endeva

Dr. Aline Menden, Nelleke van der Vleuten,
Christian Pirzer, Isabel von Blomberg

Executive Summary

NGO and company partnerships for inclusive business

PARTOS samen werkt.   The Spindle connecting innovators for development   Bayer   iBAN enabling change

Executive Summary

NGO and company partnerships for inclusive business

Dr. Aline Menden,
Nelleke van der Vleuten,
Christian Pirzer,
Isabel von Blomberg

Executive summary

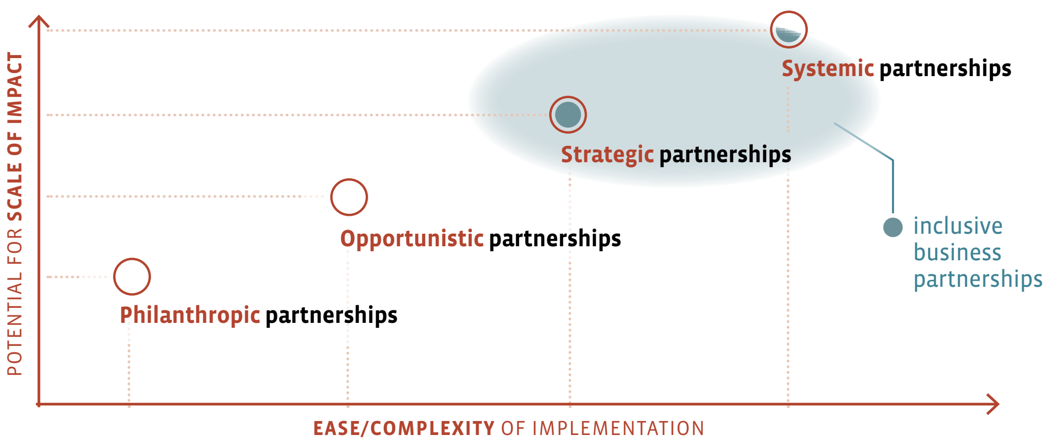
Inclusive business partnerships between NGOs and companies can make a strong impact with regard to improving livelihoods within low-income and marginalised communities in a sustainable way. Because they are built around an inclusive business model that contains both a business and social-impact case, such partnerships have the potential to be more effective than traditional philanthropy-oriented partnerships between NGOs and companies.

Inclusive business partnerships, or IB partnerships, can help NGOs and companies carry out their strategies effectively by combining the partners' complementary skills and resources. For their part, NGOs can increase social impact for their beneficiaries by developing sustainable, scalable solutions. In parallel, companies can invest in the markets of the future, develop new products and services and reduce risks in their value chains. This also enables IB partnerships to become a significant factor in fulfilling the Sustainable Development Goals (SDGs), which call for impactful and transformational partnerships to solve the key development challenges of our time.

Concrete examples of inclusive business partnerships indicate that they can differ widely with regard to partner motivations, objectives, scope, the roles played by the individual partners, and their specific legal forms or governance structures. While some are centred on a company's specific value chain, others also aim at improving the broader market ecosystem. Some are implemented as part of a company's ongoing core activities, while others are created as separate legal entities in the form of a social enterprise. Before engaging in an inclusive business partnership, NGOs and companies should carefully assess which type of partnership is most relevant to their needs and resonates best with their internal capacities.

This guide uses insights from existing IB partnerships to guide NGOs and companies through the process of engaging in IB partnerships. It starts with a look at how to find the right partner, and continues by examining ways to set up the partnership so as to facilitate success and effectively manage risks. The guide also describes how NGOs and companies can generate internal buy-in for IB partnerships, and how they must change internally in order to enable successful collaboration. It advises partners to develop a clear vision regarding how they plan to develop and scale the partnership, and to be honest with themselves about when it is time to move on. Finally, the guide describes possible scaling and exit options, and shows how NGOs and companies can think about these issues at an early date.

From philanthropy to inclusive business: The potential for greater impact



Finding the right partner is critical for IB partnerships, because partners need to combine complementary skills and resources

To successfully combine complementary skills and resources, NGOs and companies first need to know what their own specific skills are (that is, what they have to offer) and what they are looking for in a partner (that is, what they need). This is easier said than done. Many NGOs struggle to define and communicate their value proposition to companies clearly. Similarly, companies often find it difficult to determine precisely what NGOs can contribute. Resolving these questions will make it easier to identify the right counterpart and build a trusting relationship throughout the partnership.

1. To identify the right partner, organisations need to know what they can contribute.

- Before looking for a suitable partner, NGOs and companies should take an outside-in perspective to identifying and validating their own organisational strengths and the added value they can contribute by working with a partner. Tools and checklists can help NGOs understand company needs and identify complementary assets and capabilities.

- Once an organisation has identified its own assets and is confident that it understands its partners' needs, it should outline the specific value it adds as a partner in the form of a clear value proposition. This guide offers tips on how to use the "right language" in a value proposition of this kind; doing so will help ensure the organisation's assets are well understood by the prospective partner.

2. There are no perfect partners, just good matches.

- To understand who could be a good match for an IB partnership, companies, and NGOs should look at the full spectrum of potential partners. Since partnerships tend to be driven by individuals, finding the right counterpart within a partner is important. Partnership managers are the key contact point both externally and internally. The latter is particularly important since various departments are often involved in the IB partnership.

- If core partners lack specific resources, skills, or capacities, it can make sense to involve additional partners. Such partners can range from local NGOs or companies to donors, government departments, or business associations. The IB partnership examples provided in this guide demonstrate that involving such additional entities can help all participating partners to align their visions and objectives, but also introduces additional dynamics and complexities that need to be navigated carefully.

3. There are no shortcuts in building relationships.

- Building strong relationships is critical for the success of IB partnerships, requires open and honest communication and an appreciation for the fact that relationships are built over time. Potential partners can meet at fora or events, or build relationships through participation in cross-sectoral platforms, networks, or associations. In addition, staff exchange programmes such as corporate volunteering or secondments can help to build relationships on a bottom-up basis. However, examples of IB partnerships show that they often build on existing relationships between NGOs and companies.

Creating new opportunities and effectively managing risks is critical in ensuring that IB partnerships have impact

IB partnerships can have greater impact than purely philanthropic relationships between NGOs and companies. But to realise this potential, partners must successfully build on each other's strengths, create new opportunities from the partnership, and manage risks effectively. This is especially relevant in IB partnerships, because partners often have different motivations, employ very different processes and procedures, and contribute unique skills that qualify them to take the lead in different areas of the partnership. Such diversity needs to be coordinated and managed effectively if it is to add value.

1. Partners should align on partnership elements as early as possible.

- Conducting a joint problem analysis can help NGO and company partners align on a joint vision and mission for the partnership early on. However, partners first need to respect and acknowledge the fact that they have different motivations for their engagement. For NGOs, this also means respecting that the company will likely be driven by a long-term business goal. At the same time, NGOs and companies should make it clear which areas they regard as non-negotiable, and communicate this information early in the process.

- As with any partnership, the venture's vision, goals, roles, and risks should be described in a memorandum of understanding (MoU). For an IB partnership, this document should include elements clarifying how the partnership's benefits and risks will be shared among partners, including local communities. For example, if the goal is to co-create a new product, this document should describe how the resulting intellectual property rights will be dealt with. Jointly selected key performance indicators (KPIs) and monitoring and evaluation (M&E) systems can then determine if partners are truly aligned.

2. The roles played by different partners need to be clear and, when needed, adaptable.

- A well-defined division of roles is desirable because it helps create clarity and allows each partner's strengths to be best used. Yet examples show that roles may also evolve over time. We typically see six primary roles in IB partnerships: the partnership manager, the facilitator, the advisor, the capacity builder, the ecosystem builder, and the funder. NGOs and companies should carefully assess which roles they can play. In practice, they often combine certain roles or even share a role.

- Funding is critical for IB partnerships. However, NGOs and companies alike often lack access to the resources needed to support such new endeavours. A reality check helps partners identify potential solutions to this problem, ranging from the contribution of in-kind resources to third-party funding.

3. A solid governance structure will help steer the IB partnership, keep partners on track, and defuse conflicts.

- An active steering committee can set the strategic direction for an IB partnership. Ideally, this body will consist of members with complementary skills who also have a deep understanding of the relevant local context. A multi-level governance structure can help to involve the people most concerned in decision-making processes, while keeping the partnership agile. This is especially important for large, multi-stakeholder partnerships, but can also help smaller partnerships involve informed local stakeholders in decisions, thus increasing their commitment.

Staying open to internal change helps NGOs and companies partner successfully

For IB partnerships to be successful, both NGOs and companies need to secure internal buy-in. Partnership managers need to demonstrate that IB partnerships can create value for their organisations, whether by delivering value for beneficiaries, developing new products or services or by creating access to new markets or key resources. Entering the unchartered waters of inclusive business thus leads inevitably to internal change – for instance through the development of new skills, the creation of new positions, or even the establishment of new legal structures.

1. Internal buy-in is critical in sustaining a partnership.

- IB partnerships are often driven by "intrapreneurs" who push the idea internally and externally, and who need to navigate their organisation well in order to identify allies and win support.

- Buy-in from top management is equally important as buy-in from employees. While the pitch for top management needs to show how the IB partnership will deliver on the organisation's strategy, buy-in from employees can often be facilitated through staff training sessions, exposure visits, or simply through transparent internal communications containing insights derived from the partnership.

2. Partners need to be willing to change internally.

- Inclusive business models differ from companies' and NGOs' normal practices. They require the development of new skills, competencies, and incentive structures; changes to customary budget allocations; and in some cases even demand internal cultural and legal changes. Building the necessary assets and introducing new structures and processes is an important part of making an IB partnership successful.

- The lack of a shared vocabulary and the reality of different mindsets often make it more difficult for NGOs and businesses to develop a successful partnership. Creating a dedicated partnership team can help bridge these cultural barriers. In addition, IB partnerships often require close coordination and alignment between multiple departments in each participating NGO and company, as the venture's activities impact each organisation across several domains.

NGOs and companies aspire to scale or replicate their IB partnerships – but not at any cost

When participating NGOs and companies are able to fulfil their missions and objectives, IB partnerships can run for years or even as long as a decade. They can then be scaled up or replicated in other regions or for other value chains, ultimately increasing the number of people benefitting from them.

However, not all partners need to stay involved throughout the course of a partnership. In fact, planning for a partner's exit can be a critical success factor. Particularly for NGOs, a clear exit strategy helps ensure that private-sector partners have an incentive to develop the capacities and resources to run the inclusive business model on their own.

Of course, partnerships can also end prematurely. The reasons for this are manifold; most commonly, partners drop out if it becomes clear that the venture's social or economic objectives are not being met, or perhaps even that these aims conflict with each other. Internal changes such as a new strategy, team, or structure can be another reason for ending a partnership. In such cases, it is important that the partners analyse the lessons learned from the experience and share them, thus helping others avoid similar mistakes and create successful partnerships.

endeva