Development Collaboration: None of Our Business?

Non-Governmental Organization Transformation and the Evolution of Cross-Sectoral Partnerships in the 21st Century

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"...we are seeing at firsthand how important it is for the private and public sectors to be aligned in their efforts, especially in light of global economic uncertainty, tighter financial constraints and increased competition for support."

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Introduction

Mark Foster

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The "multi-polar world" is Accenture's point of view on the latest phase of globalization, referencing the shifting centers of economic power and the rise of emerging market countries and companies on the world stage. This growing global interdependence connects markets, pools of talent and resources—and impacts the evolution of the international development agenda. Within this context, collaboration between private, public and civil society organizations is increasingly important as complex partnership models and a greater focus on clear and measurable outcomes that straddle geographic boundaries come into play.

Working with some of the largest non-governmental organizations (NGOs), the Accenture Development Partnerships organization is focused on bringing affordable business and technology capabilities to the international development sector. Through this work, we are seeing at firsthand how important it is for the private and public sectors to be aligned in their efforts, especially in light of global economic uncertainty, tighter financial constraints and increased competition for support.

This paper results from our work in this area and describes three clear stages of development for NGOs. I am confident this document will stimulate discussion and debate, and also provide a catalyst to benchmark performance and progress for organizations across this sector. I am particularly pleased to see the focus on enhanced collaboration with partner organizations as the emerging end game, having witnessed these new combinations adding tremendous value in the journey to change the way the world works and lives.

Foreword

Jane Nelson

Director - Corporate Social
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Director - Business Leadership and
Strategy, International Business
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Over the past two decades we
have witnessed a dramatic growth
in the number, diversity, reach
and influence of civil society
organizations, private enterprises,
new forms of social enterprise,
public-private partnerships and
virtual networks. These range from
multi-million dollar trans-national
coalitions, corporations and non-
governmental organizations to
millions of low-budget community-
based initiatives and individual
citizen action projects. They are
supported by unprecedented
communications capacity via the
Internet and global media, other
enabling technologies, more open
and democratic societies in many
countries, market liberalization
and high levels of private wealth
creation and entrepreneurship.
Collectively, they are driving a
fundamental shift in the source
and nature of resource flows from
developed to developing economies,
and they are changing the face of
international development.

According to the United States
Agency for International
Development, private capital
from U.S.-based non-profits,
companies and individuals now
accounts for more than 80 percent
of resource flows from the United
States to developing countries.
In 1970, 70 percent of such
resource flows originated from the
U.S. Government in the form of
official development assistance.
These private resources from the
United States and elsewhere are
being channelled to developing
countries through a combination
of foreign, direct and portfolio
investment, commercial bank loans,
remittances, non-governmental
organizations, religious groups,
universities, foundations and
corporate philanthropy.

The statistics mask an even greater
shift in the manner in which these
resources are being mobilized
and deployed for development.
They give little sense of the
dynamism and innovation that
are characterizing the emergence
of new development players and
approaches, ranging from new types
of activists and funders, to emerging
entrepreneurs and technologies,
to new models of official donor
assistance and non-governmental
organization engagement. Nor do
the statistics capture the complex
coalitions that are emerging
between these different public,
private and non-profit players, or
the leadership, management and
accountability challenges that
these new coalitions are creating
– a key subject of this paper.

Understanding these emergent
models, exploring what works
and what doesn't, and assessing
the relative merits of public sector
and market-driven approaches
will be essential to improving
the effectiveness and impact of
international development in the
future. Accenture Development
Partnerships is increasingly well

placed to undertake such analysis.
Since its creation five years ago,
Accenture Development Partnerships
has been applying Accenture's High
Performance Business learnings
in its work with some of the most
pioneering non-governmental
organizations and development
agencies as they navigate this new
terrain. And Accenture Development
Partnerships is itself an innovative
new business model — a cost-
recovery entity within Accenture
that provides high-quality business
and technology consulting services
to non-profits in the international
development sector at substantially
reduced fees.

Accenture Development
Partnerships has identified three
waves of evolution as development
non-profits begin to partner more
strategically with each other and
with business to improve the scale,
sustainability and accountability
of their impact. This paper offers
some initial insights into how
these changes are affecting non-
governmental organizations'
strategy and their management of
both people and technology, and it
offers recommendations that help
outline the path ahead. It is a useful
contribution to the increasingly
important debate on how best
to harness the resources and
competencies of all sectors – public,
private and civic – in tackling the
complex, interdependent and urgent
challenges the world faces.

Executive Summary

Gib Bulloch

Executive Director
Accenture Development
Partnerships

Is the future of development collaboration really "none of our business"? This paper sets out to argue that it is in fact everyone's business – and that it is in all our interests to make the development apparatus more effective. Solving the large intractable challenges of poverty, education, health and climate change will require far broader and more effective collaboration between the public and private sectors than we have seen in the past. No single sector on its own has a monopoly of the solutions. Private, public and civil society organizations need to become increasingly aligned towards the common goal of addressing the complex challenges of the 21st century leveraging the unique access and capabilities that each sector offers. Achieving this will become even more challenging as we face a period of global economic uncertainty resulting in tighter financial constraints for all parties.

Over the past five years, Accenture Development Partnerships has been working with some of the largest international non-governmental organizations (NGOs) as part of its goal of bringing affordable business and technology capabilities to the international development sector. We have had privileged access to the boardrooms and engine rooms of some of the leading development organizations in the world.

Through our work we have reached the conclusion that international NGOs will have to go through a fairly transformative change process if they are to operate effectively with, influence and engage the private sector in a new breed of development coalitions. And it's imperative that they fulfill this important role. We believe the required transformation is already underway, but the pace and nature of change varies quite significantly across different organizations.

This is evidenced by the emergence of three broad waves of evolution in the NGO sector:

• **Wave I – "Foundation":** Early efforts to invest in raising performance levels are done on a piecemeal basis but progress is being made, the starting point of which is the recognition that money invested in building organizational competencies is an enabler and not a waste of resources.

• **Wave II – "Transformation":** change is driven by more strategic imperatives and spans the entire organization, as demonstrated by an increasing willingness to collaborate within the sector to reduce costs and improve efficiency.

• **Wave III "Collaboration":** change is more systemic, as evidenced by a growing number of international NGOs playing a crucial role as seamless partners in a new breed of complex coalitions and hybrid business models.

Figure 1

Waves of Change in NGO Evolution
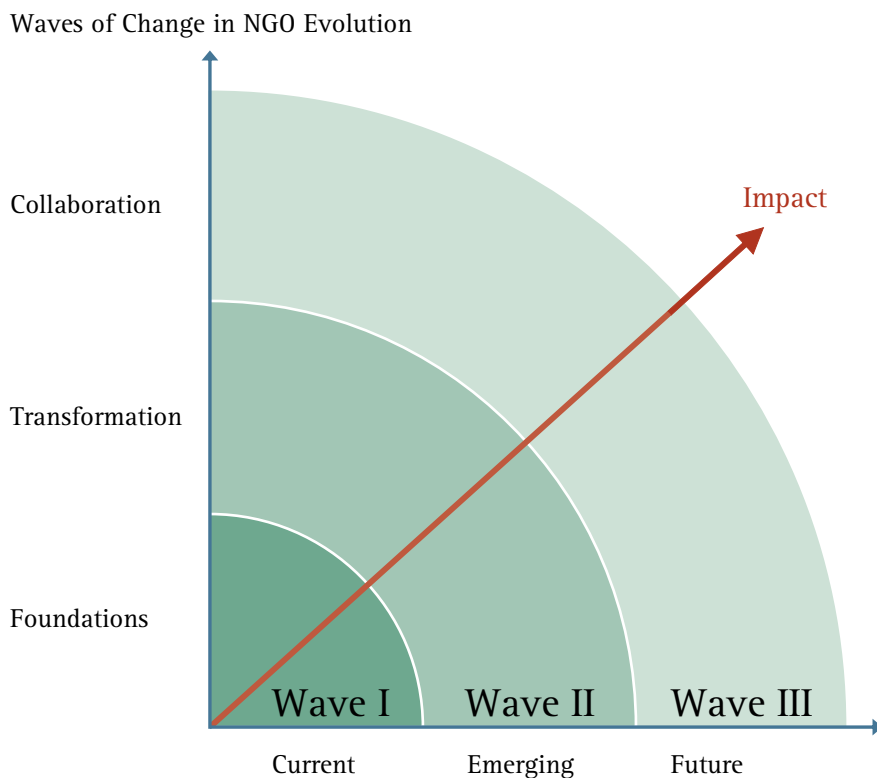
These three waves of NGO change are shown in the diagram above.

Most international NGOs are starting to come to grips with the first wave – and those that do not risk falling behind the pack. But the real value will only be derived from the change encompassed in the second and third waves – the transformational and systemic change both at the level of the individual organization and across the sector as a whole.

The leadership of NGOs, global businesses and government will play a crucial role in navigating this complex transformation process. This paper argues that they all have a vested interest in doing so.

NGOs in particular have a real opportunity to play a very important role in positively engaging with and harnessing the latent power of a private sector which is increasingly receptive to a more collaborative approach. However to fulfill this important role they must firstly transform themselves to partner effectively as peers with their counterparts in other sectors.

Global business needs to engage with NGOs as key stakeholders in their business whilst strengthening the development sector. The private sector must look beyond short-term shareholder value and embrace a far broader agenda with a focus on long term returns. Emerging markets hold the key to future growth for many multi-nationals. However, in order to achieve the required levels of stability in these markets, strong civil society and government will be key. Business has therefore a vested interest in helping to strengthen these sectors.

National Governments and international development agencies, which have traditionally supported discrete programs, need to play a more holistic role – investing in and supporting NGO transformation. They are also well placed to help broker new partnerships and collaborative arrangements.

Although the stakes are high and the challenges significant, there are real grounds for optimism based on early indications that transformation and even collaboration is already underway, and as a result of the current financial crisis, the pace of change is only increasing. The front runners are developing the blueprints of new operating models in the foundation, transformation and collaboration waves that others will be able to follow.

The "Achieving High Performance in the NGO Sector: A Call to Action" section of this paper lays out in greater detail recommendations for the leadership of each sector to advance this process of change which is so crucial to the international development landscape of the 21st century.

I. Development in the Spotlight: The NGO Transformation Imperative

Development Effectiveness in the Multi-Polar World[1]

International development and aid effectiveness are currently in the spotlight like never before. 2005 marked a significant turning point in the long-running discussion around levels of official development assistance, with many viewing new commitments on increasing aid and reducing debt made at the Group of Eight (G8) summit in Gleneagles as groundbreaking. That summit raised hopes for a new era of donor government generosity. Even with ongoing debate as to whether the promises and commitments of 2005 are being upheld, the G8 summit in Germany in 2007 maintained a strong focus on aid, trade and debt relief and the summit in Okinawa in 2008 continued this trend.

The increases in aid are now accompanied by calls for greater impact through more accountability, transparency and efficiency, which should lead to superior development outcomes and impact. Despite more than one trillion dollars in aid over the past three decades[2] critics argue there is very little to show for it. Others point to the economic success stories of India, China and the "BRIC" (Brazil, Russia, India and China) countries, which have successfully lifted tens of millions of people out of abject poverty, to show that development can and does work.

However, there clearly is still much work to be done. The odds that a woman will die from complications during pregnancy and childbirth over the course of her lifetime are more than 200 times greater in sub-Saharan Africa than in the developed world. Half the population of the developing world still lacks basic sanitation. Further, according to the UN Millennium Development Goals (MDG) Report (2007), if current trends continue, the target of halving the proportion of underweight children by 2015 will be missed by 30 million children, and women will still be more likely to live in extreme poverty. In order to meet the MDG target, an additional 1.6 billion people will need access to improved sanitation from 2005 to 2015. Yet if trends since 1990 continue, the world is likely to miss the target by almost 600 million people.[3]

Moreover, the combined threat of climate change, the food and energy crises, and the overall global economic situation and credit crunch only add to the challenges of development. The World Bank estimates that at least 100 million people will be pushed deeper into poverty and hunger by high food prices and the U.N. World Food Program budget will need to increase dramatically to cover this increased cost and increased need.[4] Climate change will dramatically alter the contours of where crops grow, where mosquitoes survive and

where water is found. And the severe economic downturn in both developed and developing countries – in particular, the constraints on the flow of capital – will mean tighter budgets and greater competition among NGOs for financial support and other resources.

Across business, government and civil society, many now believe a fundamental overhaul of the development landscape is required. The prospect of such an overhaul has led world leaders to call for greater engagement of the private sector and other non-traditional players to improve the chances of achievement of the MDGs. This also has led to a focus on developing more "inclusive" business models and discussion of more integrated value chains among different multinational organizations.

Private-Sector Engagement and the Role of Markets

There is a growing consensus that business thinking is starting to play a greater role within the development community. In May 2008, the United Kingdom's Department for International Development (DFID) convened a meeting of leaders from some of the largest multinational companies in the world to showcase best practice examples as part of the Government's "Business Call to Action."[5] The message was clear: corporate social responsibility, as it has been traditionally defined, is an inadequate response to the scale and growing complexity of these geopolitical challenges. Business leaders are starting to engage in a debate driven less by purely charitable motivations and more by the market opportunity presented by "bottom of the pyramid" markets.

There are also signs that the one-dimensional "shareholder value primacy" business model is facing challenges. External concerns around sustainability as

well as internal recruitment and retention considerations to meet the expectations of "Millennial Generation" employees are driving the private sector to engage in the business of development. In addition, the immense and increasing scale of business is imposing new responsibilities and opportunities on its leaders, creating a need for them to play a greater role in global problem solving.

Business, together with the development "right," is often critical of traditional approaches to development. Put simply, they argue against "supply-side" interventions — including providing aid, medicines or education mainly through public aid bureaucracies — and argue for more sustainable and scalable solutions based around markets.

The Shell Foundation has been a real advocate for and innovator in such "market-based" approaches, as highlighted in its groundbreaking report "Enterprise Solutions to Poverty."[6] William Easterly is another vocal critic of the current development apparatus. In his recent book, "The White Man's Burden," he argues for a more market-driven and transparent approach to increasing the effectiveness of the development industry. Praising the G8's doubling of aid to Africa, he argues "is like reviewing Hollywood films based on their budgets."[7]
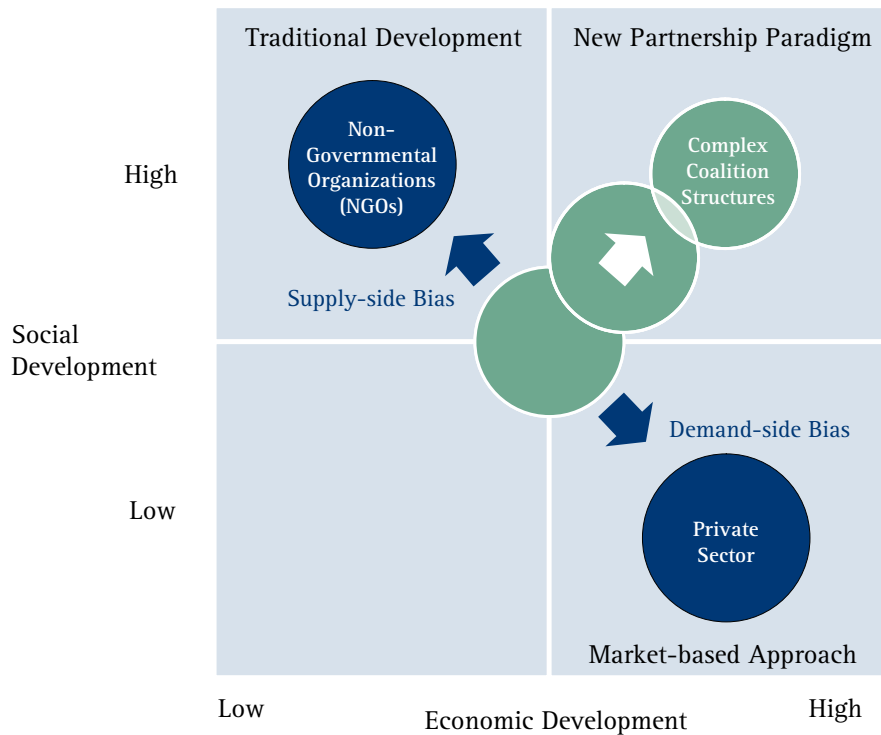
However, others are of the strong belief that business and markets are not a panacea and do not have all the answers. Jeffrey Sachs, director of The Earth Institute at Columbia University, cites the fact that there are numerous examples of "missing markets" where enterprise has not flourished; where poverty is still rife and where hope is nonexistent. Sachs contends that some countries and communities will need direct intervention if they are to make it onto the first rung of the "ladder of development." In his book, "The End of Poverty," he states,

"Economic development works. It can be successful. It tends to build on itself. But it must get started."[8]

Even proponents of market- and enterprise-based solutions point to the fact that businesses need public sector-provided roads and transport networks for their distribution systems, primary and secondary education to create their workforces and hospitals to provide health care.

Figure 2

Evolution of Partnerships Approaches

A matrix chart with x-axis "Economic Development" (Low to High) and y-axis "Social Development" (High to Low). Four quadrants: top-left "Traditional Development" contains "Non-Governmental Organizations (NGOs)" with "Supply-side Bias"; top-right "New Partnership Paradigm" contains "Complex Coalition Structures"; bottom-right contains "Private Sector" with "Demand-side Bias" and "Market-based Approach".

"It is the absence of broad-based business activity, not its presence, that subjects many to abject poverty."

Kofi Annan, Former UN Secretary General

A future of complex coalitions

So which of these contrasting development paradigms is more compelling? As is so often the case the answer is not likely to be an "either/or" but an "and' solution—a hybrid of two quite disparate approaches to development. In reality, we need to harness the latent power of each sector—public, private and civil society—to engage in global problem solving in areas such as poverty, health, education and the impact of climate change on developing countries.

Clearly, the boundaries between the sectors are becoming increasingly blurred. Many respected commentators predict the emergence of complex coalition structures that will blend the best of each sector's knowledge, assets and capabilities in seamless partnerships to tackle global challenges.[9] These coalitions are likely to be far

more strategic and pervasive than the one-off, tactical relationships we have witnessed to date. They will require new forms of engagement and far deeper collaboration in pursuit of solutions to shared concerns.

The collaboration challenge

It is hard to see such challenges being successfully addressed by traditional aid agencies or non-governmental organizations (NGOs) without the constructive engagement of businesses that include pharmaceutical companies, financial institutions, technology providers and other retail and manufacturing conglomerates. Yet, if it was difficult enough to make the single sector partnerships of the past work effectively, these new emerging coalitions will be far more complex and require a new set of competencies within all partners to succeed. Businesses seeking to partner with NGOs will

have the highest expectations in terms of systems and governance, which will place high demands on current operating models and the supporting back-office infrastructure, not to mention management capacity, monitoring and evaluation, and governance structures.

Based on these new pressures on the development sector apparatus and as a result of our firsthand experience of working closely with the sector over the past few years, Accenture Development Partnerships believes that many international NGOs may be ill-equipped for the challenges that lie ahead unless they are ready and able to go through a transformational change process. Success in the 21st century will be based on different criteria and a new set of drivers. Nothing short of a reinvention will be required, spanning front to back office, headquarters to field operations.

These are fairly dramatic statements and raise two fundamental questions: "Why change?" and "Why change now?"

Why change?

There is a strong case for wholesale change within the NGO community. The kinds of cross-sector coalitions that will form the foundations of development in the 21st century will require NGOs that are capable of being equal partners with large multi-national corporations; able to positively influence business from strategy through to operations, both core and through extended supply chains (although their transformation and ability to partner as peers with the private sector will not prevent non-profits from also criticizing business). As boundaries blur, it will be the NGOs that have embarked on this course of change that in turn are best placed to advocate from a position of strength.

In addition, there are many areas in which NGOs are better qualified to excel than are businesses. Levels of public trust in NGOs would be the envy of most corporate relations departments, and the most effective NGO advocacy campaigns would put some of the best-resourced corporate marketing departments to shame.

At the same time, by their own admission, there are many areas where these organizations do not excel and where capacity is lacking. These often include organization and governance, systems and technology, knowledge management and human capital, and at times general business acumen. Shortcomings in strategic direction and choice of program focus areas not only may make partnerships with the private sector difficult, but also creates cultural barriers to collaboration.

Why change now?

While the internal case for transformational change is important, the opportunity to influence and shape the agenda of the private sector and the impact it can have on social, economic and environmental issues is even more compelling.

Moreover, with a new focus on sustainability in the boardroom of many corporate giants, there are growing signs that the time is right for more constructive engagement. Business is more receptive to engaging in international development than ever before. As David Grayson and Adrian Hodges recently noted, issues such as human rights, diversity, health and work-life balance that have been traditionally viewed by business as "soft issues" are rapidly becoming viewed differently. As they put it, these issues are "hard to ignore, hard to manage, and very hard for the businesses that get them wrong." And few organizations are better positioned to help businesses deal with these "hard" issues than leading NGOs.[10]

In addition, emerging markets are likely to present the next major growth frontier for corporations – yet they often lack the knowledge and local presence in these locales that non-profits possess. Leading NGOs can act to steer and influence not only the development sector, but the public and private sectors in these changing times. Success in this leadership role will, however, require a different kind of approach to corporations – going beyond the traditional marketing and fundraising initiatives of the past.

II. Evolution to Date and A Blueprint for Change

This brings us back to the three waves of NGO evolution discussed at the outset. These are framed in more detail in the expanded chart that follows.

		Wave I Foundations Foundation for professionalism
i Strategy	**Role and Focus**	• Broad geographic and sectoral focus
	Program Approach	• Measurement of activity • Focus on capacity building of local partners • Emergence of small-scale livelihoods and microfinance programs • Focus on poverty alleviation • Limited technology used
	Organization / Governance	• Varying set of governance models • Loosely coordinated set of entities and affiliates • High degree of local autonomy
ii People	**People / Skills**	• Volunteering mindset • Limited performance management • Limited capacity to partner effectively • Absence of business experience/acumen
	Culture / Mindset	• Largely consensus driven • Outward antipathy to business and its role in development • Siloed mindsets, territorial • Minimalist cost focus
iii Technology	**Systems and Processes**	• Move towards global systems and processes • Function specific (accounting, information and communications technology etc.) • Efficacy and investment limited by cost minimization

Wave II
Transformation
Confident internal organizations

- Geographic focus and expertise
- Emerging centers of excellence

- Measurement of outcomes
- Local government and municipalities
- Starting to explore sustainable market and enterprise based approaches
- Piecemeal information and communications technology. innovation

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- Unified presence/ governance
- Merging/ consolidation of affiliates
- Back office transformation/ shared services
- Greater central control

- Professionalism/ career structures
- Increasing investment in people and training as key enabler to achieving organizations goals
- Targeted recruitment from private sector

- Visible leadership and vision
- Embracing business thinking and approaches to transformation

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- Common global financial processes and systems
- Emergence of ERP/ enterprisewide systems
- Greater investment as key enabler
- Confident case made to donors/ investors

Wave III
Collaboration
Integrated international players

- Focus on distinctive capabilities
- Collaboration with similar organizations with complementary capabilities
- Integrated partner with civil society, private and public sectors

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- Measurement of impact
- Cross sectoral, multi-partner approaches
- Embrace economic growth and wealth creation as key components of development mix
- Information and communications technology redefines approaches to development

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- Collaborative governance approaches
- Early signs of sector wide consolidation
- Outsourced services for best in breed
- Fully integrated global/local organizations

- Human capital strategy
- Performance-based culture
- New skills to partner and manage complex partnerships
- Business focus as an organizational function/ career track
- Business expertise valued on a par with PhDs in development

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- Clarity of decision making between global and local
- Actively engaging and influencing the private sector as partners in an integrated development approach
- Investment mindset

- Alignment and integration of systems and processes with peers from civil society and other sectors
- Investment in process efficiency on a par with private sector
- Leverage of spend/ cross factor

Most NGOs still find themselves in the first wave of their evolution, which is characterized by a drive for greater organizational effectiveness and efficiency in areas from strategy to human resources to technology. Driven by an increasingly competitive aid environment and a donor community eager to see impact and results, more are starting to respond to the need for investments in process improvements, new technology and management capacity. They are starting to rethink their strategy and priorities for how they allocate and invest resources and reassess the prevailing mindset that all sectors in all geographies must be covered.

For example, traditionally these organizations have striven to minimize overhead, driven by the public's demand to know donations are being put to good use as well as by various donor and rating organizations that use overhead metrics to measure the organization's efficiency and effectiveness.

There is a worthy aim behind this: to help confirm charitable funds are being used to help people in need, and to provide greater transparency to donors. However, overhead could be described as being both good and bad in the same way that humans can have good or bad levels of cholesterol. Good overhead could be categorized as investments in the enabling environment, such as human capital, monitoring and evaluation, and technology. Bad overhead is more about waste incurred by unnecessary administration, organizational inefficiencies and other avoidable costs.

Moreover, the relentless focus on overhead has created perverse incentives. Many NGOs now "compete" for the lowest overhead levels – the prevailing and somewhat naïve consensus of public opinion being that all money diverted from frontline programs is wasted. An obsession with reporting minimal overhead costs has meant that many have been starved of much-needed investment in areas such as systems, human capital and knowledge management.

International NGOs compete to report a lower overhead percentage than their peers despite there being no agreed sector-wide definition of what even constitutes overhead. Instead of seeing such investment in IT and support functions as a strategic enabler of programmatic work, many view it as diverting funds from those most in need. Paradoxically, these organizations might in fact have far greater impact on those most in need if they had access to world-class technology to connect the field to headquarters and to support the dissemination of knowledge and best practices from one region to another.

This first wave is also characterized by a high degree of local autonomy. The prevailing mindset within NGOs is that devolving power and decision making to local partners and affiliates is ethically right. This may make a lot of sense when it comes to designing program approaches tailored to local needs, but this is less likely to be so when it comes to choices around systems and software selection.

In terms of human resources strategy, NGOs at the Wave I stage are slowly starting to address the volunteer mindset– introducing more effective performance management and career structures. This may be occurring none too soon. The harsh realities of the current financial crisis are forcing these organizations to tighten their belts in the face of falling revenues from public donations. As tough decisions have to be made about NGO priorities, job cuts are likely to follow.

Another element of this first wave of evolution is a thawing in the relationship with the private sector. International NGO leadership is increasingly seeking to bring in "business DNA" from the private sector, either indirectly via consultants or directly through recruitment. They are seeking to become a little more business-like in their operations while still protecting the integrity of their valuable missions.

Few organizations in the private sector can boast truly effective knowledge management. Professional services companies by definition have had to invest heavily in this area given that people and knowledge are their main assets, but few non-profits would view knowledge management as a strength. The scope is huge: it includes gathering and disseminating knowledge on which development approaches work and which do not, and understanding new concepts and approaches in the international development world.

Changes also are occurring in the technology sphere, as organizations that aspire to leadership in an increasingly globalized and interconnected world require world-class systems, processes and technology. Few of today's international NGOs can boast having the best technology or processing systems. Cumbersome governance structures have led to semi-autonomous country operations developing their own local systems, fit for local as opposed to global needs. One large international NGO with which Accenture Development Partnerships has worked extensively discovered it had 29 different systems despite having only 13 major affiliates – thus impeding the flow of critical information.

> "The private sector has been seeing huge leaps in productivity for decades because of advances in communications and information technology; it's time to ensure we're all working together to deliver these same types of productivity benefits to the non-government organization community and the hundreds of millions of people they serve."
>
> Ed Granger-Happ, Chairman of NetHope and CIO of Save the Children US

Figure 3

IT Spend as a Percentage of Revenue
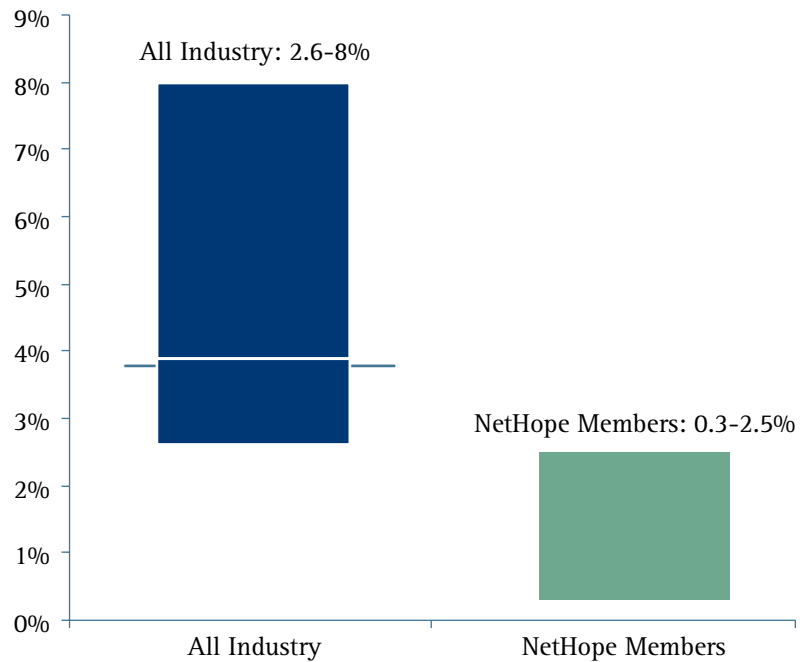
Source: Gartner Group, NetHope

Take investment in IT as an example. Fig. 3 shows the positive impact on gross domestic product (GDP) growth resulting from increased levels of IT spending at a national level. Compare this growth with the average levels of spending on IT in the humanitarian sector versus the private sector (see Fig. 4).

NetHope, the network of CIOs from some of the largest humanitarian and development organizations in the world, did its own research and came up with findings that raise concern. Fig. 3 shows that despite an all-industry average of 3.9 percent IT spending as a percentage of revenue, NetHope's own members spent a maximum of 2.5 percent and in most cases significantly less. Moreover, the majority of this was non-discretionary; the cost of simply "keeping the lights on" as opposed to discretionary spending on new systems and capabilities.

Figure 4

The Spreading New Economy

Direct contribution of IT to GDP growth, percentage points
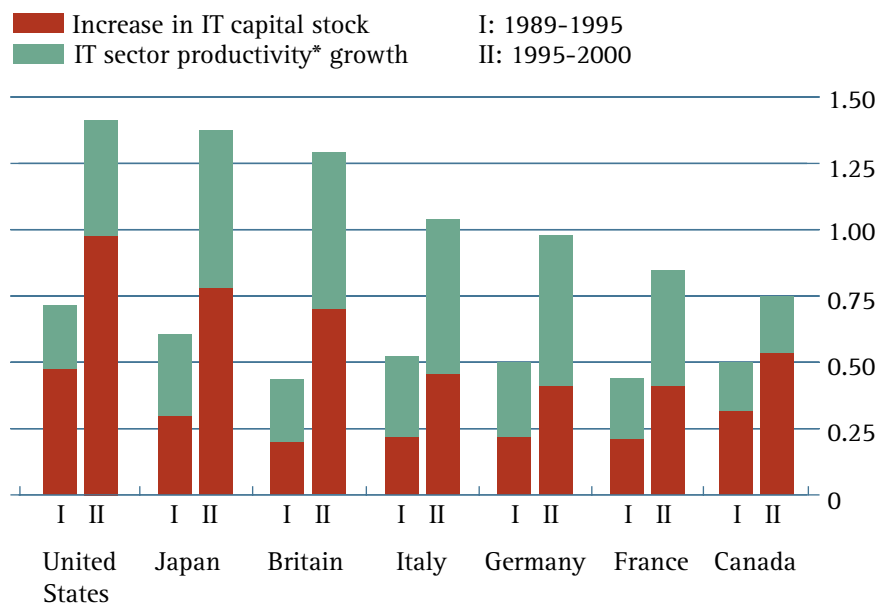
Source: Dale Jorgensen   *Total factor productivity

Wave I Case Study

Organization: Plan International

Focus: Digitizing Child Sponsorship Systems and Processes

Geography: Global reach

Description: Plan International embarked on an ambitious program to revamp its Child Sponsorship systems and processes with its Child Data project. Plan's child sponsorship program relies on fostering a connection between donors and recipients in the program countries. The photographs of sponsored children and a progress report are sent annually to sponsors and play a significant role in sustaining the relationship. The Child Data program is about moving toward a digital platform to improve the donors' experiences through use of digital photography and other media.

Child Data is a centralized sponsorship application that offers more reliable and cost-effective transfer of photographs and data from the regional country offices to the national sponsorship offices. Child Data also supports Plan's strategic direction of being closer to the communities in which Plan works. In the past, processes were heavily paper-based, meaning that data had to be manually entered and re-entered from one database to another with photographs of sponsored children sent from the field to headquarters. These photographs and the supporting data will now be transferred electronically, leading to greater efficiencies in its operations and improved data management and integrity.

Key Features:

• Move towards global systems and processes for child sponsorship

• Investment in back-office systems

• Technology as enabler of innovation in sponsorship

The second wave of change shifts the emphasis from building foundations and piecemeal change to an altogether more transformational agenda at the level of both the organization and the sector overall. This second wave starts to focus less on dealing with the symptoms of poverty and exclusion; instead, it gears the organization up to deal better with the underlying causes.

Of course, this type of change agenda can often be met with resistance by people whose entire careers have been built on a different development paradigm. Strong leadership will be required to tackle this ambitious, challenging and necessary change with respect to strategy, people and technology.

At the organization level, some leading NGOs are recognizing the transformation imperative. They have embarked on a multi-year journey to literally transform the way they approach development. We are witnessing significant investments to improve the back-office infrastructure and support services in areas such as HR, accounting and IT. Moreover, some of the traditional governing mechanisms are also being revisited.

The notion of "core competences" is well established in the business world — as opposed to an unrealistic goal of trying to be "all things to all people." How long will it be before an equivalent model exists for NGOs — a code-sharing "Star Alliance" for humanitarian relief, for example? Instead of every NGO feeling compelled to have a presence in every country, more may decide to collaborate based on their comparative specialization or geographic focus.

A good example of a more collaborative approach is the Reaching HIV/AIDS Affected People with Integrated Development and Support (RAPIDS) organization, a consortium of six non-governmental organizations focused on HIV/AIDS work in Zambia, which is led by World Vision International in partnership with Africare, Catholic Relief Services, Expanded Church Response, Salvation Army, World Vision Zambia and the Population Council. This six-year, $57.5 million program, will provide care for people living with or affected by AIDS. In contrast to the silo approaches to HIV/AIDS programs by donors and other non-governmental organizations, RAPIDS and its consortium of six organizations working toward the same cause creates a powerful blueprint for a more unified approach on a national level

There are other early signs of a broader move to enhance collaboration. This is demonstrated by the Emergency Capacity Building project. The project, sponsored by seven of the most prominent players in the sector, has established a number of working groups to share best practices in areas such as coordination and collaboration in humanitarian relief.[11]

In the private sector, the sometimes ruthless power of the market has forced consolidation over the past decade. Without the same commercial pressures or the latent threat of a hostile takeover, the NGO community has grown rapidly during the same period, with more than 50,000 international and transnational NGOs in existence.[12] It is likely to be unsustainable to have multiple organizations all competing for the same finite resources. Moreover, the current financial crisis could lay bare long standing structural inefficiencies within the sector. In a survival of the fittest game, we are likely to see large transforming NGOs integrate and subsume those that have failed to adapt to change or where change has been inhibited by reluctant trustees with a vested interest in preserving the status quo. Big may not always be best. But smaller NGOs will need to carve out a clear niche and excel at collaboration if they are to survive.

One such example of this trend is in the United Kingdom, with Voluntary Service Overseas' integrating with the British Executive Service Overseas (BESO) and its new acquisition of Canadian University Service Overseas. We are likely to see more and larger illustrations of this trend as competition for funding and the desire for greater transparency of impact from investment dollars by a new breed of donors, forces far greater consolidation.

The organizational and strategic challenges outlined above are starting to be acknowledged and in some cases addressed by some NGOs. For example, and as described in the Wave II Case Study, Save the Children has embarked on a "unified presence" project that is seeking to harmonize core processes in countries where there are multiple Save the Children entities.

The growing understanding of the positive role of enterprise and markets in development is also driving the beginnings of a cross-fertilization of skills and capabilities – with more people coming out of the private sector into NGOs and vice versa. An example of this cross-fertilization of capabilities is the Mercy Corps' "bank of banks" concept, launched in June 2008 and through which a commercial bank is established to partner with thousands of microfinance institutions to expand access to financial services for the poor.[13]

Over time this will also promote different career structures and a new approach to investment in training and human capital. Within their human resources departments, Wave II organizations will see the emergence of a more performance-based culture than we have seen in the past.

There is cause for optimism in Wave II NGO transformation, particularly when it comes to the role of technology – with new technologies adapted to tackle old problems. For example, the Kenyan-based health NGO, African Medical and Research Foundation (AMREF) worked with the Kenyan Ministry of Health to use e-learning technology to train nurses. The plan is to train 20,000 nurses to a registered standard in a 5-to-7 year time frame – an undertaking that would have taken decades using conventional approaches.

Wave II organizations are beginning to view investment in systems and technology as a strategic enabler of their core programs, not just as an overhead to be minimized. For example, many organizations are evaluating an investment in modern client-server and software as a service (SaaS)-based systems to support their expansive growth while reducing maintenance overheads. Financial, talent and program management systems that can keep pace with ever-changing complex reporting requirements and support near real-time global access to critical information, often seem to be the catalysts for a broader systems upgrade.

Sometimes IT investment may be more effective when done in a way that allows the investment to be shared with other organizations. NetHope is one of the best examples of collaboration across the international development sector: they are championing the concept of shared services to support a variety of IT and business processes; something accepted as the norm in the private sector, but rarely tried by NGOs. Once implemented, these shared services should drive substantial cost-savings while providing higher service levels than one organization could effectively deliver on its own.

Wave II Case Study

Organization: Save the Children Alliance

Focus: Unified presence

Geography: Global reach

Description: The Save the Children Alliance is aimed at having a unified presence in key countries where the members act as one. The organization was self-critical for having multiple members operating in one country and recognized the added value for children by unifying operations. This proactive strategy has been designed to help confirm that they have one strong voice for children in the countries in which they operate. This will require fundamental transformation of their core operations, management and governance in each country.

The unified presence is a key part of Save the Children's strategy to maximize efficiency and secure better outcomes for the world's children. An integrated management approach is being rolled out in a number of countries, with one organization coordinating the work in each. By combining this approach with local specialization, Save the Children expects to enhance its presence in each country as countries work together as a single organization with a strong voice. The Save the Children vision for 2020 is to achieve a unified presence in every country where it operates.

Key Features:

• Internal consolidation and cooperation

• One face and voice of Save the Children

• New management approaches and processes

Finally, the third wave of change looks more to the future and a new era of business-NGO collaboration that will require a very different NGO role than today. This is a world where NGOs, multinational businesses and national and local governments will work together seamlessly; where agendas are aligned and where the comparative strengths of each sector are maximized.

NGOs that aspire to this type of role will most likely have followed the evolutionary path characterized by Waves I and II prior to being ready to serve as an effective Wave III coalition partner. NGOs in Wave III will have the ability to engage with and help define a new agenda for business and be a crucial partner in new-generation business strategies. These organizations will also be able to help inform a growing interest in social enterprise and serve as powerful partners of governments as new public-private models of service delivery emerge in health and education.

Wave III coalitions will be characterized by an attitude that embraces market-based solutions to poverty reduction, where impact will be scaled up through existing public-sector infrastructure and private-sector supply chains. It will be a more "demand-driven" and investment-type approach as opposed to the "supply-side" charitable focus of the past.

Greater collaboration among NGOs is another quality of Wave III evolution. NGOs have an opportunity for collaboration with each other and across sectors based on distinctive competencies or expertise on the ground in specific geographies.

There also will be a need for these NGOs to develop collaborative governance structures with clear accountabilities to respective stakeholders. Simon Zadek, CEO of AccountAbility,[14] has been a leader in this area, helping to define the role of multi-

stakeholder partnerships in governance. One illustrative example is his involvement with the Multi-Fibre Arrangement (MFA) Forum,[15] a large-scale collaboration of leading textiles and apparel companies, civil society and labor organizations, international development agencies, financing institutions, national governments and business associations. In many cases, the DNA of current Boards of Trustees which have served the needs of the NGO well in the past, are less likely to serve the needs of the future.

Another good example of cross-sector collaboration is the ambitious Water and Sanitation for the Urban Poor (WSUP) initiative, a business-driven coalition that was conceived by Thames Water in conjunction with several large international NGOs and government bodies, in a hybrid business model that links all three sectors. It seeks to tackle the huge problems of bringing water and sanitation services to an urban population that is increasing by 180,000 a day — focusing on the slums at the edges of cities where it is not commercially viable to have a purely market-based approach.

Accenture Development Partnerships is also currently teaming with Barclays and two NGOs — CARE International and Plan International – with the shared goal of providing poor and other vulnerable people in developing countries access to community-based financial services to help them secure a more sustainable future. This is less about corporate social responsibility or philanthropy; more about a long term, responsible and sustainable business investment. It demonstrates the blended capabilities of Wave III coalitions with Barclay's deep expertise in financial services complemented by CARE and Plan's deep understanding of local needs and strong presence on the ground within communities.

Wave III will also be characterized by performance-based NGO cultures and a far more holistic approach to human capital strategy. New skills and capabilities will be required to partner with, and effectively manage, an emerging breed of complex coalitions. Recruits who have MBAs will be as highly prized as those with PhDs. New governance structures will help ensure that decision making is done at the right level for the right decision – centralized for major strategic decisions that span the enterprise, devolved for localized issues.

Wave III will require new behaviors and new behaviors in turn require new incentive structures from top to bottom. The emphasis will have to change from rewarding growth, visibility and brand recognition for individual NGOs to awarding more inclusive and collaborative behaviors that span several organizations and sectors. For example, if corporate engagement is owned by the marketing department and measured purely on fundraising metrics, it will be difficult to foster behaviors associated with deeper collaboration and integration, which have crucial but arguably less tangible impacts that are harder to measure.

Robust processes and greater use of the integrating power of technology will be the glue in driving this collaboration agenda. There will need to be a real focus on harnessing and leveraging knowledge to be able to scale and replicate best practices from one coalition to another. This is likely to include much wider embracing of outsourcing as a concept, particularly as it relates to shared technology services.

In Wave III coalitions, technology will be a source of innovation when it comes to development outcomes. New technologies such as the mobile phone are already showing their transformative potential. Approximately 3.6 billion people on the planet currently own a mobile phone[16]

and one of the fastest-growing markets is sub-Saharan Africa. In the developed world, mobile phones are seen as a useful tool for making calls, sending texts and receiving email. In the developing world mobile phones are rapidly being used as a critical enabler of business or in groundbreaking health applications such as tracking the spread of diseases or where the camera is used as a microscope for remote diagnosis of malaria. It can provide the bank account for the unbanked, a platform for commerce or provide an efficient money transfer device for domestic or overseas remittances. Successful delivery of these powerful and inspiring ideas will require an integrated approach that combines the distinctive capabilities of each sector.

Wave III Case Study

Organization: Water and Sanitation for the Urban Poor (WSUP)

Consortia including: CARE UK (Cooperative for American Remittances to Europe), WWF (World Wide Fund For Nature), Thames Water & Unilever

Focus: Affordable access to water services for urban poor

Geography: Regional pilots

Description: A number of organizations including Thames Water, Unilever, CARE and WWF, developed a model for partnership between public, private and civil society organizations to achieve real, meaningful and practical solutions to challenges around affordable access to water and sanitation services in urban environments. The partnership is known as Water and Sanitation for the Urban Poor (WSUP) and is driven by and adapted to local needs, with the built-in ability to scale up and be replicated. WSUP has recently become a separate legal entity with its own governance structure and revenue model, where each partner gets a return on investment for any inputs they provide. For example, Thames Water may provide water and sanitation engineers, Unilever a nutritionist, WWF an environmental specialist, CARE local community connections, etc. Whatever the investment made, the partner receives an agreed rate of return on the costs they invest in the program. Bilateral aid was used as a catalyst by the UK Department for International Development, which provided the initial investment to get the venture off the ground. The idea is to operate on a turn-key basis to help ensure that the infrastructure is maintained locally following initial involvement by WSUP.

Key Features:

• Complex coalition structures

• Systemic change through partnerships

• Bring pilots to scale through demand driven investment

III. Evolution in Other Sectors: Backers or Bystanders?

New roles for business and government as partners in change

While this blueprint for evolution has focused heavily on the agenda facing NGOs, there will also be implications for both businesses and governments.

Businesses will need to evolve beyond their traditional shareholder-value-driven mindset and realize that they have an "enlightened" self interest in engaging beyond traditional philanthropy. Businesses will have to work collaboratively with international NGOs to address new business opportunities or protect their "license to operate" – particularly with emerging markets as the main new sources of growth.

Equally, governments, multilateral institutions and donors will have to play a crucial role in "connecting the dots" and setting the right enabling environment and incentives for Wave III coalitions to emerge and thrive.

Implications for Global Businesses

Businesses are actually asking for more regulation as they tackle the challenges of the multi-polar world,[17] which is defined by multiple centers of economic power and activity. Tomorrow's Company, a leading think tank on the role of business in society, held a major outreach effort over the past three years that involved extensive consultations with leaders from business, government and civil society. Its far-reaching findings, published in June 2007, called for organizations to rethink the rules of development: "the current regulatory environment is leading to outcomes that are unsustainable for society and indeed a fundamental rethink is required."[18]

The fact that this statement was endorsed by many leaders of the largest corporations in the world added to its credibility and its impact. While recognizing the power of business to provide goods and services to meet the demands of society, the report called for a "redefining of the space" in which business operates.

Implications for Governments, Donors and Foundations

There has been a great deal written in recent years about the changing role of donors and the evolution of the aid industry. These agencies can now play an important role as catalysts in the transformation process of NGOs and as key stakeholders in cross-sector partnerships.

Largely due to human nature, but also partly due to attitudes towards risk, donors have a strong desire to support high-profile

projects that will provide good photo opportunities and where the likelihood of success is high. Nowhere is this more prevalent than in the humanitarian relief industry, where a national flag on shipments of aid will please skeptical citizens and government communications departments.

An unfortunate consequence of this is the temptation to avoid riskier projects that may result in failure but often are those which are serving the most needy. There is far too little donor interest in investing in lower-profile enabling capabilities that are so critical in driving positive development outcomes. Donors will respond to natural disasters and other emergencies but are more reluctant to invest in disaster preparedness programs which would make the response more effective when the disasters actually strike. Similarly, it may be far more interesting to support project-based work in media-friendly donation areas than in covering the costs of a new IT system or supply chain overhaul.

There are, of course, some exceptions to the rule. The Rockefeller Foundation deserves credit for its recent investment with NetHope to explore shared services solutions for NGOs in areas such as help desk services and procurement.

There are also some encouraging signs of a willingness to engage with the private sector in new and innovative ways amongst the donor community. The US Agency for International Development has had considerable success with its Global Development Alliance, which seeks to couple public investment with private investment from non-traditional actors in the aid business.[19] The United Nations Development Program and their Growing Sustainable Business programs have similar goals.[20] Where these programs are most effective is in addressing specific missing markets and playing a catalytic role in helping make markets

work for the poorest. The UK Department for International Development's support for M-PESA, Vodafone's Mobile banking business in Kenya, is one of the best examples[21] of making markets work for the poor. A relatively small amount of core funding was provided to stimulate the market for mobile banking, which has now taken off at incredible speed into India and around the world. Clearly, the donor's role diminishes as competition picks up but it can have a catalytic effect in the early stages through sharing or underwriting risk for private sector investment.

Still, by and large major donors and aid agencies face a number of challenges in adapting to this new reality. Policies and procedures are designed to minimize risk, not actively embrace it. A portfolio approach, similar to that adopted by venture capitalists, would go some way towards addressing this – adopting a holistic view of success across a collection of projects, as opposed to minimizing risk on a project-by-project basis.

The procurement procedures of bilateral and multilateral donors are another major challenge that needs to be overcome. Request for proposal (RFP) processes tend to be both very rigid and totally transparent – with the laudable goal of protecting public funds from being used inappropriately.

But if donors are to have an effective role as catalysts and broker partnerships between businesses and NGOs, often in these "missing market" situations, then public procurement procedures will need a radical overhaul. These coalitions will be complex and involve multiple partners contributing far more than just the lowest-cost bid; often they will be contributing technology, pre-existing intellectual property (IP), people, skills and other intangible assets. Not only will this require changes to policies and procedures, but the

donor staff will need to develop new skills, not to mention a different mindset and greater tolerance of manageable risks.

IV. Achieving High Performance in the NGO Sector: A Call to Action

So is the future of development collaboration really "none of our business"?

This paper has argued that it is in fact everyone's business – and that as one key piece of the puzzle of making development more effective, non-governmental organizations must embark on nothing short of a transformation process to partner effectively as peers with their counterparts in other sectors. It also has highlighted some of the potential shortcomings and capacity gaps that exist within the sector. The criticisms here should be understood in the context of a deeply-held belief that international NGOs can and must play a crucial role in the future development landscape – but that this landscape is changing rapidly.

Although the stakes are high and the challenges significant, there are real grounds for optimism – based on early indications that transformation and even collaboration is already underway,

and that the pace of change is increasing. The front runners are developing the blueprints of new operating models in the foundation, transformation and collaboration waves that others will be able to follow.

Leadership will play a crucial role in navigating the complex transformation journey. Leaders from international NGOs will be important change agents, but there are important roles for the leaders of the other sectors as well.

Recognizing those varied roles, Accenture Development Partnerships makes the following suggestions for leaders in each sector:

For international NGO leadership:

• Embark on the process of transformational change. Take the plunge and start leading change today. "Wait and see" is no longer a viable option. Major back-office investment and transformation is

required, as are cultural shifts to partnering with business. Top-down advocacy for change and greater collaboration will need to come from leadership

• Make the case for change with boards, funders, supporters and other stakeholders. Make a business case around the rationale for investing in core capabilities and management capacity. Challenge the traditional cost-ratio obsession of the typical non-profit board member. Change will require investment. Investment will require a different mindset.

• Harness and seek to influence the power and direction of the private sector. Embrace some of the best thinking, skills and capabilities of business. Improve capacity to partner within your organization and your ability to advocate on private-sector policy by employing people with business experience and acumen. Play a proactive brokering and integrating role in cross-sector coalitions.

For global business leadership:

• Make the business case for engaging in development. Challenge the present consensus on the role of business in society being primarily about shareholder value. Look beyond the next quarter's bottom line towards long-term business sustainability, which will ultimately underpin long-term returns to shareholders. Make the case for enlightened self-interest to your stakeholders (board, investors, analysts, shareholders).

• Engage with NGOs as key stakeholders in your business strategy. Move from disjointed corporate social responsibility projects to integrating broader sustainability concepts into core business practices. Start to engage with NGOs as strategic partners in accessing new markets and in helping expand the positive role companies can play in developing communities around the world — not as recipients of charity.

• Play a broader role in strengthening the development sector. Make core assets, people and skills available to NGO partners and support their transformation. This could take the form of direct capacity building work or more indirectly, by encouraging employees to take roles as trustees on the Boards of charities, where they can bring private sector experience or specific skills. Explore broader ways in which core business assets can be leveraged for development impact.

For leaders of governments and donors:

• Invest in and support the NGO transformation process. Seek to fund projects that support the transformation process and help develop core capabilities in areas such as technology, human capital, knowledge management and systems. Focus on the enabling environment for transformation through providing incentives, supporting training; nurture the change

• Play a role as a broker and catalyst of new generation partnerships. Put in place the right incentive structures to catalyze coalitions. Increase development aid, but spend more on promoting innovation and collaboration (for example, the UK Business Call to Action). Consider sharing risk as a catalyst for private investment in so-called "missing market" situations.

• Revamp outdated procurement procedures. Seek to overhaul procurement procedures to incentivize engagement of non-traditional players in development. Increase flexibility and be able to accommodate options such as hybrid business models or the newly emerging concepts of corporate social enterprise or "social intrapreneurship"[22]

Change based on these recommendations will be challenging, but certainly not impossible. As noted above, today this has taken on even greater importance for leaders of NGOs, donors, and business due to the global credit crunch, which is already resulting in heightened competition for scarcer financial and other resources – and in turn, a need to better differentiate what a particular organization can deliver with the resources provided to it.

In this point of view we have shared insights based on many years' experience of interacting and co-operating with NGOs. Our respect for these organizations has increased steadily over time, and we are convinced that international NGOs must continue to play a critical role in the frontline of the fight against poverty. Accenture Development Partnerships is keen to engage with all stakeholders in order to drive the debate forward, and to take hands-on action as a catalyst for change in the sector. We do not claim to have all the answers, and some of our conclusions may be controversial, but we are confident that the future will be all about increasing collaboration and continual change.

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V. Appendix

Acknowledgments

About Accenture Development Partnerships

Accenture Development Partnerships is a global organization that aims to provide high-quality business and technology consulting expertise to non-profit organizations in the international development sector. Accenture Development Partnerships is distinct from Accenture's mainstream commercial practice in that it provides small teams of Accenture consultants to work on the ground with development sector organizations on three-to-six-month capacity-building projects. We offer Accenture people a unique opportunity for personal and professional development, and we offer the international development sector access to Accenture consultants at reasonable rates. Accenture Development Partnerships works on the basis of cost recovery against substantially reduced fees, which are made possible by individual participants' voluntary pay cuts and the foregoing of profit by Accenture. www.accenture.com/adp.

About the Harvard Corporate Social Responsibility Initiative

The Corporate Social Responsibility Initiative at Harvard University's Kennedy School of Government is a multi-disciplinary and multi-stakeholder program that seeks to study and enhance the public contributions of private enterprise. It explores the intersection of corporate responsibility, corporate governance, public policy, and international development. It bridges theory and practice, builds leadership skills and supports constructive dialogue and collaboration among business, government, civil society and academics.

About the Author

Gib Bulloch is a business professional with more than 15 years experience in a variety of large private-sector companies and more recently with non-government organizations and donors in the international development sector. Working primarily as a strategic consultant to multinational corporations, Gib's main induction to development came after spending a year in Macedonia as Accenture's first volunteer on the VSO Business Partnerships Scheme in 2000, providing expert business planning to a local non-profit business support center in the aftermath of the Kosovo crisis.

Gib currently leads Accenture Development Partnerships, a not-for-profit consulting group within Accenture, with clients including Oxfam, World Vision, UNICEF and The World Bank. Gib's role in helping to create Accenture Development Partnerships is featured in a book called "Everyday Legends," highlighting the stories of 20 leading social entrepreneurs and more recently, "The Social Intrapreneur: A Field Guide for Corporate Changemakers." In 2007, Accenture Development Partnerships was awarded the Management Consulting Association's Corporate Social Responsibility Award and in 2008, Gib was named as the Sunday Times sponsored Management Consultant of the Year in the Best Partner/Director category. In his role as executive director of Accenture Development Partnerships, Gib works extensively in developing countries and is a regular speaker on the role of business in development, corporate social entrepreneurship and cross-sectoral partnerships.

Prior to joining Accenture in 1996, Gib worked with Mars, Inc. and BP. He has an honors degree in engineering, a MBA from Strathclyde University and a post-graduate certificate in cross-sectoral partnerships from Cambridge, where he is a member of the PCCP Advisory Group. He has recently been appointed as a mentor to the UK Government's Social Enterprise Coalition.

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