

NGO and company partnerships for inclusive business



Acknowledgements

This guide is the product of collaborative efforts by a number of partners and contributors, to whom we would like to express our utmost gratitude.

Partners

A special acknowledgement goes to our partners, without whom this guide would not have been possible.

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Experts

Partnership experts from NGOs, companies and academia provided crucial input and feedback throughout the project, generously giving of their time and expertise. Without their openness to sharing their experiences, we would not have been able to produce this guide. A list of the experts interviewed can be found in the Annex.

About the authors

Endeva is a company of experts whose mission is to inspire and enable business solutions for development challenges. Our goal is to further inclusive business and the ecosystems necessary for its success through research, knowledge exchange, facilitation and advisory services. The authors of this guide are Dr. Aline Menden, Nelleke van der Vleuten, Christian Pirzer, and Isabel von Blomberg.

NGO and company partnerships for inclusive business

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Forewords



Bart Romijn

*Director,
PARTOS*

Spot on! NGO and company partnership for inclusive business is exactly what we need. If we're serious about breaking the cycle of poverty, exclusion, and inequality, and if we want to make a solid impact on the Sustainable Development Goals, then we need to act smarter. That means moving from opportunistic projects to strategic (i.e. pursuing long-term impact) opportunities. It also entails a shift away from articulating differences and towards bridging barriers and seeking synergies driven by complementary competencies and resources. And it requires internal changes. This practitioner's guide explains, inspires and guides NGOs and companies to do so through lessons learned, case studies and insightful advice.

The mission of Partos and our innovation platform, The Spindle, is to generate development cooperation with impact: working together for an inclusive, peaceful, just and sustainable society, with a focus on the poorest and most vulnerable people and regions. Under the motto of Trickle-Up!, we advocate more direct investments in efforts targeting economic self-reliance and resilience among the poor and vulnerable. This is where inclusive business partnerships can and must play an instrumental role. To whom it concerns, and it concerns us all, we recommend this practitioners guide on NGO - company partnerships for inclusive business as a very rich, instructive and inspirational must-read.

**Sinead Duffy**

*Head of NGO Engagement,
Bayer*

'No man is an island', according to the English poet John Donne and his words ring true today. Transformative change requires us to work together, across sectors and across different types of experience. This publication is a culmination of insights and expertise of many dynamic and creative organisations and individuals who are seeking to create new conversations and find new solutions to address the challenges we face in the world today.

The guidebook has so many practical examples and real life stories on how NGO's and business can work better together to find new and different solutions. The complexity of the difficulties we face in building a sustainable future requires unusual alliances to work together to understand and address the challenges. It is only by listening to each other and collaborating across sectors in new and fresh ways that we can make progress.

I hope this publication goes towards new conversations and approaches as we work together towards sustainable solutions.

**Dr. Christian Jahn**

*Executive Director,
Inclusive Business Action Network (iBAN)*

Partnerships are key to the work of iBAN. Formed in 2014 to effectively connect the Inclusive Business ecosystem, iBAN has a legacy of bringing together diverse stakeholders. Since 2018, iBAN has provided a focused Capacity Development Programme that brings together selected companies and policymakers to help scale inclusive business globally. Our experience in working collaboratively with partners is also crucial for our work on the global knowledge – sharing space inclusivebusiness.net, which we administer. This online space highlights the voices of partners, including NGOs, that are dedicated to strengthening inclusive business models. We therefore gladly support the effort Endeava is taking to identify and outline key aspects of effective ways NGOs and companies can engage with each other. We believe that connecting these two groups more can help upscale inclusive business models, which would result in improved lives of the poor. Ultimately, these and other partnerships are crucial to help achieve the United Nations Sustainable Development Goals.

Introduction

Inclusive business partnerships (IB partnerships) between NGOs and companies have a very specific form: They start from a concrete opportunity to improve the lives of low-income and marginalised people, and then address this opportunity with a financially viable business model that helps ensure sustainable impact.

Why this guide?

Many NGOs and companies are interested in engaging in such partnerships, but often struggle with the “how”. This is primarily because of the dual purpose underlying such relationships, which seek to combine social impact with a business case. At the same time, NGOs and companies are frequently very different from one another. Making a well-balanced collaboration work requires that all participants understand one another’s motivations, organisational cultures, and structures.

Our main motivation in writing this guide has been our hope of unlocking IB partnerships’ immense potential for helping to achieve the Sustainable Development Goals (SDGs) more effectively. To this end, our guide aims to give NGOs and companies guidance in conducting more productive IB partnerships as equal partners. We hope these pages will create a better understanding for what IB partnerships actually are, provide inspiration in the form of real partnership examples, and offer a way forward by documenting the lessons learned by practitioners in the field.

Who should read this guide?

This guide is primarily aimed at internationally operating NGOs (INGOs). Our secondary audience includes companies of all sizes. Although these target groups are very different from one another, they often face very similar challenges – ranging from creating internal buy-in to dealing with existing internal organisational structures which are not always conducive for setting up IB partnerships. The guide captures these similarities, although viewed from different perspectives. In addition, the guide may be useful for international and bilateral donors and foundations aiming to support collaboration between NGOs and companies.

How can one read this guide?

The guide uses the key aspects of the partnering process as an organisational framework, enabling easy navigation for practitioners. Each of the five chapters is structured on the basis of several key lessons learned; these in turn were drawn from desk research, interviews with practitioners, and case studies. Chapters also cross-reference content through “scribbles”, which are intended to help readers scan and navigate the guide more effectively. The deep-dive case studies are standalone documents that provide in-depth insights into the lessons learned by a specific selected partnership. The support directory offers a non-exhaustive overview of practical tools as well as recommendations for further reading.

➤
See box on p. 7



How was this guide developed?

The idea for the guide was developed during a **peer-to-peer dialogue** on inclusive business held with 20 representatives from a number of international NGOs. During the event, NGOs shared the difficulties they had experienced when establishing, implementing, or scaling IB partnerships with companies. Working together, the participants subsequently developed ideas for how to cope with these challenges. Our insights are based on this intense interaction with NGOs.

In addition, we at Endeva conducted **desk research**, consulting over 90 reports to identify instances of IB partnerships as well as lessons learned. Focusing on the cases thus identified, we conducted 24 **interviews** with NGO and company representatives. All interviewees have led or played a key role in an IB

partnership. In addition, we interviewed selected experts from academia.

Findings from the desk research and interview process were condensed into four **in-depth case studies**, and additionally included in numerous smaller case studies which serve as examples throughout the guide. A **cross-case analysis** also informs the structure and key arguments presented in this guide.

The guide has further benefitted from the invaluable contributions and advice provided by our partner organisations: The Spindle, the innovation platform of Partos – especially their group of NGOs active in the Leave No One Behind (LNOB) platform – the NGO engagement office at Bayer AG, the social-business team at BCG, and the Inclusive Business Action Network team.



➤ See case studies on p. 79

➤ See list of interviewees on p. 105

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Abbreviations

ADP	Accelerated delivery and performance
AIF	Africa Improved Foods
BoP Inc	BoP Innovation Centre
CEO	Chief executive officer
CHE	Community health entrepreneur
DCA	DanChurchAid
DEG	Deutsche Investitions- und Entwicklungsgesellschaft
DI	Danish Industries
GAIN	Global Alliance for Improved Nutrition
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GSA	Global Shea Alliance
IB	Inclusive business
IDH	IDH Sustainable Trade Initiative
IP	Intellectual property
KPI	Key performance indicators
M&E	Monitoring and evaluation
MoU	Memorandum of understanding
NGO	Non-governmental organisation
R&D	Research and development
SDG	Sustainable Development Goals
SME	Small and medium-sized enterprises
TPI	The Partnering Initiative
UN	United Nations
VPC	Value proposition canvas
WASH	Water, sanitation, hygiene
WVI	World Vision International



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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.

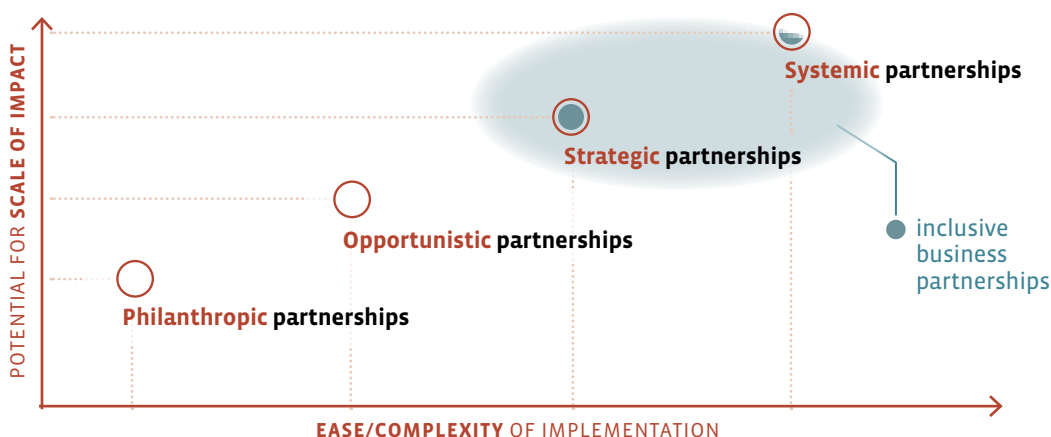
Inclusive business partnerships, or IB partnerships, can help NGOs and companies carry out their strategies effectively by combining the partners' complementary skills and resources. For their part, NGOs can increase social impact for their beneficiaries by developing sustainable, scalable solutions. 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 uncharted 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.



When to choose inclusive business partnerships

Inclusive business partnerships can make a strong impact with regard to improving livelihoods within low-income and marginalised communities in a sustainable way. They can help NGOs and companies carry out their strategies more effectively by combining complementary skills and resources.

There are many opportunities for inclusive business partnerships. Concrete examples of such partnerships between NGOs and companies indicate that they can differ both in scope and form. While some might focus on specific stages of a company's value chain, such as sourcing or distribution, others might address an entire value chain, or even aim at improving the broader market ecosystem. Some are implemented as part of a company's ongoing core activities, while others result in the creation of a separate legal entity. 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.

1.1. IB partnerships have a business and social-impact case

Inclusive business models are commercially viable business models that integrate people with low-income into value chains in various capacities, whether as consumers, producers, suppliers, employees, or entrepreneurs, with the aim of creating mutual benefit.¹ This is not charity. Inclusive businesses create a strong foundation for profit and long-term growth by bringing people who were previously excluded – such as groups that have been marginalised or discriminated against – into the marketplace.²

Inclusive business partnerships between NGOs and companies are built around an inclusive business model. This means that the partnership needs a business and a social-impact case. The business case should contribute to the company's core business activities in order to ensure the partnership remains sustainable, uses company core expertise and has the ability to scale its impact. Moreover, the core target group of NGOs, individuals with low-income or marginalised populations needs to benefit from the partnership, either through increased or more secure income opportunities, or through access to more affordable products and services that positively affect their livelihoods and well-being. One important related strategy is that of shared value, which involves business opportunities associated with the solution of social problems.³

Inclusive business partnerships have the potential to produce greater impact than traditional philanthropy-oriented partnerships between NGOs and companies because they combine partners' complementary skills and assets to achieve more sustainable results (see Box 1). This makes them a relevant means of achieving the Sustainable Development Goals (SDGs), which directly call for impactful and transformational partnerships to solve the key development challenges of our time.



BOX 1

Success factors for IB partnerships

Inclusive business partnerships require companies and NGOs to work closely together. Distinctive features of successful IB partnerships include the following:

- ▶ **Co-creation on equal terms:** IB partnerships require partners to collaborate on equal terms to jointly develop (or “co-create”) new solutions. This also requires partners to deal with uncertainty and risks, since innovative solutions may need to go through various iterations to be successful. However, co-creative approaches offer partners the opportunity to learn from each other and build on each other's complementary assets, bridging the barriers that traditionally exist between NGOs and companies.
- ▶ **Complementary partner contributions:** Each participant in an IB partnership contributes core assets and unique skills to the functioning of a business model intended to have social impact. In doing so, they ideally produce results that neither the NGO nor the company would have been able to achieve alone.
- ▶ **Working towards systemic change by influencing the broader market system:** ↗ Inclusive business models typically function in environments that present manifold challenges, from a lack of standards to a lack of incentives. By working jointly, NGOs and companies can better address such challenges by combining their networks, or by making use of their convening power and ability to influence other stakeholders.

↗
See deep dive
on p. 24



BOX 2

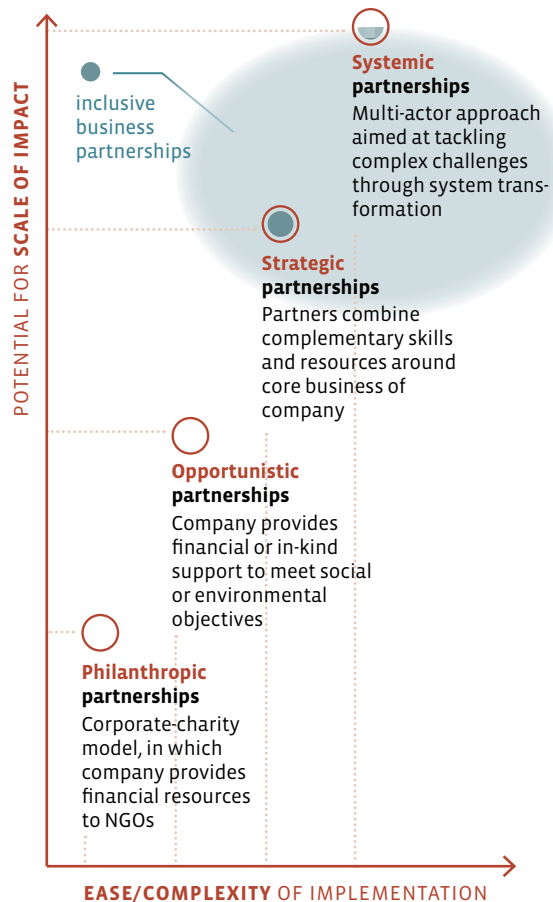
From philanthropy to inclusive business: The potential for greater impact

Compared to philanthropic and opportunistic partnerships, IB partnerships have the potential to produce greater impact, because they are strategic or systemic in nature. At the same time, they are often more complex to set up and manage. Why is that the case?

In philanthropic and opportunistic partnerships, companies often provide financial or in-kind resources to NGOs, supporting their programmatic development work. Alternatively, companies may work with NGOs to meet specific social or environmental goals that are related but not central to their core business. In many of these cases, both partners do what they normally do: NGOs pursue their programmatic work, and companies their normal business. Hence, such partnerships are often relatively easy to develop. However, they are not financially sustainable. Their impact is thus limited to the amount of philanthropic funding deployed and cannot be scaled.

Inclusive business partnerships, in contrast, are centred on a commercially viable inclusive business model that allows the partners to scale the venture if it proves successful. This offers the potential for greater and more sustainable impact. However, such partnerships require participants to align strategies, leverage their core skills and resources, and co-create new solutions.

Source: Inspired by The Partnering Initiative (2017): Better together. Unleashing the Power of the Private Sector to Tackle Non-Communicable Diseases



“A clear trend – and from my perspective the only one that has the potential to drive true systemic change – are co-created partnerships based on complementary assets and skills. This is true for any partnership, [whether] private-public [or] private-private... Seeking complementarity and true value-added is one of our guiding principles when selecting NGOs for our inclusive business partnerships”.

Katja Freiwald, Director of Global Partnerships, Unilever



1.2. IB partnerships help NGOs and companies achieve their strategic objectives

By working together, NGOs and companies can achieve results that neither of the parties would be able to achieve on their own. For example, NGOs can increase social impact for their beneficiaries by developing sustainable, scalable solutions. Companies can invest in the markets of the future or reduce risks within their value chains.

NGOs engage in IB partnerships to increase impact and develop sustainable, scalable solutions

NGOs are increasingly recognising that market-based solutions can complement their usual approaches to tackling development challenges. Moreover, if successful, such approaches can be both sustainable and scalable. In the past, some NGOs have experimented with acting directly as market entities themselves. However, engaging with existing businesses and social entrepreneurs to create joint solutions has proven to be a more cost-effective and sustainable approach.

At the same time, NGOs are realising that the increasing complexity of social problems demands solutions that go beyond the NGO-government

nexus. If NGOs want to empower women who are marginalised, for example, they may advocate for changes in policies and practices that help secure property rights for women. But it also makes sense to engage simultaneously with employers, encouraging them to pay their female employees' salaries or wages directly into a bank account separated from that of their spouse's, or to develop programmes helping women create savings.

For these reasons, many NGOs consider inclusive business partnerships to be an innovative way of contributing to sustainable development, and a way of complementing their grant-based programme work. By pursuing this model, NGOs can help their target groups secure reliable incomes, obtain access to high-quality products and services that serve their basic needs, or become more productive.



BOX 3

Be clear on the opportunities and limits of IB partnerships for NGOs

For NGOs, inclusive business partnerships offer a path to achieving their development goals that can complement more traditional approaches. However, NGOs also need to think critically about the benefits and limitations associated with a partnership of this kind. For instance, an organisation considering this path should ask whether the inclusive business approach fits with its theory of change and other sectoral intervention strategies. It should consider whether there might be certain contexts in which the approach is not realistic, or whether the inclusive business solution might be viable for certain target groups but not others. For example, in fragile, politically unstable regions, developing inclusive business solutions will likely be difficult. The risk entailed in such an environment may dissuade new companies from entering the market, while enterprises already present may prefer to focus solely on their existing operations. Similarly, for NGOs targeting people in extreme poverty, market-based solutions may be impractical.

However, in other circumstances, NGOs could benefit by reviewing their existing programmes and considering whether market-based approaches might offer new or greater potential. For instance, could products and services today being offered for free be commercialised? Are grants currently being provided for local (NGO-supported) activities, products, and services distorting the market and preventing the creation of inclusive businesses?

NGOs should also be realistic about what to expect from IB partnerships, both in terms of development impact and the potential financial benefits for their own organisation. All too often, NGOs begin looking into market-based approaches with the objective of diversifying the streams of income used to support programmes and organisational costs. While financial considerations can be one reason to engage in a partnership, this should not be the primary motive.



Inclusive business partnerships can help NGOs increase their impact because solutions are centred on the participating company's core business or involve separate social enterprises with the goal of establishing financial sustainability. This makes scaling or replication easier, helping NGOs to have a positive impact on more people. In addition, companies are often equally interested in improving the broader market ecosystem in which such models are embedded. Due to their advocacy activities, NGOs are a natural partner for such efforts.

Companies form IB partnerships to realise business strategies that have a social impact

Companies are starting to realise the strategic growth potential represented by future markets and recognise that inclusive business partnerships can give them an opportunity to access these markets. Inclusive business partnerships can help companies grow or expand into new markets; gain access to talent; build trust-based relationships with business partners; reduce costs or risks; develop innovative products, services or business models; and strengthen supply chains.⁴

Companies are increasingly expected to deliver social impact, with their activities closely scrutinised by stakeholders. Governments, customers and competitors expect for-profit companies to act responsibly and to make an active contribution to achieving the SDGs. Inclusive business partnerships can help companies maintain their licence to operate, respond to consumer trends, and align with the strategic priorities of key business partners that are already following responsible business practices.

In addition to these direct business-related effects, companies seen to be pursuing socially sustainable outcomes can increase their own employees' loyalty and trust. IB partnerships help motivate employees, attract new and diverse talent, and achieve higher retention rates, especially among younger, purpose-driven employees.

In fact, there is growing recognition that inclusive business could become the "new normal". As a Mars executive responsible for sourcing and sustainability strategy put it: "You have to treat {sustainability goals} like normal business. Profits, greenhouse gas, cash, human-rights issues – these are all just business goals".⁵

"The inclusive business partnership makes long-term business sense for us, since we are interested in building future clients in low- and middle-income markets. At the same time, the partnership motivates our employees, who have the opportunity to get engaged in improving malnutrition".

Charlotte Sørensen, Senior Project Manager, Arla Foods Ingredients

1.3. IB partnerships differ in form and scope

IB partnerships can be set up directly with a company, or result in the creation of a separate social enterprise

In many cases, IB partnerships are designed to solve specific challenges within value chains. Such partnerships can be set up directly with the company, thereby strengthening the company's activities by making them more inclusive. While the NGO is a strategic partner, the support it provides can be very specific. For example, when a company wants to source from smallholder farmers, an NGO may help the company organise them and engage with them.

IB partnerships which aim at making the company's business more inclusive have the ability to build on and leverage existing corporate structures and resources. They can benefit from support functions provided by the company, such as legal advice or logistics expertise. Hence, such partnerships also have greater scaling potential. However, such partnerships are also highly dependent on securing corporate buy-in, and may come to an end when internal priorities shift or solutions fail to deliver expected benefits in the short term.

NGOs and companies may also decide to create a separate legal entity in the form of a social enterprise. These social enterprises can tackle specific

challenges in the value chain, for example, they can fill market gaps and enhance local value creation, by developing last-mile distribution channels, or supporting local-level processing or packaging. Often, separate entities are also formed to develop new products or services, or test new business models, which have the potential to strengthen the company's long-run business case. The NGO's target group benefits from new opportunities for employment or entrepreneurship, and from access to new products and services delivered by the social enterprise.

In such a case, the social enterprise is an independent entity that aims to reach a point of financial sustainability. The separate structure allows it to act more freely than might be possible under rigid corporate and NGO structures, and thus offers more room for innovation and learning. However, establishment of such an entity requires considerable resources. In the beginning, partners are often directly involved, for example by paying for staff, seconding volunteers as employees, or contributing expertise and financial resources. Over time, they tend to retreat to a higher-level role, mostly being involved on a strategic level as board members. Questions of ownership may create tension between the partners if not resolved at an early date.

CASE IN POINT 1

IB partnership directly with a company: ICCO and Olvea Burkina Faso

The partnership between ICCO Cooperation (a Dutch NGO) and Olvea Burkina Faso (Olvea BF; a subsidiary of the France based Olvea Vegetable Oils) is intended to develop a sustainable supply chain for high-quality shea nuts as a cosmetic-industry ingredient in Burkina Faso and Mali. The partnership is directly centred on Olvea BF's supply chain. Inefficiencies in the supply chain are addressed by supporting (to

date) more than 35,000 female nut collectors and their cooperatives, helping them supply Olvea BF with consistent-quality nuts that are both organic/fair-trade and Fair-for-Life certified. To achieve this, ICCO provides technical assistance both to Olvea BF and to the cooperatives.

➤ [See case study on p. 86](#)

CASE IN POINT 2

IB partnership as separate legal entity: CARE, Barclays, and GSK

CARE, the Barclays bank, and pharmaceutical company GlaxoSmithKline (GSK) founded the Live Well social enterprise to explore an innovative last-mile distribution model. In this case, the Zambia-based

enterprise recruits and trains local health workers who earn income by selling healthcare products in rural and peri-urban areas.

➤ [See case study on p. 98](#)



BOX 4

Setting up IB partnerships within NGOs – a viable option?

Some NGOs have considered establishing inclusive businesses as part of their own structure, with a company as a partner. For example, an NGO that helps smallholders obtain access to better inputs could try to turn their programme into a financially viable business. A corporate partner could provide technical expertise or inputs, or even invest in the venture.

A number of benefits are possible from this model. For example, the NGO could in theory ensure that the business activity remains mission-driven. In addition, links between the NGO's programme work and its more market-oriented activities could be established and maintained. NGOs often additionally hope to de-

velop internal (business) skills and capabilities.

However, many NGOs struggle with setting up business activities internally, since they are not used to operating as a business – and often are not even legally allowed to do so. To be successful, NGOs need people with the right entrepreneurial spirit, as well as an internal business culture, an organisational structure with the capacity to take business-oriented decisions, and effective governance mechanisms. Often, it is easier to create such skills and structures in a separate legal entity than to face constant frictions within an existing organisational culture that has a different way of working.



Table 1: Differences between setting up IB partnerships with a company and as external entities

Structure	Direct partnership between NGO and company	Separate, external entity
NGO motivation (examples)	<ul style="list-style-type: none"> • Make existing value chains more inclusive • Improve broader market ecosystem 	<ul style="list-style-type: none"> • Fill gaps in the value chain (e.g. local processing), enhancing local value creation • Provide beneficiaries with access to income opportunities, and new products and services that meet basic needs
Company motivation (examples)	<ul style="list-style-type: none"> • Improve quality of products and services • Reduce supply-chain risks • Secure licence to operate 	<ul style="list-style-type: none"> • Venture into new / future markets • Test new business models • (Co-)develop new products and services
Governance	<ul style="list-style-type: none"> • Partnership is structured as direct relationship with company as an existing legal entity. • NGOs (and other partners) can be involved in strategic decision-making • All partners can take the lead on separate work streams 	<ul style="list-style-type: none"> • Partnership is structured as a separate legal entity, most often a social enterprise • The new enterprise's management can be dominated by either the NGO or the company, or both equally, but control is often transferred to independent staff at later stages • Key partners are represented on the board and involved in strategic decision-making
Possible benefits	<ul style="list-style-type: none"> • Ability to build on existing corporate structures and resources • Sustainability and potential to scale • Stronger internal awareness of inclusive business activities, potentially enhancing buy-in 	<ul style="list-style-type: none"> • More freedom to act outside rigid corporate and NGO structures • Increased implementation speed due to independent decision-making and lean structure • Opportunity for equal involvement of both partners
Possible challenges	<ul style="list-style-type: none"> • NGOs may lack influence • Lack of autonomous decision-making power; partnership can be ended due to changing internal priorities 	<ul style="list-style-type: none"> • Resources needed to create separate entity and build new team • Question of ownership / allocation of shares between NGO and company • Can be difficult for partners to withdraw from social enterprise's day-to-day management and allow it a "life of its own"

The scope of IB partnerships can be narrow, focusing on specific steps of the value chain, or broad, encompassing the entire value chain

Some IB partnerships focus only on specific aspects of the value chain, such as sourcing or distribution. This type of partnership is used when specific challenges have been identified at these stages or when there is an opportunity to improve the inclusion of low-income populations.

IB partnerships that focus on entire value chains are often more complex, because they intervene on several levels – and are more likely to create systemic impact. In such partnerships, NGOs and companies tend to work together more closely, and often involve additional stakeholders. To strengthen their IB partnership, partners may also look beyond the direct value chain and aim to improve the broader business ecosystem.⁶



DEEP DIVE

Scope of IB partnerships: from focusing on specific steps of the value chain to encompassing the entire ecosystem

Targeting specific stages of a value chain ¹

Opportunities for inclusive business partnerships are numerous. Such activities may target specific stages of a value chain, such as sourcing or distribution, or expand their focus to account for an entire value chain.

- 1. Creating an inclusive supply chain:** IB partnerships are especially relevant within agro-food-sector supply chains, where members of low-income communities are often active as smallholder producers or suppliers, processors, or workers on plantations or in packing stations. Here, IB partnerships can be of help with organising and professionalising smallholder farmers, supporting the inclusion of women or developing innovative solutions to ensure adequate working conditions.⁷ They often result in supporting smallholders and workers to increase their earnings and establish more stable incomes, while creating more reliable supply chains and improving product quality for companies. The IB partnership between [Symrise, Unilever, Save the Children, and GIZ](#) ⁷ in Madagascar's vanilla sector, for example, shows how improving working conditions and helping smallholders expand their capacities can help companies reduce supply-chain risks.

- 2. Employing people who are disadvantaged:** IB partnerships focusing on employment issues enable groups that have been marginalised or subject to discrimination, such as women with low incomes, youth, or people with disabilities to obtain formal, decent jobs in companies or improve their working conditions.⁸ Partnerships may help women workers win access to certain health or financial services, or promote gender diversity at senior management levels. Companies may benefit as a result of improved access to qualified labour, and in some cases even from lower costs thanks to lower absenteeism and staff turnover rates. The Light for the World NGO advises companies on how to accommodate people with particular disabilities, and on how to accomplish the minimal adaptation of work processes and/or infrastructure required for this.

- 3. Developing new products and services:** IB partnerships can also focus on co-developing new products or services targeted to the needs and living conditions of populations with low incomes. Companies

contribute their technological know-how, while NGOs bring a deep understanding of the aspirations and habits of low-income groups. This co-creation may also involve other stakeholders, such as local partners or the target group itself. Companies can access new markets, boost brand awareness, or build customer relationships that might also help them increase sales within other product lines. The [GAIN Access to Better Dairy partnership](#) ⁷ in Ethiopia, for example, which involved collaboration between complementary partners and the co-development of a fortified yogurt, has helped Arla Foods Ingredients venture into a new growth market.

- 4. Bridging the last mile:** IB partnership models focusing on last-mile distribution are often used in the food, healthcare, energy, and water sectors (e.g. for low-cost medicines, health and hygiene products, or solar systems). They increase access to products or services that address basic needs, and often include low-income populations as retailers or sales agents. Companies provide the products or services, while NGOs offer capacity-building and training serves to retailers and sales agents, including in the areas of financial skills, marketing, and market creation. In this case, companies can derive benefits in the form of increased sales, access to new markets, and expanded brand awareness. The Live Well social enterprise is a good example of an IB partnership that developed a new distribution model for healthcare products in Zambia, bridging last-mile challenges.

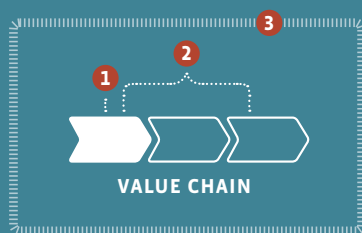
Focusing on entire value chains ²

Some partnerships also focus on entire value chains. The GAIN Access to Better Dairy partnership, for example, is intended to provide children and mothers in Ethiopia with a healthier diet, while also improving the livelihoods of smallholder farmers, by introducing an innovative, locally produced, safe, and fortified dairy product to the market. The partnership engages the entire value chain, from smallholder farmers, dairy processors, and distributors to consumers. It works closely with local processors to build local production capacities, while also seeking to involve people with low incomes in the distribution process.

But the GAIN partnership goes even beyond the value chain, since the partners also work on improving the business ecosystem by promoting better enabling conditions for the local dairy sector.

⁷ see case study on p.92

⁸ see case in point 11 on p.43



- 1 Targeting specific stages of a value chain
- 2 Focusing on entire value chains
- 3 Improving the business ecosystem

Beyond the value chain: improving the business ecosystem ³

Business models in low-income markets do not work in isolation. Rather, they are part of a system that often presents manifold challenges. For example, target consumers may lack the information or education needed to understand the value of a product such as a fortified yogurt. There may be no labour standards for smallholders, and little financial and legal support. There may be no government incentives in place for the employment of marginalised people. It is clear that without tackling these challenges, business models seeking to operate in such environments may not live up to their full potential, or may even fail to function altogether.

This is why partners often seek to improve surrounding ecosystems as a means of strengthening their IB partnerships. Working jointly, NGOs and companies are often better able to address these market challenges than would be possible alone; for instance, they can combine their networks, and make use of their convening power and ability to influence other stakeholders. Additionally, they often join forces with other partners such as international or bilateral donors, government departments, business associations, or research centres.

CASE IN POINT 3

Cultivating a healthy business ecosystem

The Simavi NGO partnered with a local entrepreneur in Ghana to develop a business offering hygienic products and health-related services to low-income households. Together they successfully lobbied the Ghanaian government to lower the educational requirements for women to become sales representatives for such products. This enabled low-income women to become micro-entrepreneurs. Even though the focus was on one specific value chain, the partners also addressed aspects of the broader ecosystem.

Systemic market interventions are often separate from IB partnerships – but synergies still exist

Systemic market challenges are often too complex to address in the context of an inclusive business partnership as defined in this guide. To influence the broader market system by producing policy changes, encouraging standards to be set, or facilitating behavioural changes, stakeholders across sectors often join forces and organise for platform-based activities. In this case, effecting system-level change becomes the sole purpose of the partnership. Unlike IB partnerships, such alliances either don't have a business case, or have one that materialises only over the longer term. They are often co-financed by third parties such as donors and development partners. Platform approaches can strengthen IB partnerships' business cases, because they improve the broader market system within which an IB partnership operates. IB partnerships in return generate market insights that can inform the platforms' strategies. Therefore, platforms can be used in combination with IB partnerships, with each reinforcing the other.

CASE IN POINT 4

Systemic market interventions

ICCO joined the Global Shea Alliance, a multi-stakeholder alliance that aims to contribute to the development of a more inclusive shea sector by lobbying for global standards and policies. ICCO is also involved in an IB partnership with vegetable oil producer Olvea ⁷ to develop inclusive value chains for organically produced, fair-trade shea nuts. These activities are synergistic, since ICCO contributes insights gathered through the IB partnership to the alliance, and vice versa. The NGO also promotes the IB partnership model to donors, encouraging replication.

➔
see case study
on p.86



2



Finding the right partner

In an IB partnership, NGOs and companies combine complementary assets to achieve a common goal. Thus, NGOs and companies that want to work on equal terms need to know what their own specific skills are – that is, what they have to offer. Similarly, they must understand 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.

2.2. Know your added value in order to identify the right partner

For any NGO seeking to engage in an IB partnership, identifying and validating the added value it can bring to a potential partner company is a crucial first step. As a part of this process, the NGO should develop an organisational profile and description of its track record.

The value proposition for the proposed partner should emphasise the competencies that are most complementary to those of the company. To identify those assets, NGOs first need to develop a clear understanding of the company's needs. Using the "right language" in this value-proposition document will help ensure that the NGO's assets are well understood by the partner. For their part, companies should also take an "outside-in" perspective to help them understand what NGOs look for; this will help them use the right language when engaging with the NGOs.

An outside-in perspective can help an organisation identify and validate its assets

Both NGOs and companies have assets relevant for inclusive business. However, each organisation must identify its own strengths. In defining an organisation's assets, it is often helpful to adopt an outside-in perspective (see case in point 5). This involves obtaining third-party opinions provided by independent organisations, which can highlight strengths and weaknesses, help refine the organisational profile, and identify areas holding strong potential for inclusive business models.

A leading NGO, for example, hired the Boston Consulting Group (BCG) to help it define its profile before approaching potential corporate partners. This helped the NGO clearly define its capabilities, its potential contribution to an IB partnership, and its role in a potential partnership. Royal DSM, on the other hand, invited ICCO, an NGO, to provide an external viewpoint when it wanted to explore inclusive-business opportunities (see Case in Point 5). This helped trigger the development of inclusive-business initiatives in multiple business units.

Tools can help NGOs identify company needs and translate them into a value proposition

NGOs seeking to develop a value proposition for a specific partner must understand that company's needs. As Marieke de Wal, managing director of the Partnerships Resource Centre, says: "NGOs should try to really understand why companies are there and what their *raison d'être* is, and respect the role of business in society as they expect others to appreciate their role as a NGO. Mutual understanding of each other's positions and responsibilities is a prerequisite for a successful collaboration".

Having a good understanding of a potential partner's needs is a prerequisite for developing a value proposition that appeals to that partner. Moreover, having a clearly defined value proposition is crucial when approaching potential partners. The so-called Value Proposition Canvas ⁷ is another tool that can help organisations develop a value proposition aimed at specific potential partners.⁹



⁷
see box 7 on
p.30

CASE IN POINT 5

DSM takes an outside-in perspective

In 2006, Royal DSM organised an internal challenge designed to explore inclusive-business opportunities. The ICCO NGO served on the jury. While employees' initial ideas focused on bringing existing products to new markets, the interaction with ICCO helped them understand the greater breadth of opportunities associated with going back to the technology underlying existing products and innovating further from that point.



Helping NGOs and companies speak the same language

NGOs often struggle to clearly articulate the value they can bring to a potential company partner. Companies need to see a strong rationale for the partnership, but think in business terms. Using business language instead of development jargon, and repackaging NGO assets into tangible products or services, makes the issues easier for companies to understand. In this regard, the way in which NGOs present themselves and their work is important. For example, some organisations have produced flyers or PowerPoint pitch decks, or placed company testimonials on their websites. Similarly, SNV developed an “inclusive business capability statement” to position itself and communicate its strengths to company partners.¹⁰

BOX 5

Mismatch between an NGO proposal and a prospective partner’s needs

A Dutch NGO approached a multinational corporation to explore opportunities for helping people with disabilities who have low-income become micro-enterprise distributors of consumer products. However, it became clear that their offer did not fit the company’s needs. As one anonymous interview stated, “After three months of negotiation rounds, we realised that the company serves mainly middle-class customers, while the entrepreneurs we work with are located in different localities. It became clear our proposition did not fit, so the discussion did not continue”. The NGO learned that it had not properly understood the company’s product-market combination, a prerequisite for being able to add value.



BOX 6

The Inclusive Business Checklist helps NGOs understand company needs¹¹

The Partnering for Inclusive Business Checklist was developed by the Partnering Initiative and the Business Innovation Facility. It primarily addresses companies and is based on the experiences of firms that have pursued inclusive business models. If a company answers any of the below questions in the affirmative, a partnership with an NGO might help to address the issue. However, NGOs can also use the checklist. Taking the perspective of the company, NGOs can use the checklist as a means of identifying where companies might need support in creating IB models.

Does the (planned) inclusive business...

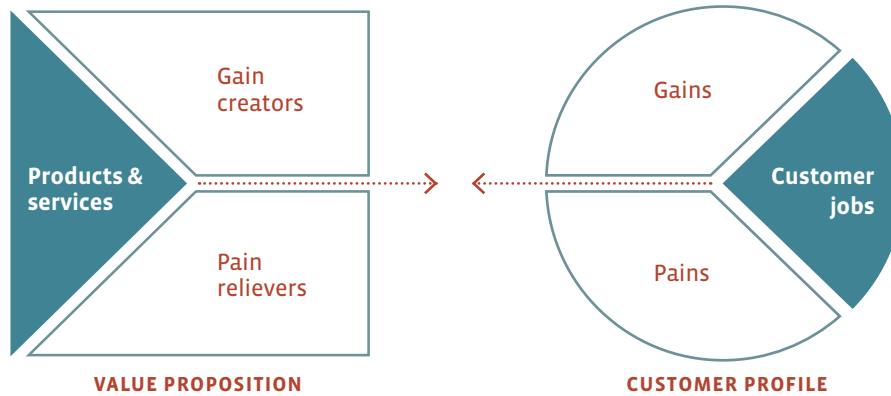
- ▶ Sit in a new geography with which you are not familiar, or where you do not yet have the necessary networks and connections?
- ▶ Rely on a supply chain (e.g. smallholder farmers or micro-enterprises) that needs development to ensure quality and reliability?
- ▶ Create a new product or service that must be properly adapted to the needs of the poor?
- ▶ Rely on access to, the goodwill of, or the engagement of local communities?
- ▶ Need skilled workers that are not readily available?
- ▶ Require some customers to have access to credit to pay for your products?
- ▶ Rely on non-traditional distribution models (such as village entrepreneurs / micro-enterprises)?





BOX 7

The Value Proposition Canvas lets NGOs develop value propositions for potential partners



The Value Proposition Canvas (VPC) was developed by Alexander Osterwalder, the author of “Business Model Generation”. The VPC tool was originally designed to help companies develop value propositions for their customers. However, IB partnerships too should start from the basis of a concrete opportunity to create value for their customers who, in many cases, are the beneficiaries or low-income people.

In addition, the VPC can be helpful in defining the added value an NGO can bring to a potential partner, or a company to an NGO. The tool helps to identify pains (e.g. business or value-chain risks) and gains (e.g. cost savings, social benefits or positive emotions). Understanding these can help an organisation develop product or services offers that might be “pain relievers” or “gain creators” for the company. Pioneering NGOs have learned that their strengths

and assets should be indispensable in achieving their potential partner’s goals, not something that is simply nice to have.

Two examples: Philips realised the sensitivity of working in the healthcare field in Africa as a for-profit entity. “(...) Working with NGOs helps us to gain legitimacy and a ‘licence to operate’”.¹² Hence, the cooperation is viewed as a “pain reliever”. The case of the GAIN Access to Better Dairy Partnership shows that an IB partnership can also be a “gain creator”. Here, by engaging corporate employees and internally communicating the social impact of the partnership, Arla Foods Ingredients increased employee retention rates, especially among younger, purpose-driven employees.

Source: Strategyzer (2018)

“The value addition of each partner needs to be very clearly articulated right from the start. Value does not equal money. Some organisations still see the biggest role of the private sector as the contribution of money, while complementary assets and skills can often have a much bigger impact. The ‘give’ and ‘take’ needs to be clearly articulated to drive a successful partnership”.

Katja Freiwald, Director of Global Partnerships, Unilever



What NGOs can offer companies in IB partnerships

- ▶ **Knowledge of marginalised groups, their needs and potential:** Most NGOs have a deep local footprint in rural, urban or semi-urban settings, and understand their particular development issues and power dynamics. They have a good understanding of local and marginalised groups' habits, norms, needs, and potential. NGOs also have the tools to identify specific groups such as entrepreneurial women, or to assure the inclusive placement of people with disabilities. For a company, this type of knowledge is critical in identifying and understanding opportunities.
- ▶ **Trust-based working relationships with local communities:** Many NGOs have built trust-based working relationships with low-income communities over years of engagement. When a company wants to enter an area, either for sourcing purposes or to offer a product or service, potential suppliers or customers may be sceptical of the value of a business relationship, or may alternately be unrealistic in their expectations. NGOs can use their standing in the community to bridge the gap between the two parties.
- ▶ **Networks of local, national, and international actors:** NGOs that partner with local NGOs have access to a vast network of local, national, and sectoral stakeholders such as extension services, government bodies, media organisations, specialised agencies, universities, and associations.
- ▶ **Capacity-development expertise:** NGOs often have deep capacity-development expertise and experience with providing training for low-income populations, for instance in basic business and financial skills. This skill set is especially relevant since inclusive business partnerships mainly centre on professionalising local suppliers or processors in order to integrate them more deeply into the market.
- ▶ **Local infrastructure:** Most international NGOs have country or regional offices from which they support or (co-)implement local development programmes. This physical infrastructure, which typically entails knowledgeable staff, local and legal recognition, and a local network, can offer an invaluable and low-cost entry point for companies exploring an inclusive business opportunity.
- ▶ **Influence on the broader market system:** NGOs are well aware of the interconnectedness of development issues, and often have the know-how to engage in advocacy activities that influence and shape the broader business environment. For example, they are likely to be aware of underlying national and legal issues that could prevent an inclusive business model from coming to full fruition.
- ▶ **Access to donor funding and high-risk capital:** Most NGOs have long-standing relationships with donors and are familiar with specific funding and reporting requirements that are often completely new to companies. NGOs also have internal systems and procedures for managing donor funding. Some NGOs can access impact investing funds or even have recourse to internal unrestricted innovation funds that allow them to engage in pre-financing scoping missions exploring the potential for inclusive business partnerships.
- ▶ **Credibility and visibility:** As not-for-profit actors, NGOs can generate credibility for partner companies and inclusive business partnerships. A credible and qualified NGO partner can help attract additional partners and funders for the partnership, and generate trust on the part of various stakeholders, including media organisations.

What companies can offer NGOs in inclusive business partnerships

- ▶ **Access to business and value chains:** Companies play a central role in inclusive business partnerships, because such partnerships are centred on the core activities of the company partner. Companies can provide people with low-income with access to their businesses or value chains either by sourcing products or services from such individuals, employing them in their company, integrating them into distribution processes, or developing products and services that are targeted towards them.
- ▶ **Innovative products and services:** Many companies have R&D and innovation facilities or access to state-of-the-art technology that can be leveraged for inclusive business. Their existing products and services can add value in low-income markets. In addition, companies often have the technological knowledge and production capacities needed to adapt or redesign products or services to the specific needs of inclusive business markets.
- ▶ **Technical knowledge and specialised business expertise:** Most companies have highly specialised technical skills and general business skills, such as deep expertise in food supply chains or state-of-the-art skills with technology-driven data-management systems. Companies also have expertise in the area of financial and business modelling; in developing, improving, supplying, marketing, and selling products or services; and in organising logistics. This knowledge and the related skill sets are extremely relevant when designing an inclusive business model as part of the partnership.
- ▶ **Business mindset and results-oriented action:** Companies have a business mindset that can aid partners in focusing on efficiency, cost savings, continuity, and growth. This will help the partnership stay focused on results, and on achieving sustainable long-term impact.
- ▶ **Networks and influence through national and international partners:** Because of their ongoing business operations, large companies normally have strong networks of national or international business partners, including suppliers and distributors, regulators, and business associations. If needed, they may be able to tap their connections to these partners to obtain skills, products, or services that neither the NGO nor the company itself can provide.
- ▶ **Financial and in-kind resources:** Lastly, companies can invest in and act as funder or co-funder of the inclusive business partnership's activities. A convincing business case can persuade the private-sector partner to mobilise internal resources to provide critical seed financing for the partnership. In the early stages of a high-risk partnership, companies might offer in-kind contributions, which can include staff time or physical assets such as research-lab access, factory space, or transportation.

2.2. There are no perfect partners, just good matches

How can the right partner for an IB partnership be identified? NGOs and companies can explore the spectrum of potential partners to understand which partner is complementary. Most organisations then use proper due diligence tools or partner selection processes. If two partners lack certain skills, capacity or resources, it can make sense to look for additional partners and form a consortium. Also, it is worth noting that partner selection is not only about selecting the right organisation, but also about selecting the right counterpart within that organisation.

The spectrum of possible company and NGO partners is broad

Identifying and selecting the right partner is critical for the success of any inclusive business partnership. NGOs that are unfamiliar with the private sector and lack collaboration experience may assume that all companies are the same. In fact, the spectrum of companies is very heterogeneous.

Companies differ in size, geography, and the sectors they work in. The type and quantity of resources they can access vary, as do their social objectives.

Social enterprises, for example, tend to be small in size, with a strong social mission that resembles that of an NGO. By contrast, corporations' larger size and scale of operation can be an asset, as can their ability to attract additional partners. A growing number of large companies are also beginning to identify social impact and a "licence to operate" as an explicit goal of their business case.

For their part, NGOs differ in terms of their ability to work with the private sector, their implementation capacities, their size, and their breadth of focus. Highly specialised NGOs may have relatively more



CASE IN POINT 6

Selecting and working with different company partners: Interview with Welthungerhilfe

Interview with Christian Stark, Corporate Partnerships Advisor, Welthungerhilfe

Q: How do you select your partners? Do you use specific criteria or processes?

Christian Stark: What we look for in a company partner always depends on the project or type of cooperation. There is a process for due diligence. But in the first step there's no specific process. We look for potential starting points, which can be the industry (e.g. food) or a social commitment or a product.

Q: What experiences have you had with different types of partners. For example, what are some of the strengths and weaknesses of working with social enterprises, SMEs, or corporations?

Christian Stark: With corporations, decisions take longer, but their engagement is more strategic. With family-owned SMEs, you might get quick decisions, but you are dependent on the personal opinions of the owners. Start-ups are often very committed but lack resources. However, there are also always ex-

ceptions to these rules.

Q: Which characteristics proved to be helpful among your existing company partners? What characteristics would you look for when selecting new partners?

Christian Stark: We look for commitment in the DNA of the company. This makes us less dependent on personnel changes, and we can expect the engagement to be more serious. What we have learned is not to select a company because of its financial potential.

Q: Has your experience led you to develop hard selection criteria for company partners?

Christian Stark: We do have a due diligence process to sort out companies that we don't want to work with, but principally we're still open to work with all kinds of companies, as the requirements on the partners depends a lot on the joint project and the kind of cooperation.



BOX 8

What should an organisation look for in a company or NGO partner?

NGOs and companies looking for IB partners should carefully consider what type of partner organisation might best fit their internal strategy and their geographical and sectoral priorities, and would be most likely to contribute complementary assets.

Before engaging in an IB partnership with a company, NGOs should ask themselves:

- ▶ **Geographical overlap:** Is the company present in, or does it want to venture into, a region in which we have a strong local footprint?
- ▶ **Global presence:** Does the company operate in multiple regions, and does it have the potential to scale an IB model?
- ▶ **Inclusion potential:** Could the company source from or employ people with low-income, or involve them in distribution processes?
- ▶ **Innovation:** Does the company develop new technological solutions that have the potential to drive social development (e.g. drones to reach remote areas, digital medical devices to improve healthcare)?
- ▶ **Networks:** Does the company have strong networks and the ability to influence stakeholders or attract additional partners?
- ▶ **Social mission:** Does the company's mission include social objectives? What is the company's reputation with regard to responsible business conduct?
- ▶ **Access to resources:** Does the company have the ability to contribute financial or in-kind resources?

Before engaging in an IB partnership with an NGO, companies should ask themselves:

- ▶ **Geographical overlap:** Does the NGO have local offices in the countries and regions we work in? Is it involved in the same areas of work in those geographies?
- ▶ **Private-sector engagement strategy:** Has the NGO collaborated with companies before, and does it have a good understanding of private-sector needs? Is private-sector engagement part of its strategy?
- ▶ **Track record:** Does the NGO specialise in market-based development approaches or other topics relevant to the proposed IB model (e.g. female entrepreneurship, skills training, farmer organisation)? Does it have a track record of working with companies on IB models?
- ▶ **Target group:** Are the NGO's intended beneficiaries a potential target group for our business activities?
- ▶ **Implementation capacity:** Does the NGO have the implementation capacity needed, or does it have a network of local NGO partners that can support implementation?
- ▶ **Networks:** Does the NGO have a network that gives it the capacity to influence the broader business ecosystem?
- ▶ **Access to resources:** Does the NGO have a track record of accessing private and public funding successfully? Does the NGO have the ability to contribute its own resources to the partnership?

in-depth knowledge about a particular issue, but broad-based ones may be better able to contribute other thematic expertise and tap a wider range of contacts for the purpose of the IB partnership.

Due-diligence processes can help in selecting the right partner

NGOs and companies alike have developed due-diligence or selection tools and processes that help them to identify, screen, and select the right partners. Such tools or processes can take different forms but always aim for the same thing: the selection of partners that have a clear interest in partnering, as well as complementary assets and skills.

NGOs apply both positive and negative selection criteria, respectively helping them define entities

that might be valuable partners, and those that would not. Positive selection criteria are used to identify whether the partner's strategic objectives are aligned with the NGO's mission, and can help assess the company's previous track record of collaboration. For example, Christian Aid and ICCO both prefer to work with SMEs, as such firms tend to target similar groups as the NGOs, with a similar sectoral focus. By contrast, the use of negative selection criteria is a valuable tool for minimising reputational risks to an NGO. These help exclude certain sectors such as the tobacco industry from the outset, and to screen out potential partners that have not shown responsible business conduct.

The Mercy Corps NGO has developed a so-called Identification Toolkit. This comprehensive tool assesses potential company partners along several

dimensions. It includes positive selection criteria such as organisational strength and leadership, the presence of pro-poor programmes, and the commitment to inclusive business practices, as well as negative selection criteria such as harmful company behaviour (see Case in Point 7).



CASE IN POINT 7

Mercy Corps' toolkit for identifying possible private-sector partners

Mercy Corps regards its identification toolkit not as a selection checklist, but as a starting point for the networking required to find the best private-sector partner and build a productive relationship. This implies that the identification process plays out over time. To analyse whether a company is a suitable partner, Mercy Corps looks at:

Organisational strengths

- ▶ Is the company an innovator in the industry? Does the company influence other firms?
- ▶ Does the company have sufficient financial strength and resources to make business investments?
- ▶ Is the company willing to engage in activities that show results only over the long term?

Pro-poor programme analysis

- ▶ Does Mercy Corps have past programme experience with the company?
- ▶ Has the company demonstrated a commitment to engaging in inclusive business, or has this been a result of legal and/or contractual requirements?

Relationship analysis

- ▶ Does Mercy Corps have existing relationships with the company?
- ▶ Is there a good connection that can be leveraged for the partnership, or which can be used to bring in other partners?

Background check

- ▶ What is the company's reputation among suppliers and customers?
- ▶ Has the company engaged in any harmful behaviour? Does it have a negative public image?

Source: Mercy Corps (2018) www.mercycorps.org/research-resources/private-sector-engagement-tool-kit

CASE IN POINT 8

Unilever has clear selection processes in place to identify the right partners

As one of the largest consumer goods companies worldwide, Unilever's purpose-led brands are creating their own sustainable living opportunities in the effort to achieve the SDGs. Based on this brand purpose, individual teams define if and what kind of partnerships are required to create tangible programmes with impact.

The selection of the right partners is done in close collaboration with Unilever's Chief Sustainability Office, which features strong partnership and advocacy capabilities that enable a business to develop transformational and systemic approaches. The process starts with identifying a list of needs before reaching out to suitable NGO partners. These partners can be involved in a variety of ways ranging from strategic research to implementation to advocacy.

Creating new partnerships involves an established and clear selection process that draws on strong criteria used to identify the right partners for a deeper co-creation process involving one or multiple partners such as NGOs, donors and researchers. Most partnerships are subject to a trial period; Unilever uses so-called lean evaluation systems to improve processes within such partnership programmes on an ongoing basis.

Often, partnerships build on existing relationships with NGO partners. Partnership managers will reach out to new partners only if no suitable NGO within a network is found. In dedicated meetings, partnership managers then determine if the NGOs can contribute to what the brand team is looking for. After shortlisting suitable partners, the brand team starts the co-creation process with 2 or 3 potential NGOs in a crystallisation phase. At the end of the trial phase, they often see which partner adds most value to the initiative.



“ICCO does due diligence for any partner we want to work with, not only for companies. There is no perfect company, but ICCO is interested in working with companies to influence their behaviour”.

Ataoulaye Bah, Programme Officer Economic Development Programmes, ICCO West Africa

Finding the right counterpart within a partner organisation is key

When partnering with large companies or NGOs, it is important to select not only the right organisation, but also the right counterpart within that organisation. When reaching out to an NGO, the first contact point for many companies is the organisation's corporate partnerships team. However, it may also be useful for companies to engage with the group's technical experts or country-office employees.

For NGOs seeking an inclusive business partnership involving a company's core business activities, it can be useful to reach out to the firm's R&D, business development, strategy, supply-chain management, or customer relations departments. A sustainability department or corporate foundation may ultimately also be involved, but core business departments should be included at least in the process of jointly creating the partnership, to make sure it reflects genuine business needs. Mercy Corps' Identification Toolkit (see case in point 7) advises NGO employees to assess whether the department they interact with has influence over business decisions, or whether it operates solely as a philanthropic office.

Making sure the right staff members are involved is equally crucial for success. Participating company and NGO representatives should have enough decision-making power and sufficient internal standing to defend the partnership against competing priorities, and to be able to mobilise needed financial or non-financial resources. SNV, an NGO, has found that partnerships started by a very driven individual can abruptly fall apart if that person leaves the company. The organisation now seeks to involve multiple people from the company in the partnership activities, so as to ensure continuity. For its part, ICCO requests that the person who might ultimately make decisions regarding an inclusive business initiative's future upscaling be involved even in the partnership's design phase.

“Partnerships are based on people and there is no substitute to investing the time to get to know the organisation and its people to deliver sustainable approaches”.

Ataoulaye Bah, Programme Officer Economic Development Programmes, ICCO West Africa

“The more different and complementary partners there are, the easier it is to come together as partners and find solutions”.

Gitte Dyrhagen Husager, DanChurchAid

Additional partners can be essential to ensuring a good starting position

Bringing additional entities into partnerships can be useful if they can contribute assets and skills that none of the core partners have. An expansion of this kind can also help address complex challenges that require partners to focus their efforts on different value-chain stages or on the broader market ecosystem.

For this reason, many inclusive business partnerships involve more than two partners. Beyond the company and NGO that typically serve as founding partners, additional partners can range from local NGOs or local company partners to donors, government departments, or business associations. They can be involved in a variety of ways, carrying out governance or implementation tasks, or serving as additional funders.

Many IB partnerships partner with external donors or foundations. The value of such entities often goes beyond their ability to provide funding. For example, they can help partners bring separate visions into alignment, address specific topics, or improve their measurement systems.¹³

When a partnership focuses on ecosystem issues, it may be important to work directly with local government agencies. Donors too may demand the involvement of such third parties.¹⁴ However, this in turn introduces new dynamics and complexities to the partnership constellation, as the partnership between ICCO and Olvea ↗ has shown.¹⁵

A number of international NGOs work with local NGOs as on-the-ground implementing partners. Local NGOs can contribute skill sets that reflect specific market needs, help strengthen the partnership's credibility and legitimacy, and address any potential local resistance to engaging with the business.

↗
see case study
on p.86



DEEP DIVE

How international NGOs can make local NGOs “fit for partnering”

International NGOs that work with local NGOs must determine how to integrate them into the internal change process needed to support inclusive business partnerships.

Local NGOs play a critical role in IB partnerships. Involving local NGOs as on-the-ground implementing partners is key in strengthening the IB partnership’s credibility and legitimacy within local communities. Local NGOs can also play an important role at the ecosystem level thanks to strong networks that include local and national government bodies and media organisations. Moreover, they can often contribute specific local knowledge and expertise that international NGOs lack. In the GAIN Nordic partnership, for example, a local NGO was identified as implementation partner because of its expertise with local value chains. In the partnership between Save the Children, Symrise, and Unilever in Madagascar, a local NGO was selected as implementation partner because Save the Children had not previously operated in the country.

Local NGOs often lack the capacity and skills needed for IB partnerships. Not all local NGOs with which an international NGO might partner are well-equipped to engage in IB partnerships. In many countries, there is a large institutional distance between local NGOs and the business community. This makes it harder for local NGOs to make informed decisions regarding potential engagement strategies. Moreover, local organisations often lack the mindset, skill sets, and organisational capacity needed to work effectively within an inclusive business model and partner with the private sector.

International NGOs can help local partners become strong actors in IB partnerships. Just as international NGOs develop their own organisation and staff capacities in order to facilitate change at the global, national, and local levels, it is also important to help local NGOs become fit for

“Our local partner NGOs often do not have the right skill set. They are too much producer and production focused, instead of looking at things in a more systemic way”.

Martin Schmid, HEKS/EPER

“Our partners tend to overpromise to companies when they introduce our joint partnership proposition. They need to learn how to better manage expectations and speak the right language”.

Zinayida Olshanska,
Light for the World

IB partnerships. For example, the ICCO-associated Fair and Sustainable Consulting firm worked with the BoP Innovation Center (BoP Inc) to develop and facilitate a training programme on partnering for inclusive business, specifically targeting ICCO’s local NGO partners in Bangladesh. The training programme helped the NGOs build the skills needed to carry out inclusive business models,

and showed them how to develop value-proposition statements for potential private-sector partners. International NGOs can also educate their local partners simply by involving them in discussions about market-based approaches to new programmes, sharing concerns about a fully grant-based approach, or by applying jointly for external funding on the topic.

International NGOs can engage local partners for specific selected tasks. Even if local NGO partners lack the skills or capacity to act as an overall implementation partner, international NGOs can engage their local partners to carry out specific individual tasks. For example, when ICCO started the PROOFS market-development programme in Bangladesh along with International Development Enterprises (IDE) and BoP Inc., they involved several local NGOs that could offer strong local-community organising skills and the ability to network with local public authorities. For other activities, such as business-skills training programmes, they looked for new partners.

International NGOs can look for new local partners with skills for IB partnerships. In some cases, international NGOs may need to identify new partners with needed skills. This can be done by appealing to local NGOs or service providers through an open call, or by carrying out an active scouting process. However, such strategies can produce situations in which a few highly capable NGOs or consultancy organisations experience increasing competition for their services.

➤ see chapter on “Changing internally” on p.59

2.3. There are no shortcuts in building relationships

Organisations that have pursued IB partnerships say it takes time and patience to align partner interests and develop collaboration procedures. However, this critical relationship-building process is often underestimated by NGOs and companies alike.

There are several ways NGOs and companies can go about building their relationships. Many IB partnerships have evolved from existing ties or previous collaboration experiences. Some organisations have designed staff exchange programmes to facilitate closer alignment on language and working processes. Other partners have met at multi-stakeholder events, or formalised their relationships through networks or associations. However, relationship building necessarily continues throughout the partnership process, as the participants work continuously to align their objectives and procedures.

Build inclusive business partnerships on existing relationships

Inclusive business partnerships are often formed after NGOs and companies have already undergone long periods of engagement and relationship building, thus enhancing trust. For example, World Vision International and Save the Children formed their inclusive business partnerships with companies they had previously worked with for years. Although the first cooperation between the NGOs and their company partners was more philanthropic in nature, it helped to build a working relationship and formed a basis for more strategic cooperation on philanthropic matters. A 50-year partnership between Cargill and CARE similarly evolved into a collaboration with profound impact.¹⁶

The Live Well partnership offers another example of previous collaboration, in this case between CARE, GSK, and Barclays, the social enterprise's three main shareholders. In 2008, the CEOs of Barclays and GSK agreed to collaborate on innovative business models for last-mile distribution. They explored several partnership opportunities and investments, and found Live Well to offer the most promise, in part because both Barclays and GSK had a strong presence in Zambia. For its part, CARE had been working with GSK since 2011 on a separate health programme.

Staff exchange programmes can build relationships from the bottom up

When companies and NGOs engage in staff exchange or corporate-volunteering programmes, this can help develop a common language and joint processes for partnership activities. While staff exchanges allow knowledge, technical skills, and processes to be transferred from one organisation to another, they also allow seconded staff members to serve as ambassadors for the partner once they return to their own organisations.

The example of a staff secondment programme pursued by GSK and Save the Children [↗] shows how such activities can help both partners to align their language and working processes.

[↗]
see case in
point 9 on
p.38

Staff exchange can also take the form of a one-week immersion programme in which company employees are familiarised with the on-the-ground realities of people with low incomes. For example, staff members of the Dutch retailer Albert Heijn and its NGO partner, ICCO, travelled together to visit areas where the company sourced its products, interacting closely with local cooperatives and workers at packing stations. This gave the company's employees a deeper understanding of local conditions and improved the firm's partnership relationship with ICCO.



CASE IN POINT 9

GSK and Save the Children built their strong relationship through a staff secondment programme

In 2013, Save the Children and GSK embarked on a global partnership to help save 1 million children's lives. The strategic, multi-year collaboration features both philanthropic and business elements. The partnership includes several programmes that help Save the Children and GSK exchange knowledge, align working practices, and increase internal buy-in for their collaboration. One of these is the PULSE staff secondment programme.

Since 2009, more than 160 GSK employees have made use of the company's PULSE secondment programme, working in various Save the Children departments and country offices in full-time positions lasting six months.

These employees help improve the NGO's technical and managerial capacities, for example by providing knowledge about supply-chain management practices or medicines for children. For GSK, the secondments have led to increased levels of employee satisfaction and higher retention rates, especially among younger employees.

In addition, PULSE has helped both organisations to align their language and working processes more closely. For example, as part of the programme, two GSK employees introduced the Accelerated Delivery and Performance (ADP) tool within Save the Children. ADP is an organisational development and project-management tool developed by GSK to create a common internal language and a structured change strategy. Today, every new Save the Children employee is trained to use this tool.

Potential partners can meet and get to know each other at fora and events

Traditionally, NGOs and businesses attend different kinds of events with different focuses, making casual meetings rare. However, fora and events today are increasingly trying to attract for-profit and non-profit entities alike. This enables in-person encounters, which can enable both sides to meet a variety of potential partners, learn one another's languages, and identify common interests and partnership needs. Such fora are also a useful venue for sharing good practices and lessons related to IB partnerships.

Nevertheless, there is a clear need for more opportunities of this kind, in which NGOs and companies can engage with one another and start building relationships.

Cross-sectoral platforms, networks, and associations can help build relationships

When NGOs and companies join the same networks and associations, it creates additional chances to build relationships and discover opportunities to collaborate on IB partnerships. For example, the Aspen Institute of Development Entrepreneurs (ANDE) and the UN Global Compact, which has national chapters in various countries, are both networks that enable NGOs and companies to meet and interact.

Table 2:
Selected fora and events attended by NGOs and businesses

Name	Description
Business Fights Poverty Oxford	This one-day event brings together hundreds of innovators and thinkers from across business, civil society, academia, and government. ¹⁷
Skoll World Forum on Social Entrepreneurship	The Skoll Forum brings together social entrepreneurs, corporations, and intermediaries to explore how to forge development partnerships. ¹⁸
Sankalp Forum	The Sankalp Forum was initiated to create a thriving ecosystem for business-led inclusive development. Governments, corporations, media, and civil society organisations engage to drive a paradigm shift in development approaches. ¹⁹
UN Human Rights and Business Forum	The UN Forum is the world's largest annual gathering on business and human rights, with participants from government, business, civil society, the investment community, academia, and the media. ²⁰
European Development Days	Organised by the European Commission, the European Development Days aim to inspire new partnerships and innovative solutions to the world's most pressing challenges. ²¹

“A platform like GAIN Nordic is great to develop ideas for joint initiatives. And you do not always have to partner with everyone. You can just incubate different ideas out of the platform with the most suitable partners”.

Gitte Dyrhagen Husager, Head of Private Sector Engagement, DanChurchAid

Networks focused on a specific topic or sector may be an ideal platform for meeting potential IB partners, since such groups already require actors to have a certain track record in order to join.

The Sustainable Trade Initiative (IDH) in the Netherlands, for example, requires partners to have worked on market-based solutions. The IDH also has a specific focus on facilitating collaboration, bringing together companies, civil society organisations, and governments to design, co-fund, and prototype economically viable approaches to realising green and inclusive growth in commodity sectors and sourcing areas. As one example, ICCO’s bilateral partnership with Dutch company LenersanPoortman for the inclusive sourcing of nutmeg developed out of both entities’ membership in the IDH spices programme.

The Global Alliance for Improved Nutrition (GAIN) is another such network. Stakeholders in the GAIN Access to Better Dairy partnership originally met as members of the GAIN Nordic Partnership, a regional branch of the alliance, and incubated their initiative within the platform.



Relationship building continues even after formalising the partnership

Building and maintaining relationships becomes even more important once partners have begun acting together. Both sides often underestimate the time needed to establish a productive working relationship. Regular in-person meetings in particular are crucial in building the collaborative foundation needed for such activities. Such meetings often reveal different interpretations of partnership objectives and help to clarify each side’s ambitions, ultimately leading to necessary compromises.

For example, while Save the Children and its partner Symrise, a multinational flavours and fragrances company, conduct monthly phone calls and hold quarterly face-to-face steering committee meetings, they also jointly meet partners once a year in Madagascar instead of in a London conference room. According to Symrise Sustainability Advisor Hamish Taylor, “This meeting {in Madagascar} was the most important one, because it allowed us to meet all players involved, including local NGOs and beneficiaries, and align our expectations based on the realities on the ground”.

“Regular in-person meetings with all players is an absolute must. We hold at least one meeting per year on the ground in Madagascar for all partners involved to see the reality. This provides new motivation, and helps partners visualise the purpose of our work”.

Hamish Taylor, Advisor on Sustainability, Symrise

3



Creating opportunities and managing risks

IB partnerships can have greater impact than traditional partnerships 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 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. Moreover, creating new opportunities from the IB partnership requires access to sufficient financial resources. If none of the partners can easily mobilise such resources, third-party funding can be an option, but needs to be navigated carefully.

3.1. Align on key partnership elements early on

Successful IB partnerships underscore the importance of conducting a joint problem analysis as a first step. This ensures that all partners involved understand the challenges and opportunities of the partnership, and have a clear view of their priorities. This may also reveal differing values and perspectives. Respecting these differences during the course of the partnership is crucial. A memorandum of understanding should be used to formalise the partnership, capturing the various participants' visions, objectives, and roles, and spelling out risks and non-negotiable items. Once the partners feel sufficiently aligned, they can develop joint KPIs to help identify and iron out any mismatches.

A joint problem analysis can assess the proposed partnership's strategic fit

Conducting a joint problem analysis helps potential partners determine whether the proposed venture is in fact a strategic fit for their own organisation. It gives a clear – and importantly, mutually agreed-upon picture of the challenges, gaps, and opportunities to be addressed. This prevents partners from jumping straight to implementation without understanding either the local context or one another's strategic priorities.

World Vision International (WVI) and DSM experienced first-hand how focusing on their individual strengths and assets wound up constraining their partnership. ↗ According to WVI's Director of New Business Partnerships for Sustainable Health Marina Adamyan, "When we started in Tanzania, we jumped straight into implementation, in line with our existing capacities, but with little understanding of our limitations; and too many external factors we didn't consider". This lesson ultimately led them develop a different procedure in Rwanda. There, they analysed the local context and the value chain together, ensuring that the venture was a strategic fit for both partners and helping to avoid subsequent mission drift.

↗
see case study
on p.80

Similarly, the GAIN Nordic partners, led by DanChurchAid, initiated their GAIN Access to Better Dairy partnership ↗ by assessing various value chains from sourcing to consumption, with the goal of selecting the right product and identifying po-

↗
see case study
on p.92

tential adverse impacts. Based on this analysis, they jointly decided to work in the dairy sector, as they saw the most potential benefits and the greatest overlap of interests here.

Respecting each partner's motivations is crucial in aligning visions and mission

When NGOs and companies develop an inclusive business partnership, they have to align on a common set of objectives despite the fact that they may hold different and sometimes even contradictory values and perspectives. NGOs are expected to ensure that development is inclusive and leaves no one behind. Businesses are profit-oriented, and primarily need to ensure their own financial sustainability.

NGOs and companies alike need to acknowledge and respect the fact that their partners may have different interests and motivations for their participation in the partnership. This is a precondition for being able to agree on a vision and mission for the partnership, and is essential in order to avoid conflicts and work together successfully.

"WVI has shown understanding that access to nutrition is important, and that for DSM there should be a business case to ensure sustainability of the project in the long term".

Florentine Oberman, partnerships manager for DSM's Partnerships for Nutrition programme

Be clear about what is not negotiable, and about secondary goals

NGOs' and companies' visions, missions, and values may not always be complementary, and may in some cases even contradict each other. Hence, it is important for each partner to define the areas and issues it regards as being non-negotiable, and to make these clear at an early date.

For example, Simavi, an NGO active in the WASH sector, set up a partnership with a water company. Its non-negotiable requirement was that the partnership focus on training women rather than men, even though men were more forthcoming and easier to involve. For other NGOs, obtaining a fair price for their products may be a non-negotiable goal. In the case of ICCO and Olvea, [➤] this meant that the two partners decided to design and implement a system offering above-market prices for good-quality shea nuts.

While partnership participants must align on a set of core common goals, they should also be open to their partners' special requests or secondary goals, even if these go beyond the initial scope of the venture. For example, as part of an IB partnership with Symrise, Unilever, and GIZ, Save the Children wanted to protect child rights within the vanilla value chain, even though their involvement was focused on offering technical skills and expertise for work with the local communities. Thanks to their partners' receptivity to this request, a new component focused on protecting children was introduced, with a positive effect.

Use an MoU to describe the venture's vision, goals, roles, responsibilities, and risks

Signing a written partnership agreement or memorandum of understanding (MoU) is a milestone in every inclusive business partnership.²² This formal document captures the partners' most important agreements on what the venture will do, and how it will be done. Although this might appear to be

CASE IN POINT 10

Polarity thinking helps partners respect each other's motivations

In its dialogues with companies, ICCO uses the tool of "polarity thinking" as a means of demonstrating that seemingly opposing values can complement each other when applied in a balanced way. "Like yin and yang, polarities are interdependent values that support each other. This knowledge can be used to facilitate dialogue between the private sector and NGOs, and to foster inclusive business opportunities", says Leonard Zijlstra, a senior strategist and policy advisor at ICCO Cooperation. ICCO uses the "margin (short-term) vs. mission (long-term) opposition" [➤] to remind participants that each "pole" has an upside and a downside. "The more you are attached to 'your side' or 'your value,' the more you are unable to see the potential downsides attached to it", Zijlstra says. Participating in this exercise helps to remind NGO and company employees of the "both-and" nature of inclusive business partnerships.



[➤] See support directory on p.77

[➤] see case study on p.86

CASE IN POINT 11

Secondary goals can have a ripple effect

In addition to their work on the ground, Save the Children advised Symrise on the development of a policy on safeguarding children's rights, going beyond the issue of child labour alone. In doing so, they helped the company engineer the desired social impact, says Symrise sustainability advisor Hamish Taylor. Symrise is now introducing this policy within the Sustainable Vanilla Initiative.



an obvious step, this document is in practice often drafted too late or incompletely, or is even skipped altogether. However, it serves as a useful point of reference, and can be circulated within each organisation to provide important background information about the partnership, its objectives, and how it will affect each partner.

While MoUs are vital in order to ensure that partners' interests are aligned, some specific elements are especially relevant for IB partnerships. For example, the MoU should specify how the partnership's benefits and risks will be shared amongst partners and other stakeholders, including local communities. For example, if NGO and company partners jointly develop a new product or service as part of their collaboration, they have to decide how they will deal with potential intellectual-property rights, and how to share the benefits deriving from ownership (see Case in Point 12). If they jointly create a separate social enterprise, they need to agree on questions such as how shares are to be allocated between partners, and whether the enterprise is to be open to investment by other investors.

Prior to drafting an MoU, signing a letter of intent can be useful in giving the exploration process an official status, and in helping to generate internal buy-in. ↗ This early stage can also be a good moment to determine whether a non-disclosure agreement (NDA) is needed.

↗
see chapter on
internal buy-in
on p.60

In some cases, the signing of an MoU is communicated externally. This can generate visibility and momentum for the partnership, and can help attract new funding or implementing partners. However, particularly for innovative partnerships, early attention might also entail risks, especially in phases before results have been achieved. Transparent commu-

↗
see case study
on p.80

nication that includes lessons learned, even in the case of failure, helps the partnership stay credible, and is often more useful than pure success stories with regard to scaling or replicating the model.

Following (or in some cases in parallel with) agreement on an MoU, partners or external funders often require legally binding project contracts that include detailed project plans, targets, and budgets. This is particularly the case when funding is being issued or other financial transactions are taking place. In the case of WVI's partnership with DSM, for example, the NGO also signed a service-provision contract with DSM. This enabled funds to be transferred from DSM to WVI for training costs and the purchase of equipment. In cases such as this, NGOs should ensure that the governance structure described in the MoU remains the partnership's guiding framework, ensuring that the venture continues on equal terms.

Developing joint KPIs and M&E systems can help align partners more closely

NGOs and companies often believe they are well aligned with regard to strategy and approach until they start developing key performance indicators (KPIs) and measurement and evaluation (M&E) systems for their IB partnership. This step is critical in moving from an implicit, assumed alignment to an explicit agreement on the partner's areas of focus and specific activities. The KPIs and M&E systems will also help later in tracking progress and documenting lessons learned, both of which are key performance-management tasks for inclusive business partnerships. Such activities can guide decision-making, enabling partners to steer the venture's direction over time. In the case of DSM and WVI, ↗ for example, the external review



CASE IN POINT 12

Positive use of intellectual property rights

DSM, ICCO, and ICCO's African partner EPN partnered to co-develop an innovative test kit to check the active-ingredient content in antibiotics used in the African healthcare sector.²³ This raised the question of whether the terms of use should be determined under an intellectual property rights (IP) framework, for instance through the use of a patent. In the case of the test kit, no new IP was foreseen or applied for. However, when the MoU was signed, the partners agreed that any knowledge or methods developed by stakeholders such as local NGOs or communities

would be acknowledged "by means of a price that is considered fair by all concerned, and/or fair participation (share) in the test kit /services which are developed", as captured in the consortium agreement. The idea for such a "fair share" was to allocate a certain percentage of the revenues from each test kit sold to a special fund earmarked for the support of EPN's work. This would also help justify the investment of public funds, in this case by the Dutch government, in a commercial product.



BOX 9

The MoU checkbox

MoUs should cover at least the following aspects:

- The partnership's vision and mission
- The partnership's goals, expected results, and expected conclusion
- The roles and responsibilities associated with each partner
- The partnership's governance structure and decision-making procedures
- Each partner's expected financial and in-kind contributions
- The venture's risk-mitigation and benefit-sharing strategies
- Information on how to deal with internal conflicts and violations of agreements
- Policies for conducting external and internal communication



of their test phase in Tanzania helped them to reconfigure their partnership activities in Rwanda.²⁴

In some past IB partnerships, participants have postponed creating specific KPIs and M&E systems,²⁵ aiming to avoid early-stage tensions and delays. However, failing to address these issues often simply produces more conflicts later on.

NGOs and companies typically measure results differently.²⁵ NGOs often use elaborate M&E systems to assess their interventions, employing qualitative and quantitative indicators that clearly differentiate between input, outputs, outcomes, and impact. Companies normally apply a simpler set of quantitative KPIs to measure business success. These means that the two approaches are likely to have different indicators focused on different timeframes. Business indicators are often designed with short-term goals in mind, while social impact measured on the basis of development indicators requires at least several years to achieve. As innovative projects tend to entail a high level of risk, companies usually apply a “start small, fail fast” principle, and thus use a step-by-step approach. This tends to be different than NGO project logic. Agreeing on joint targets and indicators will help partners overcome differences, but also requires a willingness to make compromises.

Partners should clarify expectations and requirements regarding project timeframes

NGOs and companies tend to view and assess their operations using different timeframes. For this reason, it may be natural for NGOs to worry that companies might expect unrealistic or unsustainable “quick fixes” for development issues. To address this concern, NGOs should work to break down expected social-impact results in a step-by-step manner. According to the Partnership Resource Centre’s Marieke de Wal, it is helpful to formulate common “markers for change” – that is, intermediate milestones on the way to achieving long-term results.

Jointly clarifying these expectations and understanding one another’s requirements will help partners reach agreement. Indeed, in some cases, external constraints may run counter to expectation. For example, in one recent inclusive healthcare partnership between Philips and AMREF, the NGO was bound by donor criteria providing for a three- to four-year project, while Philips believed that the project would become sustainable only after seven to 10 years.

➤ See further reading list on p. 78



DEEP DIVE

How can NGOs ensure social impact when engaging in an IB partnership with a company?

One major concern for NGOs in developing and co-designing inclusive business partnerships is ensuring that social impact is generated. These concerns should be shared with the corporate partners. The following strategies will make eventual success more likely:

- ▶ **Select company partners that define social impact as part of their strategy:** An increasing number of companies define social impact and the “licence to operate” as an important and explicit goal of their operations. Within the Unilever group, the “brand purpose” [↗] identified by each brand needs to make a contribution to achieving the SDGs. Similarly, Symrise sees a clear business case in supporting local communities. (see case in point 13)
- ▶ **Involve the project’s target group in co-creation processes:** Co-creation, or ensuring that local communities are actively consulted or involved, is a key element of inclusive business practices. This should encompass both input – that is, drawing on their aspirations and ideas for solutions – and output – that is, how the inclusive business would actually involve and benefit them. For instance, existing local solutions (often also referred to as “frugal innovations”) can be a source of inspiration informing the design of a new product.²⁶

- ▶ **Develop simple tools that fit into a business-logic framework:** When addressing general development concerns or the SDG framework, NGOs must make sure to be pragmatic and solution-oriented. This will help enable the company partner to translate these issues into the context of their market-based operations. For example, ICCO developed a simple tool for SMEs in the agricultural sector to address human-rights concerns as part of their ongoing business.²⁷
- ▶ **Translate social goals into business objectives:** Social goals can often be translated directly into business-logic terms. For NGOs, it can be helpful to define the “business case” of their development interests, as this can help both partners align their strategic goals. This is especially relevant when the objective is to integrate specific groups such as women, youth, or people with disabilities into value chains. Similarly, capacity building, which is often a grant-based activity, can be embedded in a business model by creating commercial incentives for such work. (see box 15)
- ▶ **Be clear about the value and the challenges associated with social objectives:** It is important for NGOs to understand that there are social objectives which cannot be translated into a business logic. Light for the World employees noted that in their interactions with businesses, they focus on the issue of social return on investment (SRoI) – for example, how the company can contribute to fulfilling the SDGs. For the NGO, which works with people with disabilities, this is part of being transparent and managing partners’ expectations of a “quick win” on social issues.

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see case in
point 8 on
p.34





BOX 10

Inspiration for operationalising social impact's business case

- ▶ **Smallholder farmer inclusion:** Organising smallholders in a cooperative gives these individuals a stronger market negotiation power (development goal), but also increases value-chain efficiency for a company (business interest).²⁸
- ▶ **Gender equality:** Employing more women at the senior management level (a development goal) in enterprises with many female employees can decrease the incidence of sexual harassment (a development goal). This results in lower absenteeism and turnover rates, as well as higher levels of employee satisfaction (business interest).²⁹
- ▶ **Job integration:** Employing people with disabilities in meaningful jobs (a development goal) enables a company to learn more about the interests and needs of potential customers with disabilities, and can improve the brand's reputation among such consumers and their social networks (business interest).³⁰

➔ see further reading list on p.78



CASE IN POINT 13

The community-development business case for Symrise

Symrise sees a clear business benefit in engaging with the wider community in Madagascar, even beyond its direct vanilla supply chain. The support provided for community-development functions influences the perception of the company held by smallholders and their families. Business benefits for Symrise include:

- ▶ Improved quality and quantity of vanilla
- ▶ Reduced side-selling
- ▶ Improved branding and reputation

“It is key what community members think of us as an organisation. If they have respect for us because we positively contribute to the community, this determines the perception they have of the company. And this makes a big difference. For example, the farmers clearly see the difference between Symrise and other buyers. Many people say: ‘The difference about Symrise is that they come back’”.

Hamish Taylor, Advisor on Sustainability, Symrise



3.2. Roles need to be clear but allow for adaptation

Within an IB partnership, each key participant should play a role that reflects the specific assets and core competences it is contributing. But how to make best use of these assets? Who should facilitate, manage, fund, and implement the partnership? While some roles can be clearly assigned to one partner, most cannot. For greatest clarity, and to avoid future tensions, roles and responsibilities should be clearly assigned, allowing each partner to “own”, or be accountable for, a specific set of activities. Regular partnership reviews will help keep this division of roles functioning smoothly or enable adaptation if necessary.

Roles have to be clear from the beginning, but can evolve over time

It is important to define and allocate roles at the beginning of every inclusive business partnership. NGOs are generally best placed to ensure that local communities’ interests are taken into account, while companies are usually focused more strongly on business-related interests. Each role is equally important for the success of inclusive business partnerships.

A clear division of roles is desirable because it helps to create clarity, manage expectations, and best utilise each partner’s complementary strengths. In some cases, NGOs may find they are themselves unable to implement certain roles that would otherwise naturally fall to the non-corporate partner; in such circumstances, they should be open to adding other development actors to the partnership.³¹

Roles can also evolve over time. For example, in the Live Well partnership, ↗ GSK started as an investor and also provided supply-chain advice. After one of the funders dropped out, the company shifted to playing a more active strategic-advisory role. GSK’s

partner CARE initially conducted all administrative processes. Today, the NGO’s role is centred instead on the provision of capacity-building support and strategic advice at the board level.

Key roles in IB partnerships

Based on an analysis of existing inclusive business partnerships, we have developed a set of six general roles that appear regularly across ventures. These include: partnership manager, facilitator, advisor, capacity builder, ecosystem builder, and funder. Some of these roles are more likely to be carried out by NGOs, while others will be fulfilled by companies. In some cases, both partners may share aspects of the same role.³²

1) Partnership manager

In every partnership, an operations-management entity is necessary to coordinate agreed activities, ensure milestones are met, monitor results, and manage funds. In inclusive business partnerships, these management functions are often carried out jointly. For example, in the partnership between DSM and WVI, two senior account managers, one from each partner, oversee the collabora-

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see case study
on p.98

“Clarity on roles is a critical factor for the success of a partnership. In our case, the division of roles came organically, as all stakeholders already knew each other well”.

Gitte Dyrhagen Husager, DanChurchAid

tion at all levels, with a clear division of activities. An alternative is to delegate project-management functions to just one of the partners. In the GAIN Access to Better Dairy partnership, for instance, GAIN is responsible for project-management activities. Often, NGOs or other development partners take the lead when it comes to measuring results. In the case of the Symrise and Save the Children venture, monitoring and evaluation functions are performed by co-funding partner GIZ as part of the develoPPP.de programme.

2) Facilitator

One important task for participants in inclusive business partnerships is to identify other relevant actors that should be part of the endeavour. These can include local communities, governments, external funders, or a myriad of other entities. The facilitator role entails responsibility for engaging with these actors and bringing them together. When they perform this task, NGOs can often build on their long local presence and the trust they have generated, for example with community leaders, local NGOs, and governments. In Ethiopia, DanChurchAid facilitated the links to the local civil society organisations that helped mobilise communities and provided technical assistance to dairy farmers. DanChurchAid also forged links with a local milk processor that was interested in sourcing from smallholder farmers. In its partnership with DSM, World Vision International provides access to local governments. DSM, in contrast, has stronger ties to the Rwandan national government and the Dutch embassy.

3) Advisor

Each partner in an inclusive business partnership contributes specific expertise. For example, NGOs can advise companies on how to identify and serve local community needs. In the partnership between Save the Children and GSK, the NGO's ability to play this role has informed the development of a new product. NGOs can also advise companies designing inclusive business models on relevant topics such as gender-based violence, the inclusion of people with disabilities, child labour, and human rights. For example, Light for the World advises companies how to support people with particular disabilities, and how to develop the work processes and/or infrastructure required to do so.

Companies are well-placed to provide advice on IB business-model development, and to offer the technical knowledge needed for product

development. In the partnership between DSM and WVI in Rwanda, the two partners jointly designed a business model that included product sourcing and the fortification process, testing and revisiting assumptions where needed. In its Live Well partnership with CARE, pharmaceutical company GSK contributes healthcare supply-chain information, business-establishment expertise, and advice on how to craft an appropriate product mix.

4) Capacity builder

In the capacity-building role, NGOs and companies provide training services designed to expand a company's capabilities. This requires specific sectoral expertise and familiarity with training methodologies. In its partnership with AIF and Kumwe in Rwanda, World Vision trains farmers to improve their post-harvest efficiency and quality.[↗] For the same venture, DSM and Sight and Life provide technical support and specialised knowledge on how to keep the raw materials from being contaminated by a mould fungus called Aflatoxin. Unilever, which is bringing its inclusive distribution model to Pakistan, is enlisting local NGOs to recruit and train women, and to advise it on culture-specific details of the market. In Burkina Faso, the French oil company Olvea relied on ICCO[↗] to train shea nut producer organisations to obtain organic certification. However, the actual training is done by Fair Match Support, a specialised ICCO spin-off that provides business-development services.

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see case study
on p.80

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see case study
on p.86

5) Ecosystem builder

If an IB partnership is to be successful, it requires a conducive business environment. Some partnerships thus also work to improve the business ecosystem. For example, one of the overall goals for DSM and WVI is to focus on awareness building and demand creation, thus helping to expand the market for fortified food in Rwanda more broadly.

As development-sector actors, many NGOs have the systemic perspective, networks, and research capacity necessary to play an advocacy role, influencing policymakers and helping to establish an ecosystem that can support inclusive business. In Kenya, Unilever's work with smallholder-farmer women in the tea industry helped it gain awareness of these women's lack of access to land titles and lack of decision-making power over the incomes they earned. However, the company needs alliances with NGOs to address this issue on a policy level.



Companies can and do influence the ecosystem as well. For example, Philips' participation in the SDG Partnership Platform in Kenya has given the company an opportunity to influence that country's healthcare system. For Philips, the engagement with NGOs and the government in a partnership platform enables the company to influence decision-making in terms of healthcare standards and provision. This gives the company the opportunity to establish themselves as a suitable partner for primary healthcare.³³

6) Funder

Inclusive business partnerships often require their participants to make both financial and in-kind contributions to the venture. However, contributing large sums of money can be difficult for NGOs and companies alike, even if the partnership is closely aligned with their core objectives.

In many such cases, the partners seek to mobilise third-party funding from donors. As NGOs generally have considerable experience writing proposals, applying for grants, and working with donors, they often take on the task of accessing and managing this external funding. In its partnership with ICCO, Olvea clearly places high value on the NGO's expertise in attracting and managing donor funding. As Christophe Godard, Olvea's sustainability value chain manager, says: "We are not used at all to the bureaucratic procedures of what donors require, and it is very time consuming. NGOs are clearly better positioned to cover this role".

"In order to create a relevant and mutually beneficial solution, in all cases we try to understand first what the pain and/or opportunity is for the corporate partner and start from there to co-create a solution with the company".

Javier Ayala, Inclusive Business Programme Manager, SNV³⁴

NGOs should carefully assess which roles they can play in IB partnerships

NGOs need to carefully assess whether they are in the right position or have the needed capacity to play certain roles in IB partnerships. For example, not every NGO is well-placed to act as a facilitator or business broker between smallholder farmers and companies. This task requires the facilitator to balance different business interests and power dynamics. To do so successfully, this entity must be accepted by all actors. Some NGOs may not be technically qualified for this; others, being active advocates for their beneficiary communities, may not have the required neutrality.

Along the same lines, simply having a local field office and close relations with the target group does not automatically qualify NGOs to offer business-skills training or to advise a company on the local value chain. When specialists from the Danish food ingredient company AFI came to Ethiopia for the first time, they already knew many more details about the dairy value chain than did local NGOs.



BOX 11

NGOs' role in IB partnerships: service providers or equal partners?

When NGOs refer to being a “service provider” to a company, they often mean they are providing a “social” service, funded by corporate philanthropy. In the context of inclusive business, being a service provider refers to playing an advisory or consultancy role, with the services paid for by a company business unit.

Before deciding on their preferred role, NGOs should develop a realistic view of the financial costs (expenses) and benefits (income) associated with being an equal partner versus a service provider. As safe or interesting as a service-provider role may seem in terms of generating income, it limits the NGO’s influence on the process and on the outcome of the partnership. Bluntly said: “who pays, decides”. In the end, one key defining element of a true partnership is a non-hierarchical relationship, with benefits and risks shared equally, and joint governance structures.

Hence, NGOs often find it difficult to decide how to position themselves within inclusive business partnerships. Given the realities of diminishing grant funding, some consider becoming paid service providers instead of investing their own resources to become an equal partner.

Light for the World had a steep learning curve when trying to find its role. Initially the NGO approached the private sector as a client for a philanthropic service, proposing to help companies include people with disabilities. However, as the NGO provided its services, its employees often felt other issues should be taken up first. The NGO’s executives realised that providing (as yet unrequested) advice of this kind to the company was in fact the role that a partner would play, implying a joint co-funding model, and thus changed their approach. As Light for the World’s Disability Inclusion Manager Zinayida Olshanska, states “Now we see each other as partners, each contributing in their own way. We thus also set expectations for the partnership”.

In AMREF’s case, corporate partner Philips actually pushed the NGO to take on an equal role rather than remaining as a service provider. As one Philips employee recognises “The collaboration initially started on an unequal footing, rather as a contractor-supplier relationship than as a partnership. After three years we [Philips] questioned whether we needed to continue funding the activities of AMREF and renegotiated the partnership agreement in terms of sharing risks and benefits. By opening up the partnership in

this way and by involving the organisation in a process of co-creation to co-develop a joint value proposition, AMREF got a larger sense of ownership and a long-term commitment to the project”.³⁵

In some cases, as in DSM and WVI’s venture, the positions of service provider and partner are not mutually exclusive. Here, WVI plays a partner role, with joint governance powers and responsibilities. However, WVI also has a service agreement with DSM to cover the operational costs of its involvement.

For NGOs that want to be able to act both as partner and service provider, it can be helpful to set up a specific consultancy division or legally separated service-provision entity. ICCO, for instance, established a separate legal entity in order to differentiate clearly between the roles of partner and service provider. Fair and Sustainable Consulting, wholly owned by ICCO, advises companies, NGOs, and governments on the development of inclusive value chains.

“Often NGOs feel very weak in a partnership with large corporations, particularly when the partnership is about a product that only the private partner can develop, and it all depends on their willingness and interest. In the partnership with Arla Foods Ingredients, we don’t view ourselves as service providers, because we have a key role in decision-making. DanChurchAid adds value through its organisational size and local footprint. The fact that we have a third party (Danida is our back donor) that we need to be accountable to makes all the difference”.

Interview with Gitte Dyrhagen Husager, Head of Private Sector Engagement, DanChurchAid



DEEP DIVE

Financing IB partnerships

IB partnerships need both financial and in-kind contributions

IB partnerships require a significant quantity of resources to do their work. While partners can make in-kind contributions, they will also need financial resources to pay for staffing and other ongoing costs. Thus, it is vital that partners agree on the contributions each will make at an early date, and that they develop a budget stretching over at least two to three years.

Companies' IB partnership funding constraints: High risk makes investment difficult

Contrary to some NGOs' preconceptions, it can be difficult even for large companies to mobilise sufficient resources for IB partnerships. This is in large part due to the high level of risk associated with such activities, and the subsequently uncertain return.

The high-risk nature and long-term investment horizon of inclusive business activities means that they are often overseen by companies' innovation or business-development departments. To further

reduce risks, some companies may even use a stakeholder-engagement department or the corporate foundation for such activities. Small companies may have comparatively more flexibility to finance IB partnerships from operational budgets, but their scope for IB engagement is generally narrow, and risk necessarily remains a serious concern.

NGOs' IB partnership funding constraints: limited unrestricted funds

As competition intensifies for a decreasing quantity of external-donor funds, NGOs face rising funding constraints. This makes it increasingly difficult for them to contribute their own funds to IB partnerships.

In the current donor-funding environment, NGOs are increasingly dependent on short-term (three to five years) project or programme funding, typically distributed using calls for proposals on specifically defined themes. If organisations do have access to funding from private donations, this is often earmarked for specific humanitarian causes or other defined activities. In addition, development NGOs are generally not allowed to use public grant

money to further private-sector (company) ends, unless doing so clearly serves development goals. For example, the HEKS/EPER NGO offers a co-financing scheme to local companies on the condition that the businesses include marginalised groups in their business and value chains.

In sum, this leaves NGOs with little in the way of unrestricted funding that can be used for the purposes of pre-investment or co-funding for new, riskier activities.

All IB partners need to have sufficient “skin in the game”

These real funding constraints mean that NGOs and companies interested in a partnership must engage in a reality check. As early as possible, they must ask themselves what funds and resources will be needed and determine what each partner can mobilise. They should discuss who will be responsible for paying for staff time and out-of-pocket costs, even when these are provided to the partnership on an in-kind basis. In doing so, NGOs may also need to recalculate their staff costs to include at least a partial mark-up to cover overhead and preparation costs. This helps to manage expectations and create better mutual understanding.

In many cases, staff resources and the associated technical and business expertise are as crucial to the success of an intervention as financial contributions. However, these too must be effectively managed. For example, staff seconded to the partnership should have KPIs in their contract related to partnership performance.

Third-party funding from donors can complement the partners’ own contributions

After Welthungerhilfe realized they could not rely on funds brought in by a company, they decided to access external funding together with the company. This strategy is increasingly used by IB partners, working together to respond to donors’ calls for proposals. External funding can also be used to diminish risk exposure for the company.

The rising development importance attributed to the private sector offers ample opportunity in this regard. More and more donors today – including

the European Union, bilateral and international donors, and private foundations – are focusing their funding efforts on cross-sectoral partnerships as a part of their “aid and trade” agendas. Examples include the Dutch SDG Partnership Facility, and the German develoPPP.de, implemented by GIZ, DEG and Sequa.³⁶ However, many such programmes require substantial co-financing from the company (often as much as 50%) and sometimes from the NGO as well.

The [GAIN Access to Better Dairy partnership](#) [↗] shows that working together to secure external funding can help partners to align their objectives and measurement systems. In this case, the funding was particularly helpful in allowing the partners to focus on developing the inclusive-business ecosystem – for example, by supporting capacity-building activities for farmers, and creating awareness of the importance of nutrition for children.

External funding has to be navigated carefully

While donor funding offers significant opportunity with regard to funding IB partnerships, experienced NGOs know that this money comes with strings attached. A call for proposals should never be the sole reason to enter a partnership.

Donors usually maintain strict project-based time frames that may not fit the dynamics necessary for IB partnerships. Funding cycles can be too short for the new partners to get to know each other, and to align their objectives and develop a solid intervention. Partners thus need to be creative in dealing with these conditions. In ICCO and Olvea’s case, the partners involved the Dutch government as a core partner early on. This close engagement with the donor helped them to navigate and manage expectations.

Being dependent on external funds can also mean sacrificing the partnership’s original ideas in order to carry out the donor’s priorities. For example, NGOs and companies may feel compelled to work with a target group that is not their highest priority in terms of development or market inclusion.³⁷

[↗]
see case study
on p.92

3.3. A solid governance structure helps to steer the IB partnership and minimise conflicts

A solid governance structure helps an IB partnership to keep focused on its strategy, respond to new challenges, manage risks, resolve conflicts, and continuously review, revise, and improve. Management functions should be exercised in a way that is strong enough to keep partners focused on their key objectives, but flexible enough to adapt to new situations.

Because NGOs and companies in IB partnerships often work on separate activities, regular coordination in the form of in-person meetings is vital in order to keep partners aligned. Depending on the complexity of the partnership, a multi-level governance structure or an independent facilitator may be required.

An active steering committee can set a partnership's strategic direction

A steering committee is a useful governance structure that allows partners to set the venture's strategic direction and make decisions effectively. But who should sit on the steering committee, and how should it take decisions?

Partnership principles call for equal representation of all core partners on the steering committee. Giving each partner an equally weighted vote on decisions ensures that all partnership interests will be fairly represented; but this can also be a source of conflict. Having members with complementary skill sets on steering committee can increase its value. In the case of Live Well, [↗] CARE's Zambian country director provides advice on the social-impact case, while the Barclays representative examines the financials in more depth. In addition to these core partners, the social enterprise's board also includes external industry representatives from Zambia. According to Live Well CEO Alexandra Burrough, these

[↗]
see case study
on p.98

“Being honest and transparent about the needs that inform your decision-making in a partnership right from the start is critical, and can prevent conflicts later on”.

Hamish Taylor, Advisor on Sustainability, Symrise

external members “play a key role and often bring in a new and refreshing perspective that helps our business stay grounded”.

However, having a steering committee or a board with too many members can make it complicated to provide clear guidance. If this proves to be a risk, it may be better to give external representatives a (formal) advisory role instead.

One key question to consider is how to ensure that the target group is well-represented in the partnership. In many cases, local NGOs that represent the local target groups act as implementing partner under a service provider contract and are not included on the steering committee. IB partners should take care to ensure that the target group's interests prevail over their own individual agendas, and that these interests are well-represented in the partnership, even at the governance level.

Multi-level governance structures help involve the people best placed to make decisions

A multi-level governance structure helps involve the people and departments with the most relevant knowledge in the decisions being made. For example, while a global steering committee might be used to set the partnership's strategic direction, a local steering committee or working groups with decision-making power may be tasked with developing the implementation approach or the KPIs associated with a particular set of activities.

In their large healthcare partnership, Save the Children and GSK take strategic decisions in a global steering committee that includes senior-management-level representatives from each partner. Decision-making at the implementation

“Introducing this new governance layer was a key lesson for us. It makes decision-making faster and helps us to coordinate our work streams more effectively”.

Kate Barnes, former Account Manager for GSK, Corporate Partnerships Team, Save the Children

level is led by partnership managers from both organisation, organised in so-called pillar leadership groups. These groups lead decision-making on the partnership’s individual work streams, agree on KPIs, and report back to the global steering committee. This split of roles allows for more effective partnership management and decision-making. In addition, it ensures that each organisation can involve the people and departments with the right set of skills and expertise for each issue, thus enabling informed decision-making.

In this way, multi-level governance structures can help partnerships to stay agile and effective, because decision-making takes place at multiple hierarchical levels, and adaptations can be made more quickly. For example, monthly meetings with programme and technical staff can help to align objectives and processes at the implementation level, while preparing the way for decisions at the program-management level. Quarterly meetings of the global steering committee can be used to present progress reports and make strategic decisions, while also serving to maintain senior-management-level support for the partnership, and even generating the media presence necessary for external communication.

A multi-level governance structure can also help to involve local partners more actively and increase their commitment and accountability. In the case of the IB partnership between World Vision International and DSM, both partners realised the importance of establishing a national-level steering committee in Rwanda in addition to the existing global steering committee. This created a governance structure that allowed local subsidiary World Vision Rwanda and AIF to show increased and equal commitment to the project, improving results on the ground.

CASE IN POINT 14

Alignment versus efficiency in the governance structure: Interview with GAIN Access to Better Dairy’s partnership management team

Interview with Conference of Danish Industries (DI) Advisor Gry Saul, Arla Foods Ingredients (AFI) Senior Project Manager Charlotte Sørensen, and DanChurchAid Head of Private Sector Engagement Gitte Dyrhagen Husager

Q: In the GAIN Access to Better Dairy partnership, each core partner leads a project work stream. How important is this structure to ensuring that the partnership acts efficiently?

Gry Saul (DI): We divided the responsibilities for each work stream among core partners to ensure that each of us is focusing on what we are best at. DanChurchAid leads on training of smallholders, Arla Foods Ingredients supports local SMEs on production standards, GAIN brings in their expertise on improved nutrition, and we from the Confederation of Danish Industries support the business-model design and advocacy work. This helps us to drive the implementation of activities, but there is also a lot of cross-cutting and linkage between the different work streams. We need to ensure that knowledge and insights are shared between the work streams, and that activities are well coordinated and aligned.

Q: How do you ensure that knowledge and insights are shared between the work streams, and that activities build on and reinforce each other?

Charlotte Sørensen (AFI): A key lesson for us from this partnership is that investment in alignment is critical, especially when partners split up into different work streams like we did. In addition to our work-stream leaders, we have work-stream supporters that bring in their expertise, if needed. So, while there is a clear lead, partners work together within work streams. Also, continuous communication and in-person meetings are key to avoid [situations in which] work-stream leads run in different directions.

Gitte Dyrhagen Husager (DanChurchAid): Another important factor is that the same people from DanChurchAid, AFI, and GAIN have been involved from the start. Only the project manager of DI changed during the process. This certainly helped us to better align and make compromises. A key lesson for us during this partnership was that the more different the partners are, the easier it is to come together as partners and find solutions. If we were to partner with other NGOs, a clear division of roles would be more difficult and the potential for conflicts higher.



Regular reviews help partnerships respond to new circumstances and adapt structures

In many cases, new circumstances or changing environments will require IB partnerships to evolve over the course of their lifetimes. Partners' internal priorities might change, or new challenges in the partnership may arise. New partners might join the initiative or existing partners might decide to collaborate on additional work streams. If such changes happen, it can make sense to revise or adapt the partnership's governance structure.

Since Save the Children and GSK initially joined forces to fight preventable children's diseases in 2013, the partnership has grown significantly as both organisations have identified additional collaboration opportunities. The partnership has increased the overall number of work streams, clustering them under four strategic pillars, in order to facilitate management and implementation. A review of the [partnership between DSM and World Vision International](#) [↗] in Tanzania led to the development of a different approach and structure in Rwanda. The constructive lessons learned in this process helped the primary participants adapt their roles in the partnership and change their mode of collaboration.

[↗]
see case study
on p.80

[↗]
see sub-
chapter on
M&E on p.44

Having a robust [monitoring and evaluation system](#) [↗] is necessary in order to enable ongoing review and improvement of the IB partnership. At the partnership level, this issue should be addressed in the MoU.

“Originally, accountability levels were not clear. We are now developing an accountable steering committee on the ground”.

Marina Adamyan, Director New Business & Partnerships, WVI





4



Changing internally

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 or by creating access to new markets or key resources. In many cases, collaborations between NGOs and companies additionally require multiple departments within each participating organisation to work together. Entering the uncharted waters of inclusive business thus inevitably leads to internal change – for instance through the development of new skills, new positions, or even the establishment of new legal structures.

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

In the early stages of a partnership, it is often “intrapreneurs” who conceive and drive the idea forward. To grow and sustain such projects, NGOs have tapped a variety of strategies to overcome internal resistance and create a foundation for successful collaboration. Such tactics include beginning the project with an initial trial phase, offering staff training sessions, and developing clear guidelines for private-sector engagement. Clear communication both internally and externally should be used to convince stakeholders of the opportunities underlying the partnership.

IB partnerships are often driven by intrapreneurs, but they also need support

IB partnerships are often initiated by intrapreneurs – that is, figures who act like entrepreneurs within their own organisation. These individuals are visionaries with an idea and mission. They push internally and externally to find allies with the needed energy and resources to make the idea happen.

To be successful and convince their organisations that an IB partnership is something worth trying, intrapreneurs need to know how to navigate their organisation, as well as whom to convince to get support. Peer-to-peer exchange between intrapreneurs from different organisations, facilitating the exchange of stories and tools, can help them in this process (see box 12).

Buy-in from top management depends on the IB partnership’s strategic value

Commitment at the CEO and top-management level is indispensable to the success of IB partnerships. Without this support, it becomes difficult to mobilise human and financial resources or to create the often necessary organisational changes.

CEOs at companies and NGOs are often characterised by visionary yet strategic thinking. A pitch needs to show clearly how the IB partnership will deliver on the organisation’s strategy.

For example, a pitch aimed at top company executives might describe how the partnership could help the company venture into new markets, reduce risk within its supply chains, or attract and retain valuable employees. Similarly, a pitch aimed at NGO executives should address how the venture could be strategically aligned with other work areas of work, what the partnership’s financial costs and benefits would be and what, if any, reputational risks might emerge.

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see case in
point 18 on
p.64

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see sub-
chapter on
changing
internally on
p.65



BOX 12

The League of Intrapreneurs helps intrapreneurs change organisations from within

The League of Intrapreneurs is a global community created to support intrapreneurs in creating change from within. The community fosters learning and exchange between intrapreneurs from different organisations. It develops tools that help these individuals

to prototype the future of work and promote more innovative and collaborative working cultures. It has published a number of guides, tools, stories, and case studies that can help intrapreneurs introduce new topics or approaches in their organisation.³⁸

“We recently organised an exposure visit to one of our IB projects for our employees. It was very useful for them to experience how market-based approaches work in practice and how they benefit rural farmers. This also helped to overcome ideological barriers”.

Martin Schmid, Head of Thematic Advisory Services, HEKS/EPER

Another way to secure buy-in is to give top executives a first-hand look at the value of the partnership. For example, Arla Foods Ingredients' CEO visited Ethiopia in October 2018 in order to develop a better understanding of the early GAIN Access to Better Dairy partnership results, and to improve relationships within the project.

Staff training can help overcome internal resistance and secure employee buy-in

Internal resistance to IB partnerships within NGOs or companies commonly occurs when staff members who are directly involved – or even those who are not – fail to understand how the partnership might help them reach their core objectives. Particularly within NGOs, there is often an ideologically rooted scepticism towards work with the private sector. However, without the support and commitment of the people involved, it will be difficult to get an IB partnership off the ground, let alone implement it successfully over longer periods of time. Staff training sessions and exposure visits can be an important first step in familiarising employees with other perspectives, and in helping them to understand the value of the partner organisation's work. Such training can also help break down cultural or inter-organisational language barriers, which often derive from the specific jargon used by people with a development or business background. Similarly, such programmes can encourage people to think from the perspective of a potential partner organisation. For example, the Swiss NGO HEKS/EPER organised a global training programme designed to teach its staff members about inclusive business models and the perspective of corporate partners (see Case in Point 15).

Arla Foods Ingredients, in contrast, invited representatives from GAIN and DanChurchAid to speak to its employees about the importance of nutrition in children's development, helping to build internal support and excitement for the GAIN Access to Better Dairy partnership.

CASE IN POINT 15

Exposure visits can increase NGO employee support for market-based approaches

HEKS/EPER asked Endeva to organise a one-week training programme for its headquarters-based and in-country staff. The aim was to familiarise participants with the concept of inclusive business, and inspire them to support it. Participants were asked to analyse successful inclusive business models and put themselves in the shoes of entrepreneurs to develop their own business ideas. The week also included a tour in which participants were introduced to several founders of social enterprises. The training session showed participants that social objectives can be achieved using business approaches, but also left room for critical reflections. One participant concluded: “IB can be complementary to the traditional NGO approach”.



Trial phases can convince management to move forward

Executives at NGOs and companies alike may view IB partnerships as risky endeavours. A trial phase with clear targets and milestones can be helpful in showcasing the potential of working together before entering a formal collaboration, thereby convincing internal stakeholders of a partnership's value. Trial phases can also help participants align their working styles, develop a productive mode of collaboration, and build mutual trust. This latter point is particularly important when the company partner remains hesitant, as the example of ICCO and Olvea shows.

In this case, when ICCO first approached Olvea in 2010, the company did not initially see that the partnership would provide added value and felt that an NGO would not be a useful partner in its own work. ICCO proposed to test the partnership for a year, agreeing to bear the costs involved. For the compa-

“This one-year trial phase should always be part of a partnership, so that the thresholds to partnering are lower”

Christophe Godard, Sustainability Value Chain Manager, Olvea

ny, this translated into minimal cost and little risk, so they decided to give it a try. After concrete results were delivered during the trial phase, key supporters within Olvea were able to secure internal buy-in, and the two partners formalised their relationship. Offering this trial phase to Olvea was possible only because ICCO had the ability to mobilise financial and organisational resources provided for high-risk or trial activities. However, it proved necessary in order to allow so-inclined Olvea employees to convince their management to go forward.

Clear guidelines for private-sector engagement help NGOs reduce internal resistance

NGOs that engage in inclusive business partnerships often face two types of internal resistance. Internal critics may feel that resources are being diverted away from direct beneficiaries such as people who are poor or marginalised. In NGOs that engage in advocacy, colleagues may also fear that inclusive business partnerships could undermine their reputation and credibility, or put an end to their advocacy work. Because decisions are often

made on a consensual basis in NGOs, such concerns can often prevent internal buy-in.³⁹

Developing a clear theory of change describing why, where, and how to engage with the private sector to achieve the organisation’s goals is thus important for NGOs considering such work.

This will help NGOs ensure that their core working principles are respected in their IB partnership. For example, when engaging with DSM, World Vision International ensured that the principles of “do no harm” and “inclusion” would remain important throughout their engagement with the private sector.

Similarly, NGOs should develop an internal strategy detailing how inclusive business partnerships can be combined with advocacy work (see case in point 17) – and how to distinguish such activities. In the course of advocacy on market-related issues, previous NGO experience has shown that involving the private sector as part of the solution is a useful strategy. For example, IB partners can engage in joint advocacy work on topics that benefit the partnership, such as lobbying for policies that create incentives for the inclusion of disadvantaged populations. In addition, NGOs can use their advocacy work with governments to address topics that affect IB partnerships. ↗ For example, in a partnership that focuses on empowering women, the NGO could advocate for an expansion of women’s property rights. Similarly, advocacy work can complement the IB partnership’s direct activities, for example, by pushing for the creation of a level playing field at the industry level.

Internal policies and guidelines can also help NGOs clarify what types of businesses would make the best partners ↗ for them, and help to guide due-diligence and risk-assessment processes. When developing such policies and guidelines, it is important to consult a diverse group of people, including crit-



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see deep dive
on p.25

CASE IN POINT 16

ICCO involved internal critics to sharpen its private-sector engagement strategy

When ICCO developed its position paper on cooperation with the private sector in 2009, the person in charge of the project also interacted with the idea’s primary internal critics. This dialogue helped sharpen the document and more clearly define ICCO’s ambitions and policies regarding inclusive value-chain collaboration and responsible business initiatives. In addition, ICCO developed a due diligence tool for use when partnering with individual companies together with a research organisation.

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see sub-
chapter on
identifying
partners on
p.32

ics. Moreover, the outcome should be clearly communicated internally. However, NGOs should be aware that such an effort can take a long time to complete and can often be tedious. Even the best-constructed set of guidelines may be unable to foresee and avoid all risks in advance. All too often, such policies can constrain innovation. Hence, very few NGOs have decided to pilot ideas quickly and “learn by doing” – drawing lessons particularly from failures, which are communicated transparently.

Internal and external communication about the partnership’s value is essential

Internal communication can help convince company and NGO employees of the added value presented by an IB partnership. Such communication can take many forms. For example, NGOs and companies can provide information about the partnership and share initial results in a simple brown-bag lunch format, organise exposure visits, or invite representatives from the various IB partners to share their insights and lessons learned in more official formats. ↗

Positive feedback and publicity generated through external communication can help give an IB partnership the internal legitimacy it needs. In this regard, NGOs can play an important role spreading the word about the IB partnership at events, conferences, and fora.

For example, the Live Well partnership with CARE generated public attention and traction for GSK that exceeded that generated by other partnerships with higher investment levels. This was an important factor in helping partnership managers obtain internal buy-in and mobilise resources. The visibility and focus on social impact also had a positive effect on employee engagement.

CASE IN POINT 17

Christian Aid changed its position on private-sector engagement following research

In the past, Christian Aid’s engagement with the private sector was limited to policy, advocacy, and a handful of corporate fundraising partnerships though this has changed as seen by their health work. Research in Kenya and Sierra Leone helped them recognise the potential for innovation, technological efficiencies, and funding that is presented by business in the health sector. This research also pointed to those areas where companies can prove detrimental to the strengthening of national health systems.

Drawing on this research, the NGO now takes a more nuanced approach. They still work to ensure that the private sector is held as accountable as the public sector. They also recognise the potential benefits of collaboration with the private sector in co-developing shared solutions to shared problems.⁴⁰



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see sub-
chapter on
staff training
on p.61

In order to produce insightful and effective internal and external communications, partners need to invest in adequate M&E systems. Evidence-based data describing the IB partnership’s financial and social benefits can help partnership managers convince top management and technical staff of the venture’s value. (see case in point 18)

The GAIN Access to Better Dairy partnership demonstrates the power of proper marketing and communications in positioning the partnership externally. The participants produced short-form video content and well-designed informational brochures that portrayed the partnership as a flagship initiative for its main funder, Danida, helping thereby to strengthen this entity’s commitment. DanChurchAid played an important role here, contributing its communications expertise.

“Many NGOs underestimate the power of communication and the particular role that international NGOs can play here”.

Gitte Dyrhagen Husager, Head of Private Sector Engagement, DanChurchAid



CASE IN POINT 18

The importance of communication in securing internal buy-in: Interview with Symrise

Interview with Symrise Sustainability Advisor Hamish Taylor

Q: You are collaborating closely with Save the Children, GIZ, and Unilever on improving the vanilla value chain in Madagascar. This lets you work closely with smallholder farmers through, for example, training activities in the communities. How did you convince senior management at Symrise that this adds value for the company?

Hamish Taylor: A revealing moment for us was when our CEO was approached by the vice president of our major client partner in the project to praise the work that we were doing together as pioneering. We were just getting on with the project and had not fully communicated the project details internally, as it was, in fact, part of our “business as usual” activities in support of our vanilla communities. Nonetheless, through this encounter, he realised the importance of this partnership for Symrise’s core business beyond the concrete partnership case, namely for the reputation of the company and the strategic alignment with key partners and clients.

Q: How was this possible? How did you spread the word about the partnership and its results?

Hamish Taylor: We and our partners actively communicate about the results of our work in Madagascar. We speak at global events and conferences to present the partnership and highlight initial results. For this, it is extremely helpful that all partners have agreed on a shared measurement system, and that they report on the progress made to GIZ, which in turn aggregates and analyses the data [in a way that is] complementary to our own activities. They are quite experienced in this type of monitoring and evaluation reporting and have a good system in place to avoid double-counting beneficiaries, for example.



4.2. Partners need to be willing to change internally

While many NGOs and companies define IB partnerships as a strategic priority, most find it challenging to reach the point of implementation. Inclusive business models differ from companies' and NGOs' normal activities and funding practices. They require the development of new skills, competencies, and incentive structures. They require changes to customary budget-allocation practices and, in some cases, even demand internal cultural and legal changes. A number of organisations offer useful tools and self-evaluation procedures enabling a company to assess its own readiness to engage in a partnership.

While openness to organisational change is a prerequisite for successful IB collaboration between NGOs and companies, the actual internal change involved often entails an iterative process that will unfold over the course of the partnership. For example, some new procedures may help facilitate internal collaboration, since IB partnerships often require several departments to work together. Similarly, dedicated partnership teams on each side can build bridges that overcome internal language and cultural barriers. Flexible internal budgets enable new IB collaboration models to be tested, facilitating innovation. Some entities have even created new legal structures.

Assess internal readiness before entering into an IB partnership

Before an organisation enters into an IB partnership, it should assess its own internal readiness and capacity to engage in a collaboration of this kind. The Partnering Initiative (TPI) has developed a concept called *Fit for Partnering* ⁷ that includes a short checklist used to assess the degree to which an organisation is institutionally capable of achieving its goals through a partnership. The framework focuses on four dimensions: leadership and strategy, systems and processes, skills and support, and partnering culture. It also outlines a number of structures and processes that will need to be in place to enable successful collaboration. The NGO Capability Scan (see Box 13) is another useful tool for helping NGOs assess their own internal readiness to engage in an IB partnership.

BOX 13

The NGO Capability Scan helps NGOs assess their readiness for IB partnerships

Developed by BoPInc and PPPLab, the NGO Capability Scan is a tool that assesses the degree to which NGOs are internally ready for an IB partnership. It takes NGOs through a list of questions on topics such as organisational values, processes, and resources.⁴¹ The scan can be carried out by multiple people in a single organisation, providing insight into their perceptions of where they and their organisations stand regarding partnering for inclusive business. The capability scan helps determine which capabilities the organisation needs to strengthen in order to become a strong partner for the private sector.

Endeva and the BoP Innovation Centre used the NGO Capability Scan in 2017 during a peer-to-peer exchange on the topic of inclusive business attended by 16 representatives from eight international NGOs. The NGOs employees each carried out an assessment of their organisation's readiness for an IB partnership.



↗
see support
directory on
p.77

“NGOs can be as rigid as companies when it comes to internal processes and procedures. I also have experienced a lot of internal resistance at NGOs when it comes to venturing into new locations or sectors where potential companies’ partners might need support”.

Minna Halme, Professor of Sustainability Management, Aalto University School of Business



CASE IN POINT 19

Research helped ICCO prioritise internal change processes

In 2009, ICCO conducted an internal assessment of its organisational strengths and weaknesses with regard to cross-sectoral partnering. In doing so, an external researcher looked at three dimensions:

- ▶ Strengths and weaknesses in ICCO’s collaborations, and in the NGO’s capacity to work with the private sector.
- ▶ How these strengths and weaknesses related to ICCO’s most important organisational elements (internal coherence between vision, mission, and strategies; organisational structures and systems; individual competencies and resources).
- ▶ Recommendations regarding how ICCO could improve its capacity to collaborate with the private sector.

The research was based on interviews with ICCO staff members and company partners. It revealed that companies recognised ICCO’s added value, and that the NGO’s employees were able to preserve ICCO’s key interests and maintain its organisational identity even when engaged with the private sector. However, the report also concluded that collaboration with the private sector remained somewhat controversial internally, a circumstance that produced significant internal discussion and slowed decision-making. This observation helped ICCO prioritise its internal change processes, especially by streamlining internal administrative procedures, training staff members on business skills, and improving external communications. Ten years later, inclusive business partnerships had become the norm for ICCO.⁴²

A dedicated partnership team can bridge so-called language barriers between NGOs and companies

NGOs and businesses often find that differing mindsets and the lack of a shared vocabulary creates hurdles to the development of partnerships. NGOs generally view the world through the lens of socio-economic impact, while companies think in terms of investment and business value. The Partnering Initiative offers a valuable list of common partnership terms from both the NGO and business perspective and suggests ways of defining these terms within a partnership context.⁴³

Dedicated partnership teams on both the NGO and company sides can help bridge the language barriers produced by different organisational cultures, thus facilitating collaboration. The members of such teams need to be familiar with the language used within the partner organisation, have a strong understanding of the partner’s needs, and have good personal relationships with the partner organisation’s employees.

In some cases, both NGOs and companies might look externally for individuals with these capacities. However, before doing so, it can be useful to determine whether internal personnel could play this role. It often makes more sense to build existing staff members’ skills through on-the-job training programmes than to recruit new employees, because the existing employees are already familiar with internal structures and processes, and are already integrated into the organisation. This will make them better internal advocates for the partnership’s interests.

If these capacities are not available internally, NGOs can recruit new employees with a corporate background, while companies can hire employees with non-profit experience to help facilitate the relationship-building process. However, the organisations should ensure that such candidates have sufficient development orientation to add value in the NGO world, while companies should make sure their hires are familiar with – and support – market-based solutions. Ideally, candidates would have experience working in both types of organisation.

“Having worked in the NGO, academic and business sectors it always strikes me that we talk about the same challenges but with different perspectives. Understanding the detail and extent of the challenge and having honest conversations on different views of that challenge is the only way forward in finding transformative solutions.”

Sinead Duffy, Head of NGO Engagement, Bayer

NGOs and companies can also work with external consultants – either hired or on a pro bono basis – to support existing partnership managers in developing IB partnerships.

Different organisational departments need to be aligned for IB partnerships

For both NGOs and companies, IB partnerships require close coordination and alignment between multiple departments, because such ventures typically impact the organisation across several domains. In companies, IB partnerships often involve core business units such as strategy, business development, or local subsidiaries, but also draw on the services of the sustainability and human resource departments. In NGOs, IB partnerships often involve corporate engagement and fundraising departments, as well as programming and advocacy functions.

Depending on the specific role(s) that an NGO plays in an IB partnership, it is important to determine whether the partnership should be managed and driven from the global level (e.g. the headquarters) or from the national or local level. Similarly, NGOs need to ensure that the staff members responsible for corporate engagement (often globally based) and those with technical programme expertise (often locally based) know when to involve each other and work together effectively. In this regard, it will be useful to create clear internal guidelines dealing with the issue of account management, and on how to manage internal conflicts related to misalignment between departments. In ICCO’s case, partnership accounts are managed by a task force that includes staff members from different departments.

CASE IN POINT 20

The value of corporate partnership teams within NGOs: Interview with Unilever

Interview with Unilever Director of Global Partnerships Katja Freiwald

Q: In your function as director of global partnerships at Unilever, you work closely with NGOs. In these interactions, does it make a difference for you to work with the programme or corporate partnership team at an NGO?

Katja Freiwald: Many of the bigger NGOs that I speak to have corporate partnership teams in their private-sector departments. This is very useful because we speak the same language, and can more easily align on goals and processes. In my experience, programme teams sometimes don’t have the reflex to really understand the value-add and the needs of the private sector. Having said this, today the private sector too is stepping up and developing technical expertise. Collaboration with programme teams is common, especially at the local level.

Q: How can NGOs and companies ensure that they have the right people on their partnership teams?

Katja Freiwald: Bringing private-sector staff into NGOs and vice versa will help to move sectors closer over time. It will help organisations diversify their teams and bring new perspectives, innovations, and skill sets. Staff secondments can also be a good way to bring in partner perspectives and bridge language gaps between sectors. At Unilever’s Chief Sustainability Office, for example, we have people with diverse backgrounds including NGOs, foundations, and the public sector.





BOX 14

IB partnerships require partnership departments to build additional skills

For most NGOs, the mandate to establish inclusive business partnerships rests with the partnership department. This work is often content-based and requires management and technical skill sets that are different from this department's traditional fundraising and marketing tasks. Handling IB partnerships in parallel with these traditional activities can be a challenge, for example when this work is perceived as interfering with employees' ability to reach fundraising targets.

Nevertheless, some NGOs deliberately leave both functions with the partnership team in order to take advantage of synergies. For example, donation projects might be further developed into inclusive business partnerships. Other NGOs decide to split the partnership department into two separate teams or units, seeing this as easier than bringing diametrically different skill sets and organisational targets into one department.

Dedicated budgets are useful to test new IB collaboration models

Inclusive business partnerships are a new model for most organisations – NGOs and companies alike. To encourage their staff to embrace this novelty, organisations need to create incentives and make resources available. Many NGOs have found it difficult to find sufficient unrestricted funds to finance such initiatives. ↗ However, some pioneering NGOs have managed to do so.

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see deep dive
on financing
on p.52

Christian Aid, for example, has in the past experimented with an internal innovation fund of unrestricted donations to cover pre-project costs or develop high-risk projects. ICCO pre-invests in market analyses, seeking to define the right constellation of stakeholders such as local cooperatives and buyers. This information helps them to structure IB partnership accordingly. ICCO's Leonard Zijlstra says: "In the past, we used to do this market analysis at the beginning of the externally funded project, as a project activity, but that is too late, it led to failures".

IB partnerships can also lead to organisational changes

Organisational change is largely an iterative process. While organisations may develop new mindsets and skill sets in order to pursue IB partnerships, such changes may also arise out of the lessons learned while working collaboratively.

The GAIN Access to Better Dairy initiative offers an example of how an IB partnership led to organisational changes within both the company and NGO participants. For DanChurchAid, the partnership prompted the NGO to change its structure. For example, it established a new

private-sector unit located directly under the secretary director. This unit is led by Gitte Dyrhagen Husager, who manages the partnership on behalf of DanChurchAid. The NGO also hired a new value-chain and business advisor. Arla Foods Ingredients (AFI), the venture's private-sector representative, also changed its internal approach towards IB partnerships. In previous years, the firm had developed a number of cross-sectoral initiatives that were mostly driven by appointed project managers. After working with GAIN Access to Better Dairy, AFI began embedding such partnerships into the company's core structures and departments.

The different mindset required to pursue market-based solutions leads some NGOs to create separate legal structures for their inclusive business activities. For example, CARE has created CARE Social Ventures to manage its various social enterprises. To be more effective and better position itself using different identities, ICCO decided to create separate legal entities that operate in parallel to their grant-based and advocacy-focused work. Thus, the NGO's work with social enterprises is today overseen by its Truvalu holding company, while its Fair and Sustainable Consulting firm conducts consulting work, and its Capital 4 Development Partners fund manager makes impact investments. Creating legally separate entities of this kind typically offers more financial flexibility, enables the use of different KPIs, and allows the use of incentives to attract business-savvy employees.

"This partnership has a huge impact on us and brought a whole identity change to DanChurchAid".

Gitte Dyrhagen Husager, Head of Private Sector Engagement, DanChurchAid



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Moving on or scaling up

When participating NGOs and companies are able to fulfil their missions and objectives, IB partnerships can run for many years. 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 the private-sector partners have an incentive to build the capacities and resources needed to operate the inclusive business model on their own.

Partnerships can also end prematurely. Most commonly, partners drop out if it becomes clear that the venture's social or economic objectives are not being met, or if these objectives turn out to conflict. Internal changes such as a new strategy, team, or structure can be another reason for ending a partnership. In such cases, it is important for partners to analyse the lessons learned from the experience and share them, thus helping others avoid similar mistakes and create successful partnerships.

Start the partnership with a clear exit strategy

In regular grant-based development programmes run by NGOs, deliverables and timeframes are predicated on a clear end to the intervention. This is largely influenced by the availability of funds. IB partnerships are different; the idea behind them is to create an inclusive business model which is financially sustainable. However, this does not mean that all partners need to stay involved. Particularly for NGOs, planning for exit can be a success factor. For example, if an NGO's role is to build local producers' capacities to supply products or raw materials to a company, it can exit the partnership when this objective has been met, and the positive effects for the target group will continue nonetheless.

➤ see case study on p.98

It can be useful to reflect and agree on exit strategies as the partners are developing the original MoU. This helps clarify roles and manage expectations.

For example, having an exit strategy in place can make it clear that the resources that the partners are committing (money, staff, in-kind contributions) are limited. Such knowledge may push the participants to invest more purposefully to achieve the goals of the partnership – that is, in creating an inclusive business model able to sustain itself. At the same time, a previous agreement can justify a partner's decision to leave when resources have run out.

GSK and Barclays ➤ co-invested in the Live Well venture as a means of testing new business models designed to create shared value for the partners and for low-income communities. The social enterprise provides community health workers with a basket of health products, some of which are produced by GSK, which they then sell to patients in remote areas. After its initial investment was exhausted, Barclays decided to stop providing funding, but continues to provide business-related advice and retains a seat on the board. GSK extended its financial support at the end of 2018, because it saw that the business model would require more time to become financially sustainable. The pharmaceutical company is now providing support to Live Well as it adjusts its business plan.



BOX 15

Parameters defining an NGO's exit strategy

- ▶ **Defined goals:** The NGO leaves when a certain goal is met (e.g. "x number of farmers trained on certification").
- ▶ **Defined conditions:** The NGO leaves the partnership if the venture no longer meets certain conditions (e.g. when mission drift has taken place).
- ▶ **Defined fixed terms:** The NGO leaves the partnership after a pre-defined period of time or after funding ends (e.g. after three years, or the length of the program/project).
- ▶ **Mutual agreement:** The NGO leaves at any time, provided all participants agree.

Example:

- ▶ The GAIN Nordic partnership gave itself 3.5 years to establish a business model for smallholder farmers carrying out work on contract for processors in Ethiopia. After that time, farmers would no longer receive support from the partnership and need to be well established to work on their own.

Exits may happen according to plan...

For an NGO, the end of a partnership ideally implies that the venture's objectives have been achieved. For example, this may be the case when the NGO's role of is to organise or build capacities among smallholder farmers, thus helping them establish a business relationship with a company. In that case, the NGO may exit when its goal has been achieved; however, the company may remain involved over a longer period of time, since the partnership is integrated into its value chain. However, the company too needs to think about its exit – that is, it needs to define an operational timeframe and criteria for deciding whether or not the partnership is delivering the expected results, thus justifying continued investment.

ICCO enters all of its inclusive business partnerships with the aim of creating an exit strategy [↗] predicated on the successful achievement of its goals. When commencing its partnership with vegetable oil producer Olvea, which aimed to integrate shea nut cooperatives into the company's value chain, it was important for ICCO to communicate to local shea nut cooperatives right from the outset that the partnership would ultimately be placed purely on a market-based footing.

“At the end of the day, ICCO will no longer be there – there is always this message of ICCO's exit strategy right from the beginning”.

Ataoulaye Bah, Programme Officer Economic Development Programmes, ICCO West Africa

ICCO began its exit from the shea nut programme in Burkina Faso in 2017. By that point, the participating cooperatives were able to meet Olvea's quality standards and could aggregate the volumes required by the company on the desired schedule. Both partners also planned from the beginning how to integrate ICCO's added value into the business structure after the NGO's exit. For example, ICCO asked the cooperatives to set aside a small part of the premium paid by Olvea for their nuts, with the aim of reinvesting these sums in training and equipment. Previously, these costs had been covered by the NGO during the initial project phase.

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see case study
on p.86

... or partners may withdraw because priorities change

Of course, the decision to end a partnership can also come unexpectedly. This may be the case when internal priorities change, for example due to a new company strategy, management-team personnel changes, or new internal structures. For example, ICCO and DSM aimed to co-develop an inclusive business model in India to sell biogas to rural households. However, DSM changed its overall strategy on inclusive business, and decided to concentrate its resources on nutrition issues. For this reason, the biogas project was ended.

Ideally, partnership agreements clarify what will happen in such situations. Can the remaining partner continue with the idea on its own or with new partners? Will existing costs be covered, and

are there any consequences for the withdrawing entity? In all these cases, it is crucial to work together on a plan to manage the change after the exit, and to be honest and transparent about what is leading to the end of the partnership.

Be transparent about failures, and learn from them

Partnerships end and partners withdraw for many reasons. To ensure that the efforts put into an IB partnership are not in vain, partners should take the time to assess and, ideally, also communicate the lessons they have learned. For example, Barclays and GSK committed to being transparent about the lessons learned in their partnership with CARE, with the goal of helping other partnerships to avoid the same mistakes and learn from what worked.

↗
see case study
on p.98

One lesson learned by GSK and Barclays in their efforts to test new business models was to start small, move fast, and allow ventures to fail quickly if necessary.⁴⁴ For their part, DSM and WVI commissioned an external evaluation of their experiences in Tanzania, which ultimately helped them design a new IB intervention in Rwanda.⁴⁵

If partners see further collaboration potential, they can replicate the venture or scale it up

NGOs and companies enter inclusive business partnerships because they expect to achieve more together than would be possible alone. To make an IB partnership work, partners invest time, resources, and effort. If it is successful, they are rewarded with economies of scale, since they can build further on existing partnership assets. For example, such partners have successfully aligned their missions, come to understand why and how they are complementary, and have established a working relationship based on trust. These assets can form the basis of an extended partnership, which has the potential to expand its positive results to more people by scaling or replicating the original venture.

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see case study
on p.80

partnership has evolved to include Mali, increasing the market share held by Olvea's inclusive business activities.⁴⁶ DSM and World Vision ↗ International extended their partnership from Tanzania to Rwanda, integrating lessons learned on an ongoing basis in order to improve their partnership.

While scaling or replicating a partnership is not a goal in itself, expanding the scope of a partnership often helps strengthen the social and the business case. For example, in its partnership with DSM and Sight and Life, World Vision International not only aims to increase the scale of smallholder-farmer sourcing, but also to strengthen the demand for nutritionally improved foods thanks to the venture's micro-distribution model.

The first phase of the Symrise and Save the Children partnership working with Madagascar vanilla farmers will end in 2019. If they do achieve the goals of the current GIZ-supported program, both Symrise and Save the Children say they are interested in scaling their partnership to reach more local communities.

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see case study
on p.86

After a successful trial phase, ICCO and Olvea ↗ expanded their collaboration in Burkina Faso, converting the partnership into a successful inclusive business model. With funding support from USAID, the



EVEN

Support directory



In the following section, you will find tools and guidance relevant to and arranged by the chapters of this guide, as well as an alphabetically ordered selection of further reading on the topic of NGO and company partnerships for inclusive business.

Tools and guidance *by chapter*

2. Finding the right partner

- ▶ **Inclusive Business checklist.** The Partnering Initiative (TPI) and the Business Innovation Facility (2013).

Available at: <https://thepartneringinitiative.org/the-partnering-for-inclusive-business-checklist/>

A tool to help companies assess whether an IB partnership would be appropriate, and if so, who might be an appropriate partner. The checklist is also useful in helping NGOs to understand companies' needs.

- ▶ **The Partnering Assessment Checklist – The 'go/no-go' decision for an inclusive business partnership.** The Partnering Initiative (TPI). (2017).

Available at: <https://thepartneringinitiative.org/tools-partnering-for-inclusive-business/the-partnering-assessment-checklist/>

A tool to help companies decide when and how to move forward with a partnership. It is relevant for NGOs as well.

- ▶ **McManus S. and R. Tennyson Talking the Walk: A Communication Manual for Partnership Practitioners.** TPI on behalf of the International Business Leaders Forum (2008).

Available at: <https://thepartneringinitiative.org/publications/toolbook-series/talking-the-walk/>

A manual outlining strategies for communicating within partnerships, offering various "practitioner tips" and tools.

3. Creating opportunities and managing risks

- ▶ **The Inclusive Business Model Canvas.** BoP Innovation Center (2015).

Available at: <http://www.bopinc.org/updates/news/the-inclusive-business-accelerator-toolkit-interview-with-benjamin-van-der-hilst>.

A highly relevant tool to understand what, from the business perspective, is required to develop a successful inclusive business. Part of the publisher's broader Inclusive Business Toolkits series.

- ▶ **Polarity Map.** Polarity Partnerships (2016).

Available at: <https://www.polaritypartnerships.com/>

A tool to help visualise and think about polarities.

- ▶ **How to Develop a Partnering Agreement.** The Partnering Initiative (TPI). TPI (2015)
- Available at:** <https://thepartneringinitiative.org/the-partnering-agreement-checklist/>
- A checklist largely aimed at companies, clarifying the difference between a partnering agreement and typical business-to-business / principal-agent contracts. It could additionally be used to help NGOs understand the business mindset with regard to contracting.

- ▶ **Pfisterer, S., Payandeh, N. and S. Reid. Designing Comprehensive Partnering Agreements: Introduction to the Partnering Agreement Scorecard.** The Partnerships Resource Centre: Rotterdam (2014).

Available at: https://thepartneringinitiative.org/wp-content/uploads/2014/11/Designing-Comprehensive-Partnering-Agreements_booklet-2014_FINAL.pdf

A guide that includes the Partnering Agreement Scorecard, a tool and structure for generating and assessing agreements that should fit most partnerships' initial needs.

4. Changing internally

- ▶ **"Are You Fit for Partnering?" The Partnering Initiative (TPI).** TPI (2019).

Available at: <https://thepartneringinitiative.org/training-and-services/supporting-organisations/fit-for-partnering>

A two-page checklist that helps NGOs and companies assess their institutional capability to partner.

- ▶ **"NGO Capability Scan".** PPPLab (2017).

Available at: <https://ppplab.org/2017/11/the-ngo-capability-scan/>.

A self-assessment tool that NGOs can use to explore their organisational readiness to engage in an inclusive business partnership.

5. Moving on or scaling up

- ▶ **Moving On: Effective Management for Partnership Transitions, Transformations and Exits.** The Partnering Initiative (TPI) (2009).

Available at: <https://thepartneringinitiative.org/wp-content/uploads/2014/08/MovingOn-Toolbook.pdf>

A publication offering guidance and tools for managing partnerships across four key areas: sustaining outcomes; moving on and the partnering cycle; transitions and transformations; and managing the moving on process.

- ▶ **Jacobs, F., Ubels, J. and L. Woltering. The Scaling Scan – A practical tool to determine the strengths and weaknesses of your scaling ambition.** PPPLab and CIMMYT (2018).

Available at: <https://ppplab.org/wp/wp-content/uploads/2017/11/PPPLab-Scaling-Final-17-10.pdf>

A publication addressing the concept of scaling development initiatives through cross-sectoral partnerships.

Further reading

- ▶ Endeava (2014). **Proving and Improving the Impact of Development Partnerships. 12 Good Practices for Results Measurement.**
Available at: <http://endeava.org/publication/proving-and-improving-the-impact-of-development-partnerships>
A report identifying 12 good practices for increasing the value of results measurement, and for reducing its costs to public- and private-sector partners.
- ▶ Gneiting U. (2017). **The Private Sector and the SDGs – Implications for Civil Society.**
Available at: <http://www.civicus.org/documents/reports-and-publications/SOCS/2017/essays/the-private-sector-and-the-sdgs-implications-for-civil-society.pdf>
An article based on an Oxfam America discussion paper, offering a critical NGO voice on applying the business case framework as private-sector entities seek to realise the SDGs.
- ▶ IFC (2017). **Investing in Women: New Evidence for the Business Case.**
Available at: <https://www.ifc.org/wps/wcm/connect/b184eb4c-fcd4-4d02-8dee-4dfb-od82edaa/IFC+Invest+in+Women+Octob+er+2017.pdf?MOD=AJPERES>
A report outlining the business case for investing in women and including them in value chains, highlighting quantitative evidence and best-practices examples from across the value chain.
- ▶ Koh H, et al. (2017). **Shaping Inclusive Markets. How Funders and Intermediaries can Help Markets Move Toward Greater Economic Inclusion.** FSG.
Available at: <https://www.fsg.org/publications/shaping-inclusive-markets>
A report outlining how NGO activities beyond the immediate scope of an IB partnership can contribute to creating an enabling environment or conducive ecosystem for IB.
- ▶ Ministry of Foreign Affairs of the Netherlands (DGIS) (2013). **“It’s none of your business! Or is it? How Business Opportunities in Developing Countries are Improved by Civil Society Organisations”.**
Available at: <https://www.netherlandsworldwide.nl/documents/publications/2017/01/19/ngos-and-sustainable-business-brochure>
A brochure aimed at companies that presents examples of the relevance of NGOs to fair and sustainable business practices in developing countries.
- ▶ Nahi, T. (2018). **Company-NGO Interaction for Poverty Reduction: Co-Creation of Inclusive Business.**
Available at: <https://aaltodoc.aalto.fi/bitstream/handle/123456789/32065/isbn9789526080611.pdf?sequence=1&isAllowed=y>
A PhD thesis discussing the practice of co-creation and the related hurdles that need to be overcome to combine business and development goals. It builds on an extensive literature review and active research on seven company-NGO inclusive business partnerships in India and Sri Lanka.
- ▶ **Promoting Effective Partnering (PEP).**
Available at: <http://www.effectivepartnering.org/>
A portal developed by various leading partnership organisations designed to improve the quality and effectiveness of SDG-oriented partnerships worldwide. The site offers resources on partnering theory and implementation.
- ▶ Prescott, D. and Stibbe, D.T. (2015). **Unleashing the Power of Business: A Practical Roadmap to Systematically Engage Business as a Partner in Development. The Partnering Initiative.**
Available at: <https://thepartneringinitiative.org/publications/research-papers/unleashing-the-power-of-business-a-practical-roadmap-to-systematically-engage-business-as-a-partner-in-development/>
A publication detailing an approach to engaging with business as a partner in development. It recommends five essential areas for action, with governments, development agencies, business organisations, and civil society all having a role to play.
- ▶ Prescott, D. (2014). **“Clearing the Language Barriers”.**
Available at: <https://businessfightspoverty.org/articles/clearing-the-language-barriers/>
A blog post offering insightful examples of differences in the language used by public (and NGO) and private-sector entities, and showing what a (joint) partnership definition might look like.
- ▶ PWC (2016). **Navigating the SDGs: A Business Guide to Engaging with the UN Global Goals.**
Available at: <https://www.pwc.com/gx/en/sustainability/publications/PwC-sdg-guide.pdf>
A practical introduction to the SDGs and their implications for business. A useful document to help NGOs understand how to engage with the private sector to achieve the SDGs beyond philanthropic cooperation.
- ▶ Reid, S. (2016). **The Partnership Culture Navigator: Organisational Cultures and Cross-Sector Partnership.** The Partnering Initiative, Oxford.
Available at: <https://www.thepartneringinitiative.org/wp-content/uploads/2016/03/PC-Navigator-v1.0.3.pdf>
A practical guide aiming to help users navigate the challenges of dealing with different organisational cultures when working in cross-sectoral partnerships.
- ▶ Silverman L., and Taliento L. (2006) **What Business Execs Don’t Know – But Should – About Nonprofits.** Stanford Social Innovation Review.
Available at: https://ssir.org/articles/entry/what_business_execs_dont_know_but_should_about_nonprofits
A document on the origins of misalignment and misunderstandings related to timeframes and other mindsets when business leaders engage with non-profit organisations.
- ▶ UN Global Compact, ILO (2017). **Guide For Business On The Rights Of Persons With Disabilities.**
Available at: https://www.ilo.org/wcmsp5/groups/public/-/ed_emp/-/ifp_skills/documents/publication/wcms_633424.pdf
A guide for companies addressing the rights of people with disabilities, the positive role business can play, and the business case for inclusive employment.
- ▶ Vorley, W., Lundy M., MacGregor J. (2008). **“Business models that are Inclusive of Small Farmers”.** IIED, London.
Available at: <http://pubs.iied.org/Go2340/>
A paper describing a range of business models that improve inclusive market development and fair and durable trading relationships between small-scale farmers and modern agribusinesses.
- ▶ Wach, E. (2012) **Measuring the “Inclusivity” of Inclusive Business.** IDS Practice Paper 9.
Available at: <https://www.ids.ac.uk/publications/measuring-the-inclusivity-of-inclusive-business/>
A paper offering a critical and comparative analysis of some of the current approaches and frameworks for evaluating inclusive business impacts.



Case studies



Case Study

World Vision International, Royal DSM, and Sight and Life Foundation

Executive summary

In 2013, World Vision International (WVI) and Royal DSM established a partnership with the aim of improving the nutrition of people in Africa and Asia through multiple stakeholder projects. After collaborating for four years on such a project in Tanzania, the partners renewed their partnership agreement and invited the Sight and Life Foundation, a “think and do tank”, to join.⁴⁷ In this next phase of the partnership, the three organisations have focused on innovative business models that increase the availability, affordability, accessibility, aspiration for, and adequate consumption of nutritionally improved foods by people at risk of micronutrient deficiencies.

This case study focuses on one of the projects, namely the business model pursued in Rwanda. The aim here has been to contribute to nutrition improvements while simultaneously supporting local farmers by increasing the efficiency of local maize-production supply chains.

Lessons from this partnership

1. Developing a partnership in phases enables learning and allows the inclusive business model to be adapted to new contexts.
2. Partnerships need accountability frameworks and systemic steering mechanisms, with all partners involved at all levels.
3. Partnering on an inclusive business differs from conventional project engagement, and requires NGOs to develop new internal systems, tools, and the skills to engage with the private sector.

About the partnership

The objectives of the partnership

From the start, this partnership focused on finding and testing innovative ways of addressing malnutrition. The work began with a pilot in Tanzania (2013-2016) that centred on the production of fortified maize flour by medium-scale millers in Dar es Salaam. In 2017, World Vision International, DSM, and Sight and Life signed a new agreement to implement a new project now operational in Rwanda, the focus of this case study.

The focus of the partnership in Rwanda is to build innovative supply chains to improve efficiency in the maize value chain, thus giving farmers more money and time. In parallel, it sought to expand the availability and accessibility of affordable fortified staple foods in East Africa and increase their consumption by mothers and children.

The business and social-impact case

In 2017, WVI, DSM, and Sight and Life shifted their efforts to Rwanda to work with Africa

Improved Foods (AIF) – a joint venture between DSM, the Rwandan government, and international investment partners that produces nutritious foods for the local population. In Rwanda, AIF sources high-quality soybeans and maize from smallholder farmer groups and cooperatives supported by the partnership, as well as by other NGOs and suppliers.

A significant share of the final products are sold to institutional buyers such as the Rwandan government and the World Food Program, who make the products available to malnourished women and children in Rwanda along with beneficiaries in the broader region. AIF also launched a commercial brand, Nootri, in East Africa for different market segments, with the aim of distributing Nootri to low-income customers. Profits accrued from Nootri products (generally from items sold to customers outside of the lower-income market segments) are meant to cross-subsidise the “non-profit” products.

As of June 2018, almost 4,500 farmers from 20 cooperatives supported by WVI were acting as suppliers to AIF, representing a 65% jump in the supply of high-

quality maize provided to AIF by the cooperatives.⁴⁸ This also left more money and time in the hands of farmers. In total, AIF currently feeds 1.5 million children and sources from 24,000 Rwandan farmers.

The partners involved and their motivation

For **DSM**, collaboration with WVI is part of the company's long-term inclusive business strategy of using its expertise and products to address malnutrition at a large scale. The ability to harness WVI's presence, networks, reach, trust by the people on the ground, and know-how on issues of inclusion makes DSM's objective realistic and its inclusive business endeavour viable. With its mission to fight malnutrition, the DSM-affiliated think tank **Sight and Life** aims to contribute to the development of innovative solutions through the partnership.

Through the partnership, **World Vision International** ensures that its stakeholders on the ground, including farming cooperatives in the Rwanda case, have an opportunity to obtain a stable income and equitable access to markets. WVI is furthermore motivated by knowing that the end product helps undernourished women and children – especially the most vulnerable, thanks to the government safety-net programme.

How they work together

Currently, the global partnership between World Vision International (WVI), DSM, and Sight and Life focuses on support at the local level. The most advanced specific project is in Rwanda, and involves WVI, AIF, and Kumwe Harvest's local offices. Kumwe Harvest works to facilitate the sustainable sourcing of high-quality maize from Rwandan farming cooperatives, in part by improving post-harvest infrastructures and creating a local market for fortified products.

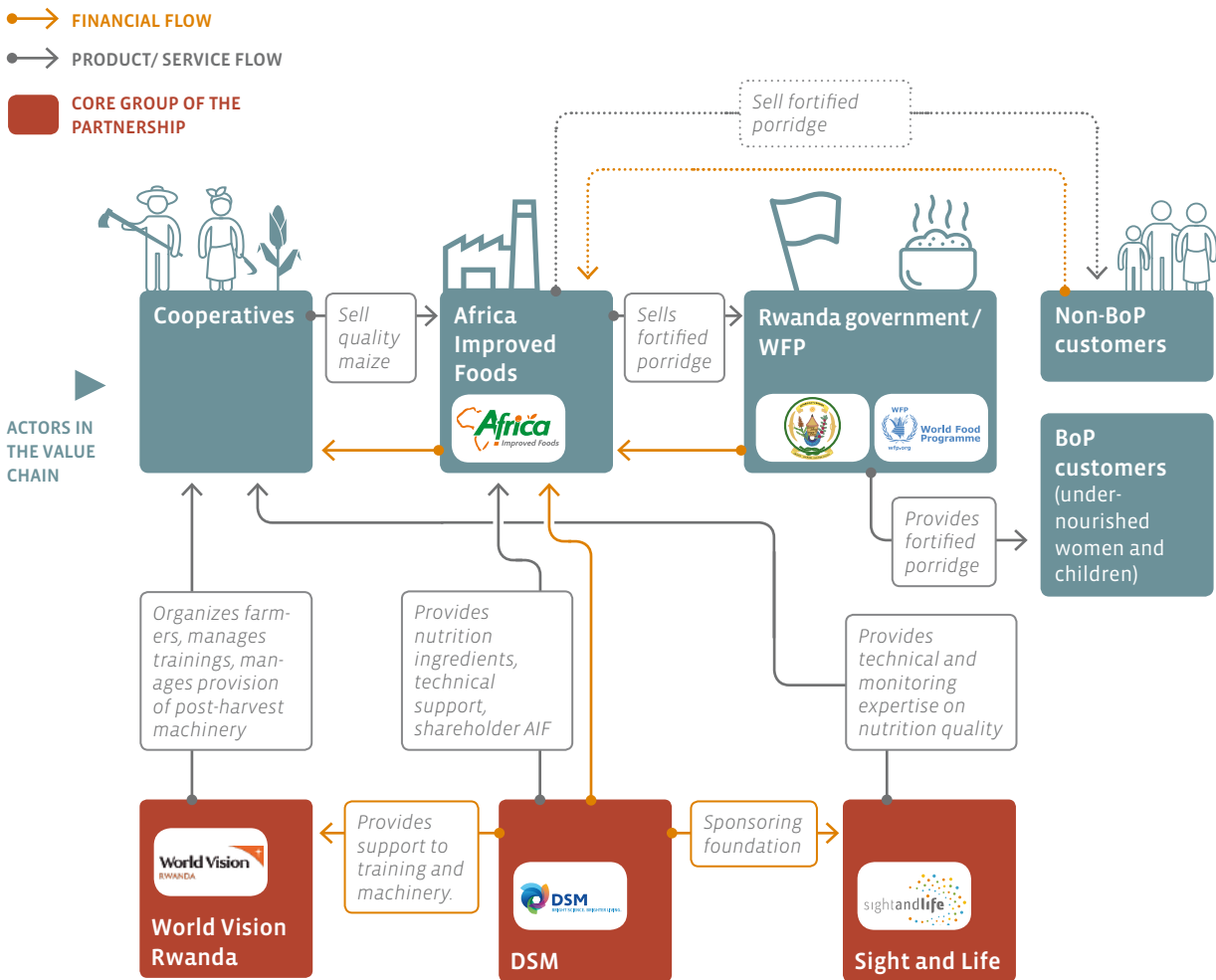
► **World Vision International** has been working in Rwanda since 1994. Their long-term presence in the country means that local staff members are trusted by local governments and local communities. Such networks give the partnership access to maize farmers and to potential customers for the fortified foods. In addition, the group's expertise in local agricultural and training issues have proved vital; over the course of the project, World Vision has been responsible for mobilising farmers, organising cooperatives, and providing training on post-harvest produce handling.

“Initially in Tanzania, both DSM and WVI put in 50% cash each and contributed with compatible amounts of in-kind staff time. That was perceived as the starting point of creating shared value at the time. Later we realised that when creating shared value, the primary focus should be on getting business results and social results, independent of investment proportions”.

Marina Adamyan, Director New Business & Partnerships, WVI

- **DSM** and the joint venture partners invested \$60 million in AIF. These investments were directed across the value chain, and included resources for building the factory, creating the organisational structure, paying employees, and improving efficiency and logistics from farm to fork. The latter supply-chain area is where the partnership fills an important and unique role. DSM invested in and funded the pilot, with WVI's Rwandan office. To manage the transfer of funds, an operational service agreement was signed with World Vision's Rwandan office. Through AIF, DSM reduced the post-harvest work for farmers by setting up collection centres that saved farmers transport costs and time. DSM ensured market linkages by being the largest shareholder of AIF, which buys the produce from the farmers. DSM and AIF also collaborated with other NGOs in Rwanda to secure the supply of high-quality maize and soybeans that were enriched with healthy micro-ingredients and processed into nutritious foods for the most vulnerable.
- **Sight and Life** offers no-charge technical expertise and monitoring services to help AIF ensure the quality of the maize, and to ensure that the produce is free from the aflatoxin mould fungus. Sight and Life also provides monitoring and evaluation services.

The partners involved and how they work together



The way forward

The current partnership project in Rwanda, as part of the overarching global partnership between DSM, World Vision, and Sight and Life is focused on the supply side, supporting farmers in order to improve the overall availability of high-quality staple foods and help the farmers gain access to markets. Based on this proven inclusive business case in Rwanda, World Vision wants to attract external funding to scale up AIF’s sourcing from local smallholder farmers. Once the capacities to produce the required quality and quantities are in place, the partnership’s focus may shift to using micro-distribution of AIF products, including to farming communities, to strengthen rural demand for nutritionally improved foods.

“We have seen the impact the project has, which goes beyond nutritious food. There’s value flowing through the value chain, which makes it interesting for everyone. In that way we create brighter lives for all”.

Florentine Oberman, Partnerships Manager, DSM

Key insights and lessons from the partnership

1. Developing a partnership in phases enables learning, and allows the inclusive business model to be adapted for new contexts

The current partnership between Royal DSM and World Vision International built on lessons from the first phase of the partnership, which was implemented in Tanzania between 2013 and 2016.

The roles assigned to each partner were clear: DSM was to provide fortification ingredients, while WVI was to establish the fortification system. To do so, World Vision mobilised 300 millers, encouraging them to fortify their products. However, the partners were working on the basis of many untested assumptions, and the millers lacked market incentives for fortification. The Tanzanian government did not have policies in place encouraging small and medium-sized millers to fortify their products, and had no incentive for creating such policies. Technology for fortification was costly, and could only be subsidised during the pilot stage. Moreover, World Vision was operating outside its traditional programming area and core competence of organising farmers, while DSM had no physical presence in country and thus could not leverage its role to influence the government's fortification policies.

A review of this test phase in Tanzania offered constructive lessons, including a better understanding of the problem areas brought up by the project, and how the partners were or were not able to address them.

The lessons derived from the experiences in Tanzania led the partners to pursue a different approach and structure in Rwanda. Rather than

“Originally, accountability levels were not clear. We are now curating the development of a local steering committee with a role of holding on the ground teams accountable”.

Marina Adamyan, Director New Business & Partnerships, WVI

“When we started in Tanzania, we jumped straight into implementation. This was in line with our existing capacities, but we had little understanding of our limitations, and there were too many external factors that we didn't consider”.

Marina Adamyan, Director New Business & Partnerships, WVI

focusing on small-scale millers, DSM invested in creating a social enterprise, AIF, and on providing nutrition ingredients for the fortification of maize at the factory level. World Vision International built on its strengths and history of supporting the country's smallholder farmers to make sure this community could supply the necessary quality and quantity of maize to AIF.

The partners are additionally taking lessons learned in Tanzania and Rwanda and using them to launch an egg-value-chain innovation project in Indonesia. Again working together, DSM, Sight and Life, and World Vision International aim to focus on the introduction of fortified chicken feed, so that higher quality eggs will become available on the local market. Meanwhile, social marketing aimed at increasing the demand for and the consumption of eggs is being introduced alongside the production efforts.

In the second half of 2019, the partners are also planning to launch a pilot project relating to the micro-distribution of nutritionally improved foods in Brazil.

2. Partnerships need accountability frameworks and systemic steering mechanisms, with all partners involved at all levels

In 2017, project leaders from Sight and Life, DSM, and World Vision established a global-level steering committee and a formal relationship-management structure. However, for the project to be effective and to ensure internal buy-in at all levels, a local-level steering committee was also needed for direct decision-making functions and to engage with local external stakeholders. This created a national-level governance structure in which all partners



could demonstrate their equal commitment to contributing to the project's outcomes. A formal partnership agreement between World Vision, AIF, and Kumwe (the logistics company), containing clearly defined roles, responsibilities, and commitments, has helped World Vision overcome difficulties it might otherwise have as an NGO in partnering with private companies.

3. Partnering on an inclusive business differs from conventional project engagement, and requires NGOs to develop new internal systems, tools, and skills to engage with the private sector

When the partnership started in Tanzania, World Vision International initially conceived its role as following a conventional NGO approach; that is, developing a proposal that included spending a small amount of grant funding, and subsequently serving in a project-management role.

For the next phase in Rwanda, the partners selected a different structure and approach. This time, World Vision International and DSM collaborated when designing the project's approach, and again when testing and revisit their assumptions to ensure the business model would have a better chance of success. As WVI Director of New Business and Partnerships Marina Adamyan explained, "An additional key mutual learning was to do a reality

check on the many assumptions we had, and also ask ourselves as an NGO: 'What is in it for each partner?'" As a part of this process, the partners developed a planning and assessment tool that captured essential elements of success; this helps to identify precisely how a given cross-industry partnership is adding value for each partner organisation, with reference to the organisation's mission and strategy. For an NGO like World Vision, this also helps to address internal questions about the overall relevance of collaboration with the private sector, and subsequently helps to secure internal buy-in. For World Vision, "do no harm" and "inclusion" have been key non-negotiable principles in the organisation's engagement with the private sector. Based on their experiences with DSM, World Vision realised the importance of developing safeguards to protect these principles and worked to train their operations-level staff in the development of interest-based negotiation skills for future interactions with business actors.



Case Study

ICCO Cooperation and Olvea Burkina Faso

Executive summary

ICCO Cooperation, a Dutch international NGO, and Olvea Burkina Faso (Olvea BF), a shea-nut production and processing company, joined forces to develop inclusive value chains for organically produced, fair-trade shea nuts from West Africa. ICCO Cooperation provides technical assistance to both Olvea BF and the nut-collector cooperatives involved. The partners have been able to build a solid business and social-impact case. ICCO promotes the model to potential financial partners, and also disseminates the lessons learned within the Global Shea Alliance. ICCO's activities for the Alliance are not a formal part of the partnership but do support the inclusive business ecosystem in the niche where Olvea operates.

For ICCO, this flagship partnership with Olvea marked the beginning of a series of public-private partnerships (PPPs) together with the government of the Netherlands in the agricultural sector that ICCO has been designing in West Africa since 2009.

Lessons from this partnership

1. The value added by the NGO must be tailored to the needs of the company partner and the smallholder farmers.
2. A trial phase can be a valuable step before entering a formal partnership.
3. NGOs should build in an exit strategy from the start and communicate this clearly to their partners.
4. Partnering with the public sector can bring advantages and disadvantages for IB partnerships.
5. A partnership is not the only way to build the ecosystem for inclusive business.

About the partnership

The objectives of the partnership

The goal of the ICCO-Olvea BF partnership is to develop a sustainable supply chain for Olvea BF, in which the company sources high-quality shea nuts from cooperatives in Burkina Faso and Mali for use as an ingredient in the cosmetic industry. There is a high level of local and international demand for shea. In West Africa, it is called "women's gold". In Burkina Faso, for instance, about 50% of rural women are engaged as shea nut collectors and processors, so there is tremendous potential to improve their livelihood.

The business and social-impact case

To unlock this business potential for Olvea BF and the cooperatives, inefficiencies in the supply chain are addressed by providing support to women collectors and their cooperatives, with more than 35,000 women having benefitted to date. These cooperatives in turn supply Olvea with organic/fair-trade shea nuts that have a consistent product quality and are Fair-for-Life certified.

The social-impact case is predicated on enabling the collectors to become self-confident market actors with a stable and trusted buyer and a fair additional source of income, and on helping their cooperatives become independent business partners with Olvea BF. The transparent, above-market prices from Olvea enable the collectors to invest in community and social development activities and allow them to finance their own capacity development.

The partners involved and their motivation

Olvea BF's motivation in entering the partnership with ICCO was to address inefficiencies in the supply chain and secure a supply of high-quality shea nuts in the quantity it needs. Olvea BF is also driven by a social mission to provide shea nut collectors with a stable income.

ICCO focuses on the economic empowerment of smallholder farmers, food and nutrition security and responsible business. Through the partnership, ICCO supports inclusive shea value chains.

How they work together

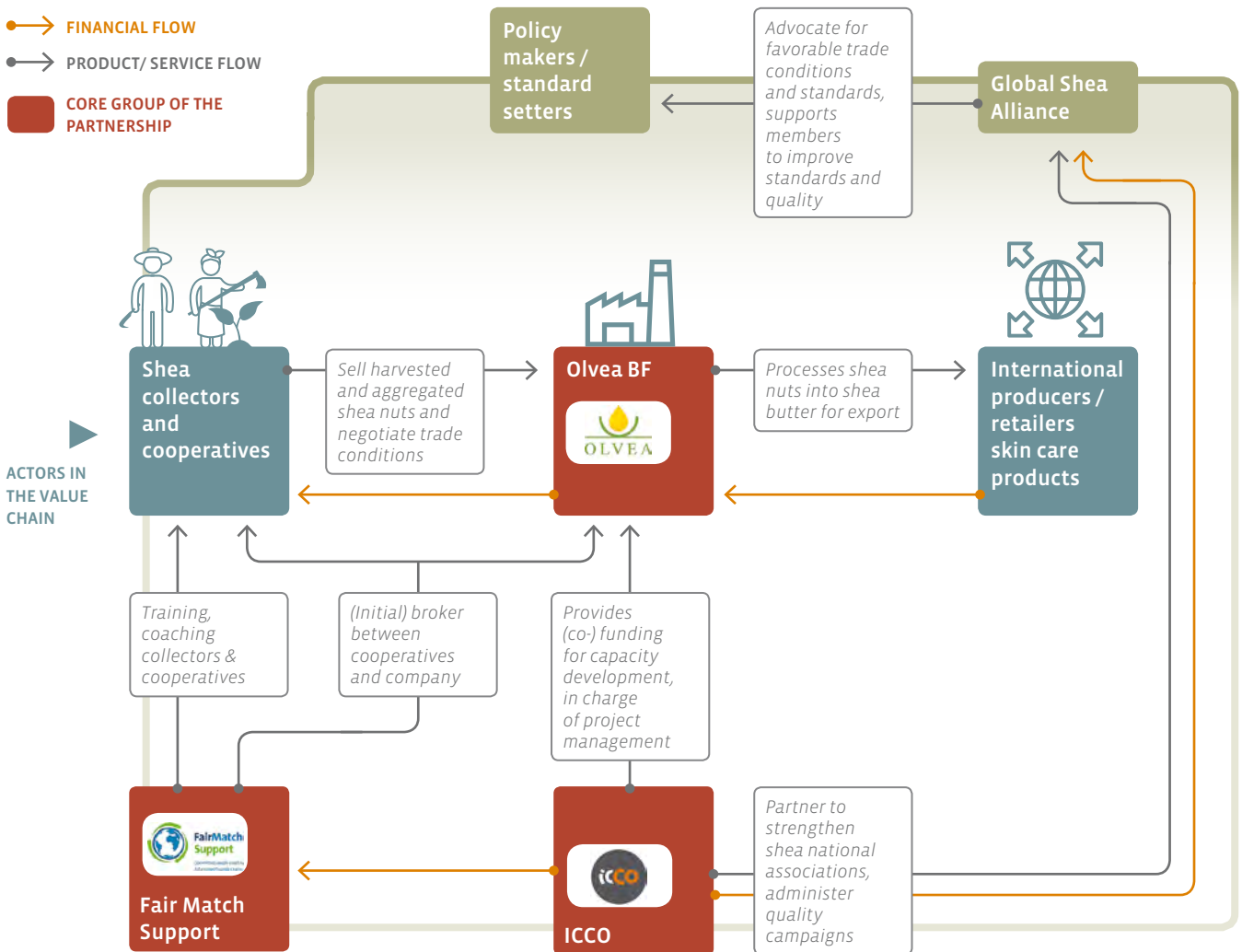
The partnership is managed and implemented by ICCO and Olvea BF in collaboration with Fair Match Support (FMS), a business-development service provider with expertise in supply-chain development issues. The three core partners play complementary roles.

► **ICCO** is Olvea's primary development partner in the partnership. Part of the NGO's social mission is to support inclusive value chains, including in the shea-nut market. ICCO has a regional office in West Africa and provided Olvea with access to local networks of potential suppliers and national shea associations. ICCO had previously helped establish these entities. The NGO further brought FMS into the partnership, covered that entity's costs, and co-funded the project's initial high-risk activities, initially using its own resources. ICCO currently takes the lead in sourcing new (co-)funding from public-sector partners and is responsible for administrative and financial project-management activities. ICCO also helps strengthen the partnership's broader business ecosystem by supporting the establishment of national shea business associations in West African countries. It has also worked with USAID to provide institutional support to the Global Shea Alliance. This multi-stakeholder platform develops and lobbies for proper global standards and policies in the sector.

- **Olvea Burkina Faso** is a production unit and processing plant for shea butter. It is a subsidiary of the France-based Olvea Vegetable Oils, which produces organic, sustainable, and fair-trade oils for the cosmetics, pharmaceutical, and food industries. The company supplies L'Oréal, among other customers. Olvea BF was established in 2007. Initially, the firm purchased shea nuts in bulk quantities from traders, but were disappointed with the volumes provided and the low average quality. In order to establish better control over their supply chain, Olvea BF entered the partnership with ICCO and FMS. Olvea now offers to buy the shea nuts from the cooperatives based on collaboration protocols that give them a long-term guarantee. Olvea BF also processes and exports the butter. Olvea is a member of the Global Shea Alliance and participates actively in working groups on quality and sustainability.
- **FMS** acts as a facilitator and broker within the shea nut supply chain. Like other service providers supporting this partnership, it works to train and coach women collectors and their cooperatives on technical, marketing, organisational, and governance issues. For Olvea, FMS acts as an information broker between the buyer and its suppliers, and has set up a payment system for the high-quality shea nuts.



The partners involved and how they work together



The partnership is co-funded by ICCO and Olvea, with additional funding provided by the Dutch government. The external funding covers certain infrastructural investments, development and training costs, and the staffing costs incurred by FMS and ICCO.

The way forward

The success of the initial partnership made Olvea and ICCO more attractive to donors. Based on its long experience working with ICCO, Olvea BF is now better able to partner with other NGOs as well. The current project will be concluded in 2019. By that time, ICCO will have phased out its involvement. However, the collector cooperatives and Olvea will continue their business relationship. Olvea and ICCO will continue to engage with one another through the Global Shea Alliance.

Key insights and lessons from the partnership

1. The needs of the company partner define the actual value added by an NGO

ICCO got in touch with Olvea BF in 2010 to offer the company support in structuring its supply chain. For Olvea, it was important to have an NGO partner that shared its demand-based market philosophy, and which was not merely focused on increasing production and supply. This was because in the past, fluctuations in market demand had led prices to drop dramatically, meaning that the shea nuts collected and the butter produced were wasted. In the end, ICCO's understanding of this market-based approach was a key factor in the company's decision to enter the partnership, ranking higher than ICCO's local footprint, knowledge about West Africa, or experience with the shea value chain, for example.

Thanks to the technical support provided by FMS and the managerial and (co-)funding support offered by ICCO, Olvea is today certifying large volumes of shea nuts that meet their quantitative and qualitative requirements. ICCO's access to local suppliers has been a significant asset in this process; moreover, the NGO's access to high-risk grant funding allowed it to finance a vital trial phase. In addition, ICCO has managed the supporting donors' reporting requirements, which are a big challenge and too time-consuming for Olvea.

2. A trial phase can be a valuable intermediate step before entering a formal partnership

When FMS and ICCO got in touch with Olvea BF in 2010, the company was not initially eager to get involved with NGOs. It was sceptical that a non-profit actor could provide effective support to the company's market approach. In addition, it was not yet clear what added value ICCO could contribute. To get started, ICCO proposed to test the partnership for a year, and offered to bear the costs involved. For the company, this translated into a venture with low costs, little risk, and no reporting requirements. The first concrete results were promising, and the trial phase ultimately helped to create internal buy-in needed. As a result, the relationship was formalised.

“In our experience, many NGOs focus only on small-scale producers rather than on the entire value chain, and don't look at the market potential. Olvea strongly believes that there is a business and a social case in encouraging thousands of women to produce shea butter, provided they have access to a proper market”.

Christophe Godard, Sustainability Value Chain Manager, Olvea

3. NGOs should build in an exit strategy from the start

From the beginning of this partnership, it was always clear that the roles played by ICCO and FMS would be temporary. In fact, ICCO's activities were oriented towards making itself unnecessary in the process. From the outset, ICCO, FMS, and other smaller service providers were focused on building the producer organisations' capacity to meet the company's requirements. The ultimate objective was to give them the ability to manage their business relations with Olvea independently.

ICCO never directly negotiated with Olvea regarding market issues such as the price to be paid for the produce. Rather, the NGO provided the producer organisations with information enabling them to do

“There is always an exit strategy for ICCO and for any external donor. The message is that cooperatives should not depend on donor money. But it is hard to make that message when other donor agencies are around in the country that come in with free money”.

Ataoulaye Bah, Programme Officer Economic Development Programmes, ICCO West Africa

so effectively. FMS played a key role in this process. From ICCO's perspective, the cooperatives' willingness and ability to take on market risks was an essential aspect of their transition to becoming full business partners. However, the NGO also believed that an economic incentive was needed to justify these risks, in the form of a greater reward for a better product. For this reason, ICCO supported Olvea's initiative to pay above-market prices to producer organisations in return for higher-quality nuts.

“It’s a mistake to think that cooperatives cannot take risks. If this were the case, they could not become business partners! You need to make sure that risks are shared among the different partners, rather than putting all the risk on the company. Otherwise the cooperative doesn’t have any incentive to do better”.

Ataoulaye Bah, Programme Officer Economic Development Programmes, ICCO West Africa

The services and market-development benefits contributed by ICCO and FMS were ultimately structured so that they could continue even after the partnership's end. For instance, ICCO and FMS asked the cooperatives from the beginning to set aside a small portion of extra income derived from Olvea's above-market prices, and to reinvest these funds in training and equipment, which were costs covered by the NGO during the partnership's initial phase.

4. Partnering with the public sector can bring advantages and disadvantages for IB partnerships

In this particular shea partnership, the core partners are Olvea and ICCO. However, the partnership also required additional financing from third-party donors. The Dutch government took this role. This presented advantages and disadvantages, since as a donor, the government also had influence on the project's activities and decisions. On the positive side, the donor required the partners to address the possibility that child labour might be employed in the value chain. Olvea already pays attention to this and other human- and labour-rights topics in its contracts, its discussions with cooperatives, and

in its field-monitoring practices. However, thanks to this requirement and the funding provided, ICCO was able to go a level deeper and organise workshops and training sessions on this subject for the cooperatives. On the negative side, as part of its funding criteria, the donor required that Olvea and ICCO involve a local public-sector actor as a partner in the project. However, Olvea found that this public-sector actor did not have the capacities to play the necessary role. It did not execute the activities agreed upon, thus complicating the project's implementation. Ultimately, Olvea elected to take over the job that the public-sector partner was supposed to perform, covering the extra staffing costs involved itself.

5. Partners can have different motivations to engage in ecosystem strengthening

The partnership between Olvea BF and ICCO is designed to build an inclusive business in a niche market. However, ICCO views strengthening the overall ecosystem and ensuring the market's stability as key elements in sustaining inclusive shea value chains more generally. For this reason, the NGO also supported the establishment of national shea associations in West Africa and worked to strengthen the Global Shea Alliance (GSA). It has been able to draw on its experiences at the local level to develop policies responsive to the interests of local collectors and their cooperatives. The Global Shea Alliance was originally focused on lobbying for shea to be accepted as a cocoa-butter equivalent in the United States. Since Olvea produces shea butter only for the cosmetics industry, the company initially saw no reason to join the alliance. However, with GSA today becoming more visible, the company's clients increasingly expect Olvea to be a member. Olvea is now active in GSA working groups on sustainability and quality. As a side benefit, GSA membership also provides access to funding for activities aimed at improving relationships with suppliers. Thus, Olvea's and ICCO's interests and experiences have, in some senses, converged within the GSA.

“Without ICCO we would not have come as far as we are now with the shea value chain”.

Christophe Godard, Sustainability Value Chain Manager, Olvea



Case Study

Arla Foods Ingredients, DanChurchAid, GAIN Nordic, and the Confederation of Danish Industry

Executive summary

Arla Foods Ingredients, the Global Alliance for Improved Nutrition (GAIN), DanChurchAid (DCA), the Confederation of Danish Industry (DI), and several other partners established GAIN Access to Better Dairy partnership in 2017 with funding from Denmark's development cooperation agency, Danida. The partnership aims to improve diets among children and mothers in Ethiopia by introducing an innovative, locally produced, safe, and fortified dairy product to the market. In parallel, the partnership is also intended to improve livelihoods among the country's smallholder farmers.

Lessons from this partnership

1. Corporate partners' motivations can be complex, going beyond the business case.
2. Good marketing and communication can help in winning internal support for the partnership.
3. Clear roles and a division of work streams makes a partnership more efficient, but this also requires close alignment and coordination.
4. Working together to satisfy a joint funding partner's requirements can help partners align their visions and measurement systems.
5. Partnerships can change organisations internally.

About the partnership

The objectives of the partnership

GAIN Access to Better Dairy involves various GAIN Nordic members. Its goal is to improve diets in Ethiopia, particularly among children and lactating women, by introducing an affordable, nutritious, and locally produced yogurt to be sold to consumers with low incomes. The initiative works across the entire value chain, including smallholder farmers, dairy processors, distributors, sales agents, and consumers. The aim is to bring the product to market by 2019/2020.

The business and social-impact case

The business model of the partnership is centred on a local value chain and business-to-business interactions between two local dairy processors, Loni Dairy and Rut & Hirut Dairy, and the global dairy company Arla Foods Ingredients (AFI). The concept of developing a fortified yogurt was developed jointly by all partners. This activity was seen as a way of expanding AFI's market for affordable and nutritious products. If successfully implemented, the partnership will also increase smallholder farmers' incomes by giving them a premium price for higher-quality milk, while improving access to nutritious food for mothers and children.

The partners involved and their motivation

The partnership is managed by GAIN, and led by four partners that form the core group: GAIN and DCA, both of which are NGOs, the multinational whey company AFI, and the Confederation of Danish Industry. All core partners are members of GAIN Nordic, a multi-sectoral platform established in 2013, and have the common goal of improving nutrition.

The two local dairy processors were motivated to join the partnership by the prospect of increasing their revenues, largely by expanding their product ranges and optimising their production standards and processes. However, they also share the partnership's broader values, and are driven by the social mission of improving the health of children and mothers in Ethiopia.

DCA and GAIN see the partnership as an opportunity to provide a nutrition-rich food for children and lactating mothers, and to help smallholder farmers earn higher incomes. DCA, whose previous experience working with local farmers has helped further the project's aims, additionally joined the partnership to gain experience working with private-sector entities and inclusive business models. In addition, the NGO sees the partnership



as a means of inspiring others to develop similar value-chain partnerships across the globe.

AFI has a number of reasons to invest time and resources in the partnership. The company sees it as a strategic investment in its core business, as the venture is helping it build strong relationships with local dairy processors and develop the Ethiopian dairy market. In addition, the project is viewed as a strategic corporate social responsibility (CSR) initiative that helps the company develop the local food sector, and as an employee engagement and retention strategy, especially for young, purpose-driven employees.

How they work together

Each of the four core participants in the GAIN Access to Better Dairy partnership leads one of the project's work streams.

- ▶ **GAIN** is responsible for the overall management of the partnership, and takes the lead on demand-creation activities. It conducts market studies aimed at identifying where and how the fortified yogurt can best be sold, and at determining how to create awareness regarding the importance of nutritious food for children and lactating women.
- ▶ **AFI** works closely with the local dairy processors to optimise production standards and processes. The company also trains the processors on yogurt production techniques, and shares technical details regarding recipe development and product testing.
- ▶ **DCA** works closely with the dairy farmers to improve milk quality and ensure a consistent supply. To this end, DCA collaborates with a local civil-society organisation that provides community mobilisation and outreach support. DCA

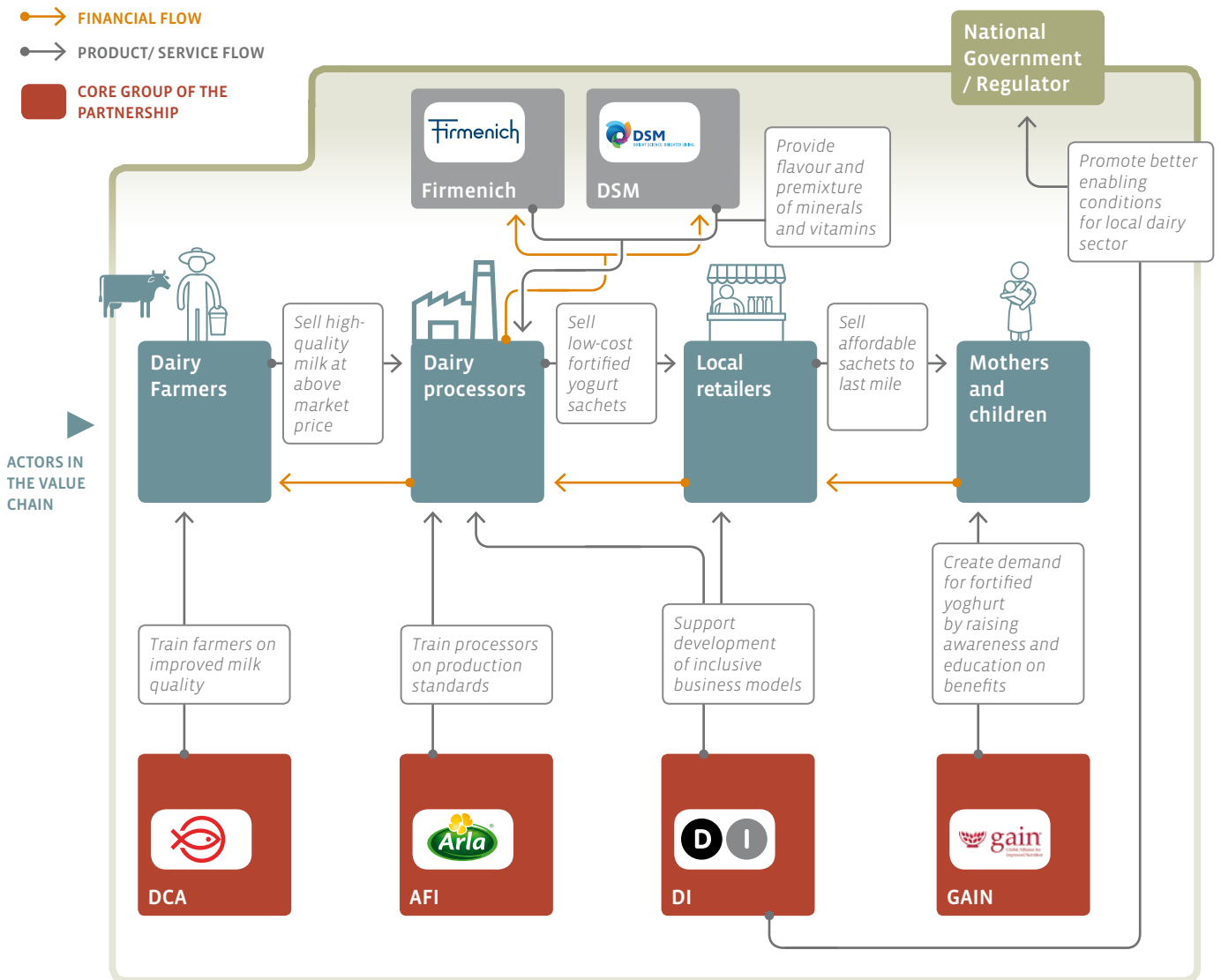
also documents and shares the experiences and lessons learned by the value-chain initiative.

- ▶ **DI** supports the local dairy processors by developing business cases for their sale of the product in the Ethiopian market. In addition, collaborating closely with the Addis Ababa Chamber of Commerce, DI has led efforts to promote better enabling conditions for the local dairy sector. This work has focused on advocating for better quality-control systems for milk, as well as for reductions in import taxes for specialised ingredients in order to make the yogurt more affordable.

The partnership is largely funded by Danida Market Development Partnerships (DMDP), a programme operated by Danida, Denmark's development cooperation agency. This entity contributed a total of €1.45 million to the project. The Danida funding is used to fund the work of the non-commercial partners (GAIN, DCA, and DI) and local NGO partners. As per the DMDP guidelines, none of the Danida funding goes directly to the company partners in the initiative. Arla Foods Ingredients makes in-kind contributions and contributes some financial resources, and the local dairies invest in the initiative by contributing their time and equipment.

Before starting the project, DCA led the process of conducting an SDG-focused impact assessment, seeking to identify potential adverse impacts across the value chain, from the point of sourcing to consumption. As of November 2018, the partners had finalised the fortified yogurt's recipe, and developed a small-scale packaging solution in the form of sachets. A total of 400 smallholder farmers had been selected to receive targeted support on livestock-management and milk-quality practices, in part through links to local processors.

The partners involved and how they work together



The way forward

As a next step, the partners need to develop the product branding and marketing strategies and complete the capacity-building process with the local dairy processors. The local dairies need to procure machinery to produce the fortified yogurt. In parallel, the partners will develop a business model for the product's last-mile distribution. They will take the product to market, initially testing its acceptance among different customer groups. The fortified yogurt is expected to be available in 2019/2020. It is intended to be affordable for customers with low incomes, while simultaneously increasing incomes for dairy farmers and local retailers.

Key insights and lessons from the partnership

1. Corporate partners' motivations can be complex, going beyond the business case

AFI has multiple reasons for investing time and resources in the partnership. The company sees it as a long-term business opportunity that can become profitable after five years, thanks to product sales. In addition, the project helps AFI strengthen its core business by helping it build strong relationships with local dairy processors. In the future, the company could also partner with these processors to create products targeting customer segments that offer greater profit margins. AFI also sees the partnership as a strategic CSR initiative that helps it develop the local food sector; because the company buys and sells dairy products, it will also ultimately benefit if this market becomes more robust. Lastly, the project helps AFI align with the strategic orientation of core clients such as Unilever, and serves as an employee engagement and retention strategy, especially for younger, purpose-driven employees.

“For us, there are several elements in this project. If only viewed as business case, we probably would not do it”.

Charlotte Sørensen, Senior Project Manager, Arla Foods Ingredients

“Economic viability is key for sustained success, but partners need to be motivated by the greater good and have a common overarching goal. It is important that each partner recognise how their core expertise is an essential contribution to the new solution”.

Charlotte Pedersen, GAIN Nordic lead.

2. Good marketing and communication can help in winning internal support for the partnership

The GAIN Access to Better Dairy partnership demonstrates the power of proper marketing and communication to position the partnership both externally and internally. Producing good communication materials in the form of video content and informational brochures was critical in positioning the partnership as a flagship initiative for the main funder, Danida, thus strengthening this entity's commitment. DCA played an important role here by using its networks and communication channels to spread the word and communicate information regarding the project's progress and lessons learned.

Proactive communication also helps to generate internal buy-in and support for the partnership, by educating employees within the partner entities themselves on the rationale for investing in the initiative. AFI, for example, invited senior GAIN and DCA employees to speak to its employees about the impact of the partnership and the importance of nutrition for children's development. Other members of the initiative have hosted similar sessions, a practice that has also helped strengthen the relationships between partners.

However, active communication efforts can also carry some risk, especially in the initial phases of a partnership when results have not yet been achieved. For example, over-optimistic marketing could raise beneficiaries' expectations to unrealistic levels, or create a reputational risk for participants if the project is unsuccessful. Transparent communication that includes lessons learned even from failures helps maintain the initiative's credibility, and is often more useful for the purposes of scaling or replicating the model than are pure success stories.

3. Clear roles and a division of work streams makes a partnership more efficient, but thus also requires close alignment and coordination

Each core partner in the GAIN Access to Better Dairy initiative leads one of four work streams, internally known as downstream, midstream, upstream, and enabling environment. Lead partners are responsible for managing activities in their work stream and reporting back on achievements. The work-stream leads were selected based on their expertise and

“Partners often think they are aligned, but move in different directions. Our regular monthly calls and in-person meetings are critical to make sure our activities complement each other. It also helps partners see the bigger picture and know what others are working on. In hindsight, we should have spent even more time on internal alignment in the beginning”.

Gry Saul, Advisor, DI International Business Development

capacities, and provided with support by other partners as needed. Several topics such as business-model development cut across work streams, and are thus addressed in a more collaborative manner.

This division of responsibilities allows work-stream leads to work efficiently. However, there is also a risk of insufficient coordination. Having a mission and strategy that guides partners is therefore important, and monthly update calls and in-person meetings have proved to be vital tools with regard to keeping activities coordinated and ensuring that knowledge and insights are shared between the work streams.

A clear task division of this kind requires partners with complementary skills and capacities. According to DCA Head of Private Sector Engagement Gitte Dyrhagen Husager, this complementarity has another benefit as well: “The more different the partners are, the easier it is to come together as partners and find solutions”.

4. Working together to satisfy a joint funding partner’s requirements can help partners align their visions and measurement systems

The GAIN Access to Better Dairy initiative is largely funded by Denmark’s development cooperation agency, Danida. All partners acknowledged that without this funding, largely secured by GAIN Nordic, the partnership would not have been realised. In particular, the funding ensures that the partners can focus on developing an enabling business environment. For example, they can work on capacity-building projects for farmers, or develop materials raising awareness of the importance of nutrition for children.

The accountability to a third party also helped the core group align their visions and measurement systems. Partners spent considerable time developing

a results-reporting framework based on Danida’s requirements, and are now jointly able to measure and report on their progress. “The fact that we have a third party that we need to be accountable to makes the whole difference in this partnership, and brings us closer together”, says the DCA’s Gitte Dyrhagen .

However, being dependent on donor funding also entails challenges. Danida expects partners to develop a sustainable business model within the short timeframe of its funding cycles (in this case, 2017 to 2020). AFI and the local dairy processors are seeking to develop sustainable business case, but acknowledge that this can take up to five years to prove itself. In contrast to the development partner, they have more flexible timelines and a higher willingness to take on risk.

5. Partnerships can change organisations internally

The GAIN Access to Better Dairy initiative is a good illustration of how an IB partnership can lead to organisational changes within companies and NGOs.

For DCA, the partnership led to significant internal transformations, including in the NGO’s structure. As a result of the partnership, DCA established a new private-sector unit positioned directly under the secretary director. The unit is led by Gitte Dyrhagen Husager, who also manages the partnership on behalf of DCA. The NGO also hired a new value-chain and business advisor.

“This partnership has a huge impact on us and brought a whole identity change to DCA”.

Gitte Dyrhagen Husager, Head of Private Sector Engagement, DCA

AFI also changed its internal approach to IB partnerships. Previously, it had developed a number of cross-sectoral initiatives that had mostly been overseen by appointed project managers. Inspired by this partnership, the company has instead begun embedding its partnerships into the company’s core structures and departments. This transition from having isolated individuals in the company scrambling to piece together relevant resources to a more integrated approach that embeds partnerships in the various business units clearly demonstrates the relevance of IB partnerships for AFI.



Case Study

CARE, GSK, and Barclays

Executive summary

CARE, Barclays and GSK founded the Live Well social enterprise in Zambia in 2016. Live Well recruits and trains local health workers who earn an income by selling healthcare products in rural and peri-urban areas in Zambia, while also providing basic health services. Through its health workers, Live Well raises awareness of health-related issues, and provides local communities with better access to products and services needed for healthy living.

Lessons from this partnership

1. Previous collaboration experience helps when establishing a partnership.
2. The roles of partners are likely to change over time.
3. An active board, with members bringing varying areas of expertise, is important in steering the partnership productively.
4. Creating a separate legal entity can help secure independence from shareholders.
5. Demonstrating social impact and visibility are critical to establishing corporate buy-in.

About the partnership

The objectives of the partnership

The NGO CARE, the bank Barclays and the pharmaceutical company GlaxoSmithKline (GSK) founded Live Well Social Business as a Zambia-based social enterprise in 2016. Live Well's mission is to improve health awareness in underserved communities in Zambia, while additionally increasing the availability of affordable health products, including general medicines and nutritional, reproductive-health, dental-hygiene, clean-energy, and malaria-prevention products. The social enterprise recruits and trains community health entrepreneurs (CHEs) in areas such as business skills, financial management, basic healthcare and product knowledge. The CHEs in turn sell selected healthcare products in rural and peri-urban areas, and provide information to their communities.

The business and social-impact case

Live Well generates revenues by selling affordable non-prescription medicines and health products in rural and peri-urban areas through a large network of CHEs. The CHEs in return have the opportunity to generate a supplementary income by earning up to a 20% profit margin on the sales. Live Well itself

is a hybrid model, with some activities currently funded through grants. However, the entity plans to break even once the CHE base is large enough to buy enough products to cover the costs.

Local communities benefit from the model because they gain increased access to affordable healthcare products and information on health-related issues. To date, Live Well has trained nearly 500 CHEs, and delivered health products to more than 500,000 customers in Zambia. The partnership has contributed to reducing the incidence of diseases within the communities served, thanks to the sale of the medical products. CHEs' income has increased by an average of \$50 per month.

The partners involved and their motivation

Live Well was incubated out of a USAID-funded CARE programme called PRISM that began operations in 2009. When this programme came to an end, CARE wanted to continue the activities in a more sustainable manner. At the same time, GSK and Barclays had formed a partnership to explore innovative last-mile distribution models. The three partners joined forces and founded Live Well in 2016.

For Barclays and GSK, the main motivation for investing financial and human resources in Live Well



was to pilot and learn from an innovative last-mile distribution model designed to increase community access to healthcare products and services. Neither company considered their investment as being purely philanthropic; rather, each was working from a combination of CSR, business-development and strategic motivations (especially the desire to gain access to new markets).

How they work together

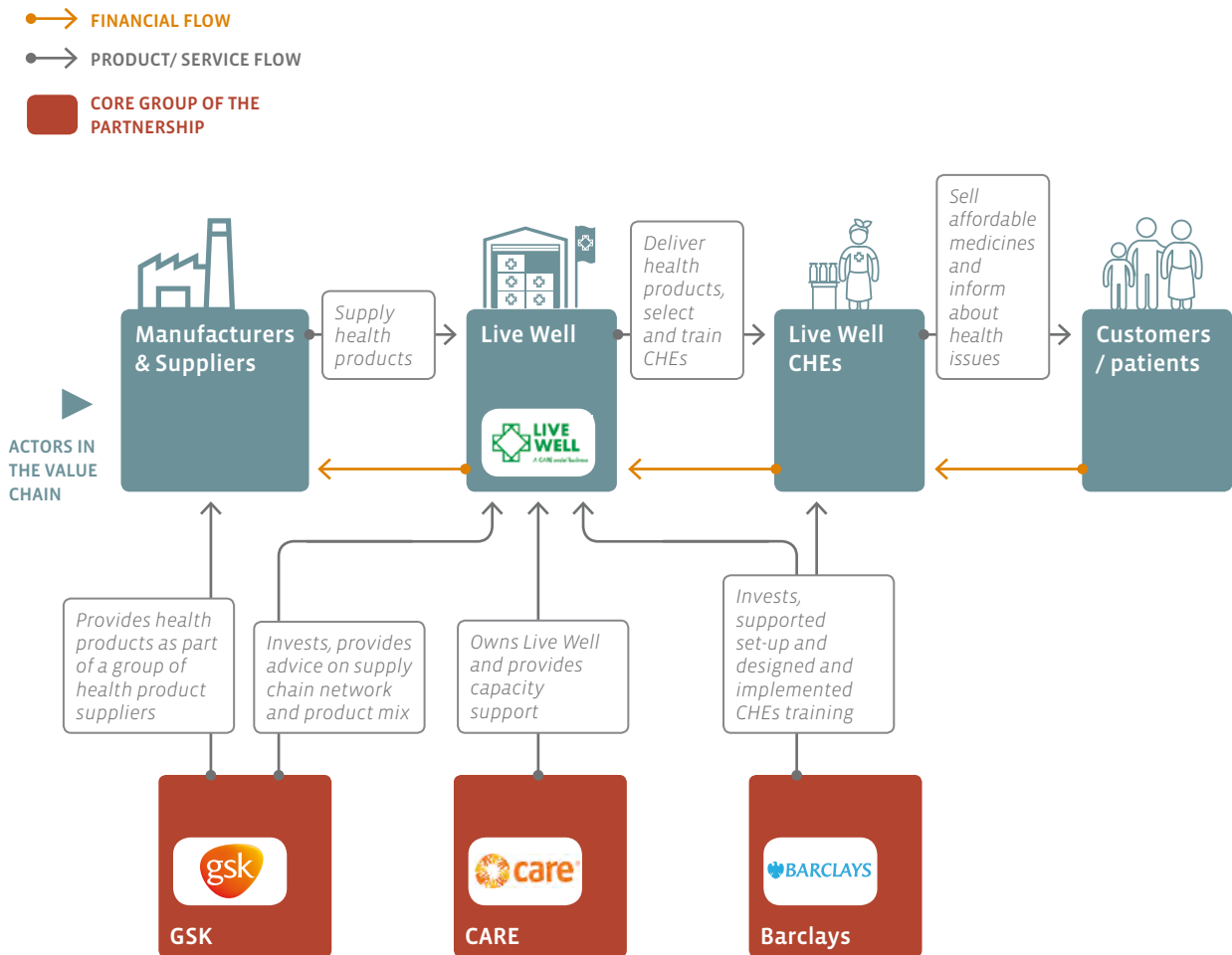
Each partner contributes a very particular set of capacities and skills, and each is represented on the enterprise's executive board. The partners' roles have evolved over the years.

- ▶ **CARE** is the owner of Live Well. CARE UK owns 10% of the enterprise, while 90% is owned by CARE Social Ventures, a CARE subsidiary that manages the NGO's investments in social enterprises. The enterprise is housed in CARE's building in Zambia, and has access to the NGO's valuable support network. As needed, CARE provides Live Well with human-resources services and provides legal advice. In addition, the NGO handles all donations, which currently

still constitute part of Live Well's financing model.

- ▶ **Barclays** was one of the original investors in Live Well. The bank was very active in the enterprise's set-up phase, particularly with regard to business-related issues. Seconded Barclays staff members took on project management tasks, helped design training manuals, and conducted financial-skills training sessions for CHEs. In the initial two years, Barclays seconded three full-time employees to Live Well. Barclays is currently represented at the board level.
- ▶ **GSK** is also an investor in Live Well. The company contributes considerable expertise related to healthcare supply chains and helped Live Well establish its own supply-chain network. In addition, it provides advice on developing the right product mix and on other business-related issues. Currently, three GSK employees are actively involved in Live Well, including at the board level.

The partners involved and how they work together



The way forward

Live Well has not yet reached the point of profitability and is currently going through an internal restructuring process aimed at allowing it to sustain business operations. Both funding partners committed to supporting Live Well through the end of the start-up phase and have helped the business establish fruitful contacts with potential investors and funders. The initial funders do not expect financial returns. Barclays and GSK are currently still represented on the executive board. GSK offered the programme additional financial support at the end of 2018 and will support Live Well in its efforts to secure further investment from other donors until the company reaches profitability and is self-sustaining.

Key insights and lessons from the partnership

1. Previous collaboration experience helps when establishing a partnership

Live Well's three shareholders, CARE, GSK, and Barclays, can draw upon a long history of collaboration. In 2008, the Barclays and GSK chief executives agreed to collaborate on the development of innovative business models for last-mile distribution. The companies explored several partnership opportunities and investments, and ultimately found Live Well to be the most promising case, in part because both Barclays and GSK had a strong presence in Zambia. CARE, on the other hand, had been working with GSK since 2011 on a separate health programme. When the USAID-funded PRISM project came to an end, CARE recognised that there was an opportunity to turn the programme into a social enterprise, while GSK and Barclays realised that they needed an NGO partner to deal with the complexity of working with hard-to-reach communities.

“The fact that all three shareholders of Live Well had a history of working together, and were aligned in terms of objectives, facilitated the collaboration process considerably. It also helped us obtain internal buy-in and ongoing support for the initiative”.

Jenny Cozins, Director, Access to Medicines Programmes, GSK

2. The roles of partners are likely to change over time

The roles played by participants in a partnership can change over time. New partners might join the initiative, while others might drop out if the venture is no longer aligned with their strategy or objectives. The Live Well example serves as a good illustration of how roles and responsibilities can evolve over time.

In the beginning, Barclays was very much at the forefront of the partnership. The company committed initial funding and three full-time employee positions to support the initiative over two years and provided critical support in developing Live Well as

a business. In the following years, Barclays downsized its engagement, but has remained involved with a seat on the board.

“The roles of all three shareholders have evolved over time”.

Alexandra Burrough, CEO, Live Well

GSK initially supported Live Well with targeted healthcare supply-chain advice and is currently providing most of the funding. GSK also plays an active advisory role on the board.

CARE's role also changed over the years. Initially, Live Well was incubated out of CARE, with the NGO taking responsibility for most administrative processes. Live Well employees had contracts with CARE, and financial transactions were handled by the NGO. Today, Live Well is establishing itself as a separate, independent business. CARE's role has thus been reduced to providing support such as legal advice and HR services and providing strategic advice through its role on the board.

3. An active board, with members bringing varying areas of expertise, is important in steering the partnership productively

Live Well's board contains representatives from CARE, GSK, and Barclays, as well as two senior industry representatives from Zambia. The enterprise's CEO reports directly to the board on a quarterly basis and seeks advice from the board whenever this is needed.

Having people with complementary areas of expertise on the board is crucial, since a social business like Live Well needs both to establish itself as a sustainable business and produce social impact. CARE's Zambian country director, who represents CARE on the Live Well board, serves as an advisor on social-impact matters, while the representative from Barclays looks into enterprise's financial statements in more depth. Ensuring that local industry players are represented on the board is important in order to gain access to local expertise and networks. According to Live Well CEO Alexandra Burrough, these representatives bring in a Zambian perspective and help the business stay grounded.

“Having an active board with competent members that have complementary skills is very important when seeking advice. We should make even more use of our board”.

Alexandra Burrough, CEO, Live Well

4. Creating a separate legal entity can help secure independence from shareholders

Stakeholders forming a partnership often have different motivations. For example, GSK and Barclays both entered this partnership for a combination of CSR, business-development, and strategic reasons. Both partners faced difficulties in serving low-income populations in African markets due to challenges associated with last-mile distribution. Both companies were eager to design a financially sustainable distribution model that utilised existing healthcare structures. For CARE, the motivation was different; the NGO had already implemented a successful development project with the help of USAID funding, and realised that there was a social need to continue the programme beyond the funding period. To make this possible, CARE partnered with Barclays and GSK to start the social enterprise.

The creation of Live Well as a separate legal entity helped emancipate it from both the company and NGO perspectives, and allowed it to establish its own identity as a social enterprise. According to Live Well CEO Alexandra Burrough, moving the Live Well employees from CARE contracts to Live Well contracts represented a significant improvement. In addition, Live Well can now use its own funds independently, making it easier to act flexibly, although CARE still holds the funds in its accounts.

“It is challenging for an NGO to step out of its traditional mindset. To adopt a business approach, it was thus useful to create Live Well as a separate entity”.

Alexandra Burrough, CEO, Live Well

5. Demonstrating social impact and visibility are critical to establishing corporate buy-in

GSK’s experience shows that it can be difficult to sell a partnership or social enterprise like Live Well internally as a financial investment that will deliver traditional financial returns. The enterprise took longer to reach the break-even point than expected, and internal GSK critics were sceptical as to whether the programme could ever reach a point of sustainability. However, the initiative generated a volume of public attention for GSK that was much larger than other partnerships with higher investment levels. This was an important factor helping partnership managers within GSK to generate internal buy-in and mobilise resources. This visibility and focus on social impact also had a positive influence on employee engagement levels.

However, this does not mean that partnerships should be separated from the company’s core business. Jenny Cozins, responsible for managing the partnership for GSK, recommends that IB partnership managers find common ground between their projects and their organisations’ primary business activities, and develop their programmes accordingly: “The initiative should, where possible, closely align with the core business objectives of the company. By engaging with your colleagues, you can work out the most effective way of linking the two. If not, you may face challenges further down the line when trying to secure and mobilise funding and ongoing resource support”.

“We are well aware that initiatives like Live Well and other of our philanthropic programmes are not expected to deliver any financial return. But they can help us reach underserved and in-need patients and consumers. Impact is the critical measure for all our partnerships and programmes”.

Jenny Cozins, Director, Access to Medicines Programmes,
GSK

Annex



Interview list

Organisation	Position	Name
Aalto University	Professor of Sustainability Management	Minna Halme
Arla Foods Ingredients	Senior Project Manager	Charlotte Sørensen
Bayer	Head of NGO Engagement	Sinéad Duffy
DanChurchAid	Head of Private Sector Engagement	Gitte Dyrhagen Husager
DSM	Partnerships Manager	Florentine Oberman
GAIN	Senior Advisor	Charlotte Pedersen
DI International Business Development	Advisor	Gry Saul
GSK	Director, Access to Medicines Programmes	Jenny Cozins
ICCO	Deputy Regional Manager West Africa	Ataoulye Bah
Kooler Waters Kenya	Founder	Ruth Mawia
Light for the World	Disability Inclusion Advisor	Zinayida Olshanska
Live Well	General Manager	Alexandra Burrough
Olvea	Sustainable Value Chain Manager	Christophe Godard
Partnerships Resource Center	Director	Marieke de Wal
Save the Children Australia	Head of Strategy and Business Consulting	Zeah Behrend
Save the Children Australia	Director of Inclusive Ventures	John Marsh
Save the Children UK	GSK partnership management	Kate Barnes
Save the Children UK	Symrise/Unilever partnership management	Holly Gray, Megan Sullivan
Small Foundation	Senior Executive	Henning Ringholz
SNV	Inclusive Business Programme Manager	Javier Ayala
Symrise	Advisor on Sustainability	Hamish Taylor
Unilever	Director of Global Partnerships	Katja Freiwald
University of Amsterdam	Associate Professor in Economics of Well-being	Nicky Pouw
World Vision International	Director New Business & Partnerships	Marine Adamyan

Endnotes

1. Inclusive business opportunities exist but vary in different sectors and regions. Relevant case studies and reports can be found on the websites of Endeava (<https://endeava.org>) and Hystra (<http://hystra.com/>)
2. Definition based on “Creating Value for All: Strategies for doing business with the Poor” (2008) and “Realizing Africa’s Wealth” (2013), both published by UNDP.
3. Michael E. Porter and Mark Kramer (2019). Available at: <http://www.sharedvalue.org/about-shared-value>
4. For more on how corporate activities can impact inclusive growth, see: “Inclusive Growth Drivers: The Anatomy of a Corporation”. Morgan Stanley Institute for Sustainable Investing (2017). Available at: <https://www.morganstanley.com/ideas/4-ways-to-incorporate-inclusive-growth>
5. See <https://www.foodnavigator.com/Article/2018/06/06/Why-Mars-thinks-the-commodities-era-is-over>
6. For example, see: Heinrich-Fernandes M. (2016). “How to create an enabling environment for inclusive business? Learning from experience and debates in private sector development”. Available at: https://www.enterprise-development.org/wp-content/uploads/DCED_Creating_An_Enabling_Environment_For_Inclusive_Business.pdf
7. In the area of employment conditions, responsible business (comply with and exceeding minimum labour standards) and inclusive business are closely related. Inclusive businesses build on responsible business practices. See, for example, The Ten Principles of the UN Global Compact. Available at: <https://www.unglobalcompact.org/what-is-gc/mission/principles>
8. See previous footnote.
9. Strategyzer (2018). Available at: <https://strategyzer.com/canvas/value-proposition-canvas> (retrieved September 2018)
10. SNV (2019). Inclusive Business Capability Statement. Available at: http://www.snv.org/public/cms/sites/default/files/explore/download/inclusive_business_-_capability_statement_-_final.pdf (retrieved September 2018).
11. To download the full checklist, go to <https://www.thepartneringinitiative.org/wp-content/uploads/2015/06/Partnering-for-inclusive-business-checklist.pdf>
12. Philips employee, quoted in Lijfering, S. (2017). Inclusive health care innovation in Africa: A case study on the community life centres approach. Partnerships Resource Centre, Rotterdam: p. 26.
13. The Dutch government’s FDOV programme made it mandatory to address the issue of child labour in a partnership.
14. Again, the FDOV programme of the Dutch government is an example.
15. PPPLab’s “Partnering with governments for SDGs” (2018) offers guidance in partnering effectively with governments in developing countries. Available at: <https://ppplab.org/2018/07/partnering-with-governments-for-sdgs-tool/>
16. Business Fights Poverty (2018). Building transformational partnerships: The case of Cargill and Care. Available at: <https://www.cargill.com/doc/1432128057778/cargill-care-business-fights-poverty-white-paper-pdf>.
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Aline Menden is a co-founder and managing director of Endevo, and is passionate about making the global economic transformation more inclusive. Aline is an expert on inclusive business, having researched and advised on the topic for more than 12 years. She has directed more than 40 projects with a variety of partners, including NGOs, companies, development organizations and foundations. She has worked with the health sector in particular, and has a passion for new technologies in development.

Aline has extensive experience working with NGOs and companies on topics related to private sector cooperation. She has co-authored 12 reports and more than 50 in-depth case studies on inclusive business models and partnerships – all aimed at understanding how to make these models create value for all. Her consulting work ranges from advising on inclusive business model development and implementation, to strategic partnership topics. Aline has moderated and developed the concept for various strategic in-house workshops and peer-to-peer exchanges for more than 30 different NGOs and companies on inclusive business and related topics.

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About this guide

Inclusive business partnerships between NGOs and companies can be instrumental in addressing the challenges we face in the world today. If we are serious about achieving well-being, inclusion and equality, we need to leverage the potential of NGOs and companies to combine social impact with a business case.

This publication gives NGOs and companies guidance on how to effectively collaborate as equal and complementary partners. It draws key insights from real partnership examples to show how NGOs and companies can move from opportunistic projects to strategic and transformational collaboration. In-depth case study examples give further inspiration. We believe that this guide can unlock the immense potential of inclusive business partnerships in finding more effective means of achieving the Sustainable Development Goals (SDGs).