractor market, a sector which grew significantly during the late 1990s and early 2000s, and Danbro grew as a result and expanded its services to SMEs. Danbro has received various awards⁵, and Helen is passionate about social justice, serving as a college governor for seven years, and more recently as board member for a local *Business in the Community*⁶ initiative. Danbro places 10% of EBITA⁷ profit into the Danbro Foundation, most of which is then distributed to Operation Orphan. In what follows we discuss three core elements underpinning the partnership.

2. The Partnership

1) Long-term funding model: core costs

The partnership is founded on a long-term financial commitment by Danbro to cover the administration costs of Operation Orphan (primarily salaries and UK administrative costs). Table 1 shows the contributions from Danbro (2015-2019) in relation to the total income of Operation Orphan. The final column shows the extent to which Danbro’s funding is leveraged to generate additional funding, thereby fulfilling the 100% promise.

[Table 1 near here]

Table 2 illustrates the core costs covered by Danbro, and the value-added elements for both parties. For example, Operation Orphan gains advice, staff from both organisations have opportunities for exchange visits⁸, and for Danbro the partnership enables staff to feel that “*their work in accounting makes a difference*” (Helen).

[Table 2 near here]

2) Partnership governance

Standard legislative governance mechanisms apply to Operation Orphan as a UK Charitable Company (e.g. accountability to Board of Trustees, independent examination of accounts, following Charity Commission best practice), but Brad and Helen have also developed formal processes to govern their partnership. They have a Reserves Policy which commits Danbro to

³ Helen is Managing Director, 50% shareholder and founder of Danbro Trading Group which is owned by a holding company owned by Helen and her husband.

⁴ Incorporated in 1999.

⁵ Sunday Times Fast Track 100 (2007-2011). Business of the Year (2011, 2015) North and Western Lancashire Chamber of Commerce.

⁶ A UK business-led membership network promoting responsible business (bitc.org.uk)

⁷ Earnings before interest, taxes, and amortisation

⁸ At the pre-arranged agreement of both partners.

continue funding core costs for three months should the partnership be terminated. A partnership constitution defines boundaries and roles for managing the charity and the partnership (e.g. Operation Orphan will not spend over £5000 without the approval of its Board, Danbro does not get involved in Operation Orphan's day-to-day activities). Operation Orphan's spending is monitored through auditable financial trails in accordance with Charity Commission regulations, and through comprehensive financial and narrative reporting to the Board. Danbro has also established a Foundation⁹ to manage the partnership and distribute the agreed funds to Operation Orphan (and other small charities).

3) *Faith, attitudes and trust*

Brad and Helen initially met through church, and faith and a sense of responsibility to wider society were pivotal in establishing their respective organisations and the subsequent partnership. In establishing her business Helen also wanted to "give back", based on the belief that if she is blessed, she should seek to care for others out of the excess. Initially this involved ad hoc donations to various charities, but when conversations took place about supporting Operation Orphan they discussed how they might use their different strengths. For Helen, this was finances, whilst Brad had "*passion, connection and opportunity, but needed money*" (Helen). Brad's aspiration to invest 100% of donations directly into OVC care structures resonated with Helen's conviction as a business owner that "*it costs money to run a service that people can depend on*", therefore it seemed "*obvious*" that Danbro would support the 100% promise by underwriting their core costs. A solution that she felt was tangible and practical, and created a direct link to the success of the charity.

There are several principles which they believe are central to the success of their partnership.

- **Attitude to money:** A key driver behind Helen's approach to the partnership is her attitude to money, and the belief that she has a responsibility to do the right thing with Danbro's profits: "*looking after the widows, the orphan and the poor*", as opposed to an attitude of "*how do I protect what I have earned*". Similarly, Brad feels a deep sense of responsibility to do the right thing as a custodian of the donations Operation Orphan receives, an attitude which also underpins the 100% promise.
- **Trust and the freedom to say "no":** Trust, "*permission to ask*" and "*permission to say no*" (Brad) are the foundation for honest conversations. Operation Orphan has the freedom to "*present a situation without expectation that it's met*" (Brad), and Danbro has the freedom to say no, without fearing ill feeling or resentment. Helen described this as a type of "*emotional contract*".
- **Humility and gratitude:** Finally, Brad is "*mindful of not taking for granted the regular funding*". He considers gratitude (rather than entitlement) as crucial, for example "*making sure I'm not buying Apple Macs, I buy, you know, appropriate computers that will do the job rather than just going 'oh well, I can spend whatever I want'*". Similarly, whilst Helen's support of Operation Orphan originated in friendship, she is careful not

⁹ A limited company and registered charity (involving Danbro employees) which sits separate from Danbro Trading Group.

to impose this on staff, and encourages the individual charitable interests of Danbro employees.

3. Partnership Challenges

In this final section we discuss several challenges and consider the implications for adapting this model elsewhere.

Power

A partnership where a business funds the core administration costs of a charity naturally raises questions about power. Both Brad and Helen agree that Helen has power and influence as a founder and shareholder of Danbro; as Chair of the Board of Operation Orphan, and via the Danbro Foundation which makes the funding decisions. On a personal level Brad and Helen do not feel this positionality has been a problem due to the demonstrable commitment to long-term partnership and the deep levels of trust in each other. Helen's position on the Board has never been a pre-requisite of Danbro's funding. Helen is clear that Danbro would continue funding Operation Orphan even if she was not on the Board, although they both recognise that this is perhaps easy to say because it has not been a problematic issue that they have had to confront. On a practical level, they pro-actively manage potential conflicts of interest as part of a broader commitment to best practice. Brad has purposely invited people onto the board who are successful in their own field and are not "*yes people*" or "*frightened of saying what they think*" (Brad). Helen does not have the deciding vote on Operation Orphan's Board. In addition, even though Danbro is an accounting firm, it covers the cost of an independent accountant to audit Charity A's accounts. Furthermore, Operation Orphan's core administration costs are scrutinised and agreed by Operation Orphan's Board, and presented to the Danbro Foundation for review and agreement, therefore funding decisions are not made as conversations between friends, but occur within the governance arrangements that have been built to manage the partnership.

Beyond these governance mechanisms, the principles that underpin the partnership are also crucial for managing potential power imbalances. Brad and Helen feel that their attitude of being responsible custodians acts as a counterbalance to viewing money as their individual sources of power within the partnership. For example, integrity (not entitlement) is central to how Brad spends any funds received, and Helen is conscious never to use Danbro's donation to exert influence over the running of Operation Orphan, she also aims to "*mirror the salary increase we give to our employees at Danbro to the employees at Operation Orphan*". Furthermore, humility, trust and honest conversations at Board level creates space for individuals to be heard, and for differences of opinion to be grappled with by deferring to the collaborative pursuit of keeping a child "warm, safe, healthy and learning" (Operation Orphan, 2020).

Financial sustainability

A weakness in this partnership model is the reliance on one business to cover Operation Orphan's administration costs. At the start of the partnership, Danbro profits grew rapidly, and therefore so did the budget for Operation Orphan, whilst in recent years the budget has been

static. Danbro is protected by restricting its total charitable giving to 10% of EBITA. However, Brad and the Board have recently started exploring the possibility of including other business partners in the core cost funding model, which will also diversify risk for Operation Orphan. This is not because they expect the partnership to end, but because they believe Operation Orphan is in a position to expand its capacity and project portfolio, and to do so by replicating the core cost model with another business partner.

In addition, the model also helps mitigate financial risk associated with donor fatigue because Brad can tell potential donors that 100% of their money goes directly to projects, not to administration costs. Brad has established partnerships with over 30 businesses which support Operation Orphan in multiple ways: pro-bono services, providing storage space, volunteering or financial giving (Operation Orphan, 2020). Consequently, the core cost model enables Brad to leverage additional donations by exploring the potential for relationship and trust first, and funding second, alleviating any sense of pressuring potential donors for support, whilst also not having the stress of finding funds to cover salaries for his core team.

Dependence upon founders

Finally, the partnership was founded upon the relationship between Brad and Helen, therefore dependence upon the founders could also pose a risk to the sustainability of the partnership. In recent years they have sought to strengthen the formal mechanisms that exist outside of Brad and Helen's friendship. The Danbro Foundation was established to build a relationship and shared history between Danbro and Operation Orphan. From Helen's perspective "*I know that when I'm ready to retire that actually it's handed over to a group of people who also have that relationship and that shared history and then they can continue that support*". Operation Orphan are also developing personnel and management structures to decrease dependence on the founders. Brad and Helen also feel that a transition occurred in recent years where the Board has taken custody of the vision so that it was no longer just about a personal dream of the founders.

4. Partnership Implications

Brad and Helen recognise that Danbro's commitment to fund core costs over an indefinite period appears to be rare in the broader philanthropic landscape, but they believe it is a model that can be replicated elsewhere. The learnings that may be applicable to other SME-charity partnerships are summarised in Figure 1. Possibly most important is a relationship (situated alongside governance structures) based on shared attitudes and values, and a commitment to open and honest dialogue in the pursuit of a common goal. When faced with challenges Brad and Helen return to their core beliefs about their purpose as individuals and as a Charity and use these as a basis to "*figure out a way through*" (Helen). From Brad's perspective the greatest anti-dote to the power of a large financial donor upon whom they depend, has been Helen's generous attitude to money. Consequently, if considering this model elsewhere Brad argues there is a need for caution if "*the person with the money does not exhibit the type of attitude adopted by Helen*".

[Figure 1 near here]

For a business in this model, respecting and supporting the independent governance of the charity (e.g. through the Board) is critical, combined with a commitment to ensuring a balance of power and avoiding unequal or inappropriate influence. Beyond this there are also positive implications for building the culture and values of a business. Helen feel's the partnership has helped promote a culture of generosity, and sense of "*being in existence to benefit those we care about, whether they work for us, or they are in need outside of the business*".

Conclusion

In the UK, SMEs represent over 99% of all businesses (Rhodes, 2019), therefore significant potential exists for such partnerships to play a major role in the funding landscape of smaller charities. In this journal's 2005 Special Issue on private sector and development Sayer asked: *is the private sector shaping society, or is society shaping corporate behaviour?* In the model presented here, the 'shaping' could be described as mutual. The decision on what development issue is addressed was determined by their aligned interest in supporting OVCs, but also Danbro has deliberately chosen a long-term financial support model because Helen believes this is preferable to short-term funding cycles or a "charity of the year" approach. Moreover, Danbro does not directly engage with shaping social development issues, but maintains its distinct identity as a business, whilst applying an alternative ethic to sharing the benefits of growth. Arguably this exhibits the possibility of reshaping corporate behaviour so that other actors can shape society.

The Danbro-Operation Orphan model demonstrates how such partnerships could continue evolving based on relationships of trust, common values and shared interests. Consequently, attention should be paid to the theoretical challenges of (1) the partnership model presented here, (2) whether and how such partnerships can be scaled up, and the implications for building trust and shared values in partnerships involving larger international actors, and (3) the implications for collective cooperation and accountability. Acknowledging the challenges with private sector development partnerships as shown throughout this Special Issue, this SME-charity partnership demonstrates the capacity for positive possibilities as shown in the intent of an SME to use corporate profit to fund the core costs of a charity that seeks to effect 'holistic, culturally relevant and sustainable' change for OVCs (Operation Orphan, 2020).

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Table 1: Core cost financials

Financial year end (FYE)	Operation Orphan Total Income⁽ⁱ⁾	Danbro inputs to OO⁽ⁱⁱ⁾	Leveraging additional funds⁽ⁱⁱⁱ⁾
28 Feb 2019	£300,619	£103,536	190%
28 Feb 2018	£285,729	£100,396	185%
28 Feb 2017	£259,722	£97,054	168%
28 Feb 2016	£257,053	£84,000	206%
28 Feb 2015	£301,805	£88,930	239%

(i) Source: charitycommission.gov.uk

(ii) Danbro – personal communication.

(iii) Calculated as a % of Danbro’s total donation.

Table 2: Core costs and value added

Danbro Core Cost inputs	Value added: Operation Orphan
<ul style="list-style-type: none"> • Wages • Insurance • Rent • Rates • Electricity • Water • Accountancy/Banking fees • Payroll services • Computer/IT equipment • Telephone services • Office equipment • Travel costs (project visits) 	<ul style="list-style-type: none"> • Financial expertise • Staff exchange • Advice and coaching: Business development, HR, Management
	Value added: Danbro
	<ul style="list-style-type: none"> • Employee engagement in Danbro Foundation • Employee pride and motivation • Personal connections • Traceable giving • Staff exchange

Figure 1: Partnership implications

1. Define attitudes and principles that underpin the partnership (e.g. attitude to money and profit).
2. Open and constructive conversations on:
 - a) What is / is not financed
 - b) Parameters/boundaries of each partner (e.g. time, resources, finances)
 - c) Roles and responsibilities (e.g. governance, day-to-day management)
 - d) Prioritising constructive dialogue.
3. Consider who benefits financially from the partnership (e.g. salary payments) and what tensions/challenges may emerge.
4. Decide what formal structures and budgetary agreements underpin the partnership and how these will be documented, reviewed and updated.
5. Discuss how long-term financial sustainability will be sought, and how changes in funding/support needs will be managed.
6. Consider the value-added for each partner.
7. Develop protocols for ending/terminating the partnership.