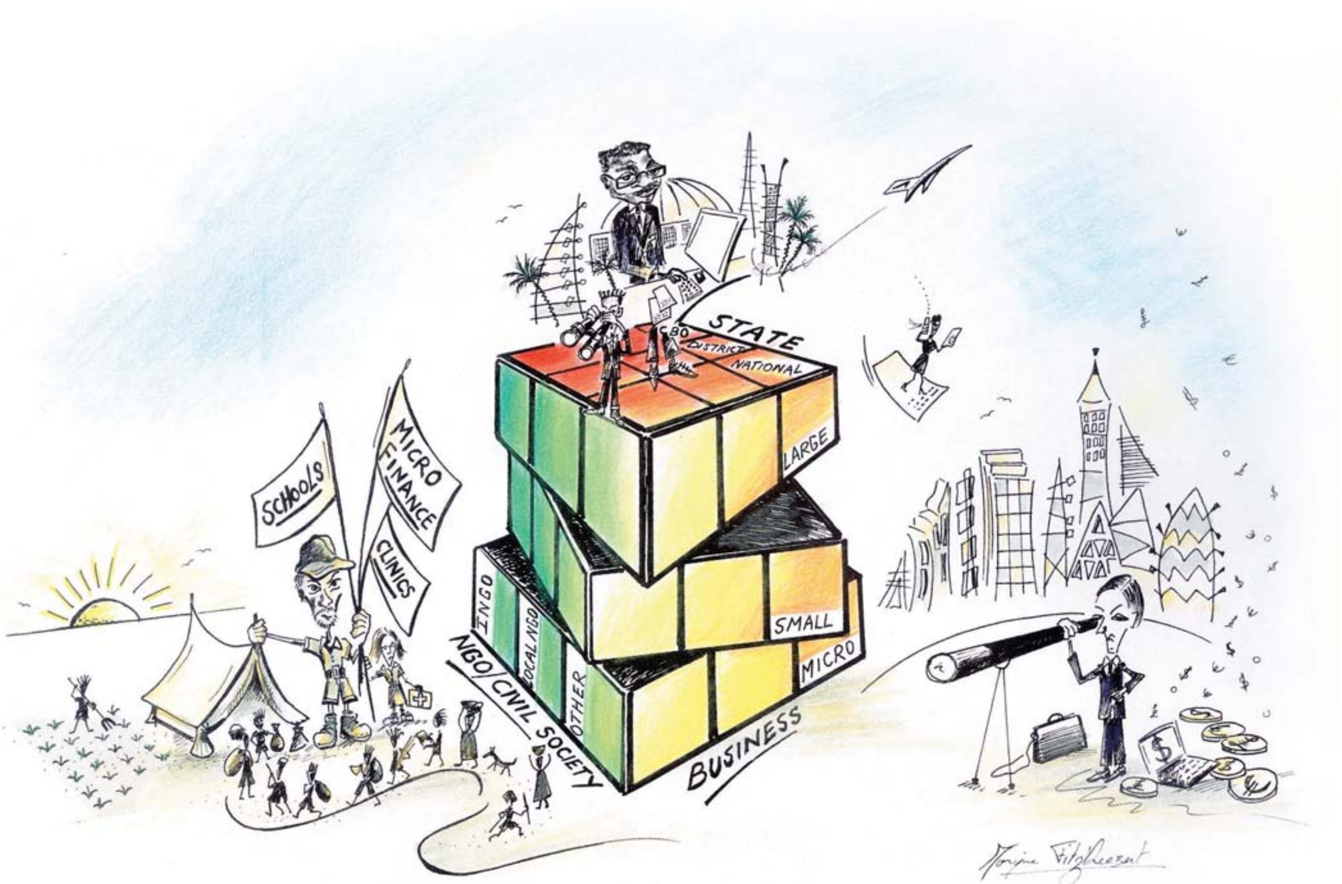


The "Rubik's Cube" of Cross Sector Collaboration

Connecting Business and Development

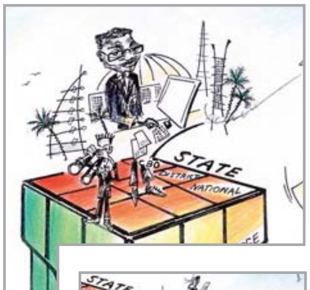
Research Findings, Conclusions and Implications

James Crowley & Cristina Alzaga

July, 2009

This is an independent report developed in close collaboration with **World Vision** and **Accenture Development Partnerships**. The research seeks to take a thorough snapshot of the current state of collaboration between NGOs and the business sector. It examines the areas of real progress, and draws out the main implications and lessons for both private sector companies and for NGOs. It is based on more than 350 detailed face-to-face interviews, conducted during 2008, with “C level” representatives from over one hundred and twenty large companies as well with more than 50 NGOs. All of the participants were interviewed in their local countries, divided equally between “North” and “South”.

The aim of this report is to stimulate and inform new collaborative efforts between NGOs and the business community in order to promote more lasting solutions to poverty reduction in the poorest communities and countries in the developing world. This is the first report from **theCrowleyInstitute**, an independent research network, which aims to support development and humanitarian aims through new collaborative ideas between the development sector and the business community.



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EXECUTIVE SUMMARY

Recent years have seen an acceleration in the ongoing convergence between the development sector with private enterprise. Development agencies increasingly see economic growth and wealth creation as critical to alleviating poverty and achieving sustained progress in developing countries. In parallel, private enterprise is increasingly aware that social investment may be important to longer-term business expansion.

This research seeks to take a thorough snapshot of the current state of collaboration, examine the areas of real progress, and draw out the main implications and lessons for both private sector companies and for NGOs. It is based on more than 350 detailed face-to-face interviews, conducted during 2008, with "C level" representatives from over one hundred and twenty large companies as well with more than 50 NGOs. All of the participants were interviewed in their local countries, divided equally between "North" and "South". Countries visited included Vietnam, Indonesia, India, Kenya, Zambia, Angola and Brazil in the "South" as well as countries such as the US, Canada, Australia, Japan, and UK in the "North". The research data was collected to support a number of strategic research assignments conducted during 2008. We would particularly like to acknowledge the very significant contribution of World Vision, for funding the original study from which a significant portion of this analysis is based, as well as for their considerable additional support and encouragement. We commend their spirit of sharing and mutual learning in allowing the data and associated insight to be made available to others.

The analysis focuses on fourteen questions, grouped into four broad research areas, namely;

- **A)** What types of Corporate Social Responsibility (CSR) / Sustainability investments are businesses/companies investing in and why are they making these investments?
- **B)** What is the current state of collaboration between business and NGO from a business perspective?
- **C)** What is the current state of collaboration between business and NGOs from an NGO perspective? and,
- **D)** What are regarded as the most fruitful future opportunities for collaboration?

Our analysis of the questions draws out the differences between responses we heard from executives in the "North" versus those in the "South", and between International and National companies. The analysis also compares responses across five industry sectors, namely Consumer/Industrial Products, Communications and High Tech, Extractive industries, Financial Services and Professional services. As we explored the drivers for investments by companies, we tried to understand the various types of investment, from traditional philanthropy at one extreme, to business basics on the other.

Some surprising insights

The analysis revealed many interesting and somewhat surprising insights. Commenting on a few highlights ...

In Question 1 and 2 we discover that whilst more traditional philanthropic drivers still feature prominently in companies rationale for investment, they are increasingly out-numbered (2 to 1) by more sophisticated investments demanding a specific return on investment, increasingly into areas close (or closer) to core business activities. Encouragingly, factors such as "linking business with local markets" and "building sustainable operations and strengthening local supply chains" are beginning to feature very prominently. In addition, many of the respondents stressed that in these more advanced types of investment, the scale of each investment is significantly larger. Furthermore, it is clear that more sophisticated companies increasingly have more highly-integrated sets of philanthropic and business goals.

Meanwhile, in terms of preferred domains for investment (Question 3), some companies are very flexible in their choice of investments. However, in cases where companies have implemented a CSR/Sustainability strategy and expressed a specific preference, "education" emerges as the clear preference.

Question 5 explores the role NGOs currently play in company CSR/sustainability investments. Perhaps unsurprisingly, the findings show that companies nearly always engage with NGOs in relation to their philanthropic-type investments, but are much less likely to do so in relation to CSR/Sustainability investments directly related to their core businesses, where they engage with NGOs in less than 50% of cases. Where NGOs are actually involved (Question 6), their role remains

Exhibit A

Examples of companies and organizations whose input we have included in the research.

most notable in the realm of delivery/implementation and in certain cases in the "provision of intelligence and advice" – although the responses differ across industry sectors.

Questions 7 and 8 explore the issue of NGOs' positioning, specifically relating to the selection and positioning of local versus international NGOs. This issue emerges as a far stronger theme than we had anticipated. There were also some surprising results from Question 9, regarding NGOs' chief motivations for seeking to engage with the private sector. While raising funds predictably remains an important driver, we also see that "linking the poor with markets" is almost as important – particularly in the minds of international NGOs.

Looking to future areas of collaboration, Questions 12 and 13 respectively set out the areas perceived as providing the greatest opportunities from the standpoint of companies, and similarly from NGOs. While the degree of correlation is striking, there are some interesting areas of divergence in the detail. For example, NGOs appear to place considerably more emphasis on market access – i.e. linking the poor with markets; this was much lower in the pecking order for companies.

Question 14 addresses the appetite for global partnerships. Interestingly, here we received a somewhat muted response from the survey participants. Our interpretation is that the state of collaboration is, in reality, in its infancy. Most large international companies do not have a single, unified, global approach to their CSR/Sustainability strategy and associated investments. Local perspectives and priorities seem to prevail – and although some large companies have global principles/guidelines, and in some cases global initiatives, the fact is that local pressures still rule the agenda in most situations.

Summary of conclusions

Taken together, these research findings lead us to six overarching conclusions. We see that leading companies are increasingly making integrated investments – combining their philanthropic drivers with core business goals.

Very positively, we can see a massive – indeed potentially daunting – scope and volume of opportunities in terms of geography, industry, and domain, as well as a myriad of companies and NGOs to choose from. Organizations will need to be exceptionally focused and strategic to identify those opportunities that it makes sense to collaborate on, and avoid wasting time and effort on poorly-constructed initiatives. So, the question is –what defines an attractive opportunity? We can deduce that, while companies and NGOs do not need common objectives, they do need complementary objectives. Other relatively straightforward criteria, such as having aligned timescales to deliver desired goals, seem particularly important.

Despite the increasing level of interaction, we can see that the collaboration process is still in its infancy, and that organizations on both sides of the divide need to accept that they are at an early stage of maturity in their strategies and capacity to collaborate on programs – particularly on a global basis. Global partnerships are good in principle, but organizations will rightly take one step at a time, to build confidence and experience.

We find that most of the interesting collaboration opportunities seem to emerge from bottom-up ideas, most notably in developing markets. So far, at least, local pressures and ideas trump global initiatives. However, local examples will benefit hugely from support and nourishment to achieve material scale and impact.

We see that NGOs are gradually accepting that wealth creation and economic development is not something to be frowned upon, but instead is central to longer term sustainable development. However, despite the positive rhetoric, NGOs still face considerable barriers in terms of attitude, structure, capacity, incentive as well as confidence. While we see a great deal of positive words and sentiment, real action lags well behind the rhetoric.

Finally, we conclude that NGOs' profile needs close attention, particularly during the current early – and increasingly complex – phase in the development of collaboration.

The following table (Exhibit B) sets out a brief summary of the six overarching conclusions. These are described in more detail in Section 3 of this report, where we have attempted to draw out the most important implications for companies and NGOs.

Exhibit B: Summary of six overall conclusions

Conclusion 1 Integrated investments	Companies are increasingly linking their CSR investments with their core business goals – and finding a synergistic relationship between them. This evolving trend is at its most explicit among those companies with more developed experiences and strategies. This shift is creating an exciting new landscape of opportunity for NGOs and companies to collaborate.
Conclusion 2 Many opportunities…	For those organizations that are properly prepared, the potential opportunities for collaboration are many and varied. Both sides need to get their priorities, strategy and criteria straight in order to determine where to play, see the 'wood from the trees', and identify the 'sweet spots' for each organization. They should be aware that the early stages can be very inefficient, as parties come together to seek new opportunities to collaborate.
Conclusion 3 Early days	It is still early days in the collaboration process around companies' core business. Both sides need space to interact and learn. NGOs and companies need to accept that they are at this "early" stage of maturity – and to adapt tactics and approaches to reflect where progress is at today.
Conclusion 4 Bottom-up opportunities	Despite increasing discussion around international or global partnerships spanning several countries and covering both North and South, most of the interesting collaboration opportunities seem to emerge from bottom-up ideas, primarily in developing markets. So far, at least, local pressures and ideas trump global initiatives. However, local examples will benefit hugely from support and nourishment to achieve material scale and impact.
Conclusion 5 Wealth creation is OK.. but!	The perception that wealth creation is somehow uncomfortable or separate from development goals is slowly disappearing from the NGO landscape. NGOs are beginning to appreciate that economic development is a central long-term solution to alleviating poverty. However some NGOs still have a considerable range of barriers to overcome.
Conclusion 6 NGO profile matters	NGOs' positioning and profile are becoming increasingly important considerations. Clear and careful thinking in building profile should help create a solid platform for collaboration. Companies are becoming more sophisticated in their NGO selection processes, though at this stage their knowledge and awareness of NGOs is still quite limited.

Exhibit C: Synopsis of key findings from the analysis

A) Drivers & types of corporate investment in CSR/Sustainability

- Though more traditional philanthropic drivers still feature prominently in companies rationale for investment, they are increasingly out-numbered (2 to 1) by more sophisticated investments into areas close (or closer) to core business activities. Factors such as "linking business with local markets" and "building sustainable operations and strengthening local supply chains" are beginning to feature prominently. In addition, in these more advanced types of investment – the scale of each investment is significantly larger.
- **Company executives based in the developing world place a stronger emphasis on CSR/Sustainability investments closer to their core businesses than their counterparts in the North. They also show a markedly stronger desire for closer collaboration with NGOs.**
- In developing markets, executives from the large international companies tend to be more enthusiastic about CSR/Sustainability investments close to the core business, and tend to be more likely to involve NGOs in these investments. CSR/Sustainability investments tend to be somewhat less sophisticated for National companies in these markets.
- Advanced companies, i.e. with significant cumulative experience in CSR/Sustainability, tend to have increasingly integrated and sophisticated goals associated with their CSR/Sustainability investments – encompassing philanthropy and core business goals.
- **Education is the preferred investment domain for many companies – though not all have strong preferences. In fact, the authors believe it is those companies who have a more traditional approach to CSR/Sustainability who have more pronounced preferences for particular domains.**

B) Current state of collaboration ... company perspective

- **Companies see CSR/sustainability investment in its many guises as increasingly critical to their future success and seemingly welcome NGOs' contributions. Encouragingly, 65% of respondents are interested in increasing the scope of collaboration. Almost half of all companies are interested in increasing the scope in collaboration in areas close to their core business.**
- Companies are much more likely (almost in all cases) to engage NGOs with regards to their philanthropic type investments - while considerably less likely (in less than 50% of cases) in CSR/Sustainability investments that are directly related to their core businesses.
- Where NGOs are involved, their typical role remains in the realm of "Delivery/Implementation" and in certain but more limited cases in the "provision of intelligence and advice".
- **This issue of Local versus International NGO emerged as a far stronger theme than we had expected. Local NGOs often seem to be the preferred partners, though definition of what constitutes local is not always straightforward. Frequently, local NGOs are perceived as closer culturally, and better integrated into political and social contexts and also perhaps easier to work with.**
- Though there are signs that companies are giving more attention to the selection of NGO partners, it is still very early days and the understanding of NGO positioning and capability is patchy at best.
- Differences in investment preferences were highlighted in the responses from each of the five categorized industry sectors. Business Basics achieved the highest score from Extractives and Products; while Philanthropy and Social Investment was most popular with Communications and Hi-tech and with Financial Services companies.

C) Current state of collaboration .. NGO perspective ??

- **NGOs increasingly see companies and the private sector as relevant actors in the development equation. There is considerable interest and buy-in to the principle. The words are however, arguably more progressed than real action or results on the ground.**

- **Some NGOs still seem to exhibit deeper levels of resistance to serious engagement. However, one should qualify this by noting that, even in the same NGO, one can experience significant and expanding pockets of great enthusiasm on one hand as well as pockets of doubt and cynicism on the other.**

- There were some surprising results regarding NGOs’ chief motivations in seeking to engage the private sector. Though raising funds remains frequently stated driver – “linking the poor to markets” is almost as important – particularly in the minds of International NGOs.

- More than two-thirds of NGO’s interviewed indicate that they are investing in building capacity to collaborate more closely with the private sector, beyond fundraising and campaigning.

D) Most fruitful areas for future collaboration

- We explored areas perceived to represent the greatest opportunities for both companies and NGOs. There is reasonable alignment in certain areas while not on others, e.g: “Market access” features much more prominently for NGOs, whilst “Developing and distributing pro-poor products” is more important for companies. NGOs seem more interested in influencing, supporting and helping deliver changes to company policy and practice: e.g. “Creating productive work environment” and “Improving company policy and implementation”; On the other hand, companies seem to place more store in aspects like “Building human capacity” and “New product development”.

- **We explored the appetite for global partnerships, and interestingly we see a somewhat muted response. Global partnerships (Multi Country / North & South) between Companies and NGOs is not a serious agenda item, at least not yet. Our interpretation is that the state of collaboration is, in reality, in its infancy. Most large international companies do not have a single global approach to their CSR/Sustainability strategy and associated investments. Local perspectives and priorities tend to prevail.**

- Finally our intuition, is that the sweet spot for long-term collaboration will mainly be influenced by transparency and complementarity of goals (not commonality of goals) and also where timeframes to results are similar. Hence, longer term commercial initiatives seem to be one of the productive areas for sustainable collaboration.

Implications – What these findings and conclusions tell us

Taken together, these research findings and conclusions provide some clear messages for executives in the business community and in NGOs. Whilst these are analyzed in Section 3 after each conclusion – the authors feel that the selected implications/messages are worth highlighting;

What it tells Business leaders?

Traditional philanthropy investments already outnumbered 2:1; Corporate investments based on a traditional philanthropy approach are already outnumbered 2:1 by more sophisticated investments requiring a specific return – increasingly close or closer to core business activities. This shows that the anticipated trend has progressed considerably over recent years. This also gives some guidance on the impacts of the global economic downturn – as we know amounts contributed through traditional philanthropy will undoubtedly come under the most pressure in the downturn. However investments closer to core business, particular where they have an early impact on revenue and profits should be far more protected.

The South is beginning to lead the agenda; Southern business leaders based in developing markets, particularly in local branches of international corporations are ahead – and moving past the rhetoric and grand plans of executives based in northern centred HQs in UK, US or Europe. However, leaders of global companies based in the UK / US or in the North, do have an important role. They need to provide global coordination / glue to nurture opportunities and emerging partnerships but realize that they also need to encourage local entrepreneurial ideas and initiatives in developing markets.

NGOs can expedite your core business agenda; It is pretty impossible to envisage sustainable business growth in developing countries without embracing development/humanitarian issues – and NGOs provide a mechanism to help expedite progress that would otherwise take much longer. Business leaders need to change their perspective and stop seeing NGOs purely in a traditional service delivery mode, which may be consistent with where many NGOs were in the past, – but not where many are today and certainly not where they moving towards in the future

Narrow corporate philanthropy is not that material and probably never will be: In most cases, traditional philanthropic giving has a worthwhile place, – but likely to be of low materiality to the development agenda; if it is also not material to your business agenda, it may be a bit of a disappointment, and potentially a waste of opportunity – missing the really significant business centred opportunities.

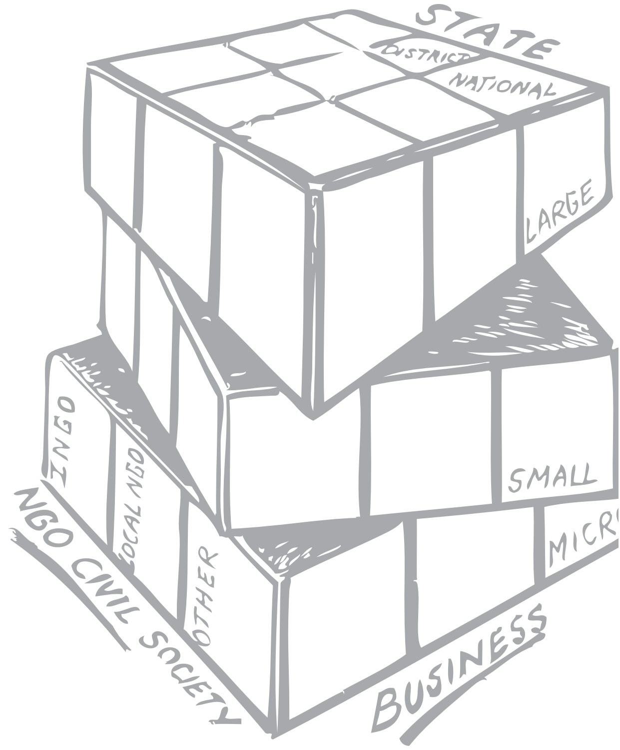
What it tells NGO leaders?

Though guarded, the business community wants deeper collaboration; The business community is open for greater collaboration. CSR/Sustainability initiatives for leading companies are being welded into their core business growth plans. Companies increasingly recognise the broader contribution NGOs can make through their unique positioning, capabilities and deep understanding of poorer communities.

Many NGOs could be sidestepped in a major expanding strand of international development; Unless NGOs change and adapt, they will be sidestepped in a core platform of economic development if they are not able to relate to and collaborate with the business community in developing countries. Some have a long list of blockages to overcome to be serious collaborators / partners. NGOs need to build fundamental new capabilities, capacity and confidence to be serious partners.

Genuine local actors!! Becoming positioned and accepted as genuine local actors – not "pseudo expat" organisations from the North is a serious consideration. The typical legal structures, power balance and governance arrangements of many large international NGOs may be a major challenge to embracing this mega opportunity.

Education, Education, Education; The business community largely does not pretend to understand development – though their awareness is progressing. However, there is an emerging view that is education a very central lever for change. In the eyes of business executives, education builds capacity, builds ambition, builds productivity, addresses health issues +++.



PART 1:
Context and Introduction

Setting the context

In the past, the private or business sector was often regarded as the enemy of the poor. Development and humanitarian agencies, born of the noble desire to meet the needs and rights of the most underprivileged, often perceived “wealth creation” as something separate, something vulgar, something to tolerate but certainly not something to engage with in a significant way in their core programs.

The business or corporate sector, for its part, also saw development and humanitarian organizations as separate or isolated beings, typically working with remote, mainly rural communities whose affairs had little relevance to their operations. These well-meaning people worked in poorer districts, in areas with little infrastructure, with little skills or capacity to be useful workers, and most importantly any likelihood of having sufficient cash to become valuable customers any time soon.

A dawning realization

Let’s step back in time and retrace the journey of many large NGOs during the late 70s, 80s and 90s. During this period, many NGOs went through a gradual realization that they needed to work in a more integrated manner with other important stakeholders to deliver more effective and lasting results. Previously, many of these organizations had been very accustomed and indeed comfortable operating in what is referred to as “service delivery mode”, where they worked fairly independently, gathering funds in the well-off “North” and meeting the needs of the very poor in the “South”.

Despite the clarity and simplicity of this model, it brought with it a number of obvious challenges. The first of these was the conundrum that having a substantial physical presence in each and every community could be regarded as a “double-edged sword”. Experience shows that a substantial local presence, particularly in “service delivery mode”, risks creating a dependency culture in the community, as well as potentially weakening the local coping mechanisms that communities might otherwise develop. Additionally, a strong presence of the ground runs the risk of exonerating local “responsible state institutions” who may feel they have been let off the hook, because large, well resourced international NGOs are already filling the gap in addressing urgent basic needs.

This new collaborative approach initially manifested itself in closer planning and execution of projects with a range of local stakeholders and/or institutions in developing countries. These first steps included working closely with community organizations and representatives, as well as with municipalities and central government functions. Despite the imperfections of government in many developing countries, this approach has become widely accepted as “good practice” in efforts to provide more effective and lasting improvements in key areas such as health, water, sanitation and education. These early manifestations of the collaborative approach also were then expanded further to recognize the value of working with other civil society organizations, particularly with local NGOs.

New model, new mindset

Inevitably, this new collaborative model demanded considerable adjustments in style, expertise and – perhaps most importantly – in mindset. The journey described here should resonate with many large NGOs, though each will, of course, have its own very particular history and set of experiences. This journey continues today – particularly for organizations that have adopted a more stringent “rights-based” footing to their development and humanitarian work.

However, the pace with which NGOs have been able to embrace the business/corporate sector as a natural ally in addressing poverty seems to have lagged behind their collaboration with other players. The scale of the development opportunity through business investment greatly exceeds traditional aid. With the exception of the most extreme failed states, investment from the private/business sector will always dwarf volumes of overseas aid, irrespective of the potential growth in aid budgets. Overseas development aid is a small proportion of even total foreign direct investment – probably 20 to 30 percent today (Source; IMF, Oct 2007) and likely to become a much smaller proportion in the coming years.

It is true that there have, of course, been some important steps forward. The dramatic growth of "micro-finance" in the '90s, enabling the very poor to gain access to small amounts of capital, has been a valuable development, and is continuing to expand considerably following the development of the concept by the Grameen bank in Bangladesh. However for most NGOs – with the honorable exception of a few organizations such as BRAC (Bangladesh Rural Advancement Committee) and to some extent by a handful of NGOs such as Oxfam and CARE – the critical area of economic strengthening has not been a particular strength or focus until the current decade.

Thankfully, there are increasing signs of progress. In recent years there has been growing recognition that economic growth and wealth creation are essential factors towards reducing poverty in the poorest communities, districts and countries. This point was made eloquently and forcibly by William Easterly in his book "The White Man's Burden", in which he argues that the reason poor people are poor is simply that their incomes are low and not growing very quickly – if at all. Hence it is no surprise that they cannot afford education, health and other basic facilities. A similar view was aired more recently in a succinct comment by Kofi Annan at the recent Global Clinton Initiative in 2008 when he stated "It is the absence of broad-based business activity, not its presence, that condemns much of humanity to suffering. Indeed, what is utopian is the notion that poverty can be overcome without the active engagement of business".

The corporate perspective

Turning to the business or corporate sector, it is equally clear that there have been very important and parallel developments in the minds of the business community over the past decade. Firstly, the business community began to see the developing world as an important opportunity for expansion. The dramatic emergence of the dynamic "BRIC" economies (Brazil, Russia, India, China) with such strong economic growth highlighted to many large companies the need to move beyond the tokenistic approach to business and CSR in the developing world.

Following decades of economic stagnation in a number of developing countries, recent years have brought indications of an impressive and prolonged growth curve. In the past five years GDP growth rates of 5% to 10% in developing and emerging economies have dwarfed the 1 – 3 % rates typically regarded as the norm in the large developed economies in the North. Even Sub-Saharan Africa has experienced growth of 6% over recent years. (Source: OECD African Economic Outlook 2007/2008).

The bare facts of the trends in the evolution of the world's population paint an equally telling picture. Some 4 billion of the world's population today live in countries that are part of what is now regarded as the "developing world". Moreover, two-thirds of the expected 3 billion population growth between now and 2050 will take place in these countries. (Source: IBRD/World Bank: The growth report, Commission on Growth and Development, 2008).

Why does all this matter? Put simply, future opportunities for economic wealth creation will come disproportionately from what is currently labeled as the developing world. Emerging economies such as Brazil, India and China, plus the raft of rapidly-growing countries following close behind, are transforming the economic landscape of the future. Large global businesses need to cast their nets more widely if they are to continue to be leaders in their respective industries in the coming decades – benefiting from growth opportunities and new markets, as well as the "scale economies" they have come to expect as market leaders.

Scoping the opportunities

What opportunities are there? These come in several types, and can be grouped roughly into three broad categories:

- **a)** Opportunities to invest capital in new, perhaps small, but rapidly-expanding enterprises;
- **b)** Opportunities to source goods and services in the cheapest and most effective way; and
- **c)** Opportunities to sell new products and services to previously under-served markets.

PART 1: CONTEXT AND INTRODUCTION

The trends towards closer collaboration between business and the development sectors has been undeniable, particularly over the past decade. But the question remains....where are we today? What is the current state of play of collaboration between business community and humanitarian/and development organizations? How much has really changed in the mindset and approach of NGOs? How much has really changed in the minds of the business community? Do they still see the developing world as an interesting arena to satisfy their corporate conscience? Or it something more central, something entirely more strategic?

Stimulated by a range of recent and fascinating engagements, we decided to interrogate some of the primary data collected through a range of studies carried out during 2008, and take a snapshot of the current state of play regarding these important questions.

Research scope and approach

In the course of this study, we conducted over 350 face-to-face interviews with more than 120 companies, over 50 NGOs and a range of other organizations, in order to understand their perspectives, case examples, lessons learned, and state of progress. The participants included senior representatives from many of the large corporations one would expect, Unilever, Nestle, Alliance, Microsoft, Sony, ICICI Bank, Adidas, Rio Tinto and so on, several of whom we interviewed in multiple locations, in the so-called "North" as well as in "South". Typically we spoke to director / CEO-level representatives and heads of business units, as well as heads of CSR functions. It was enlightening, in itself, that such a large number of CEOs or senior Directors wanted to participate in these discussions, often at short notice. Not long into the interview process, it struck us that we were not the only ones who wanted to learn.

The companies surveyed were drawn from all industry sectors, including consumer and industrial products, financial services, telecommunications, mining/extractive companies, as well as professional services organizations. Though the sample was slightly biased towards the larger multinational corporations, it also included a significant number of national companies, enabling us to make relevant comparisons. For the World Vision study, face-to-face interviews were conducted in India, Indonesia, Vietnam, Brazil, Angola, Zambia in the "South" – as well as in US, UK, Canada, Japan and Australia in the so called "North". This study also included a range of face-to-face interviews with important NGOs/agencies such as CARE, Plan, Oxfam and WWF, as well as representatives from UN agencies (UNDP and UNICEF) plus a number of smaller local NGOs. Some of the participants included in the analysis are listed in Exhibit A.

To expand the survey data further, we also used other datasets from other related studies, conducted both in parallel and subsequently. This additional data included information from a set of interviews conducted to explore opportunities for establishing a partnership between AMREF (The African Medical and Research Foundation) and a selected group of corporations around specific health issues in Africa. We also made use of data and lessons from engagements where we had provided hands-on assistance in establishing or reviewing specific collaboration initiatives, in various locations and continents. A good example was some work with RAPIDS in Zambia, a joint model involving a number of NGOs and companies to help address the impacts of AIDS/HIV. Another example is work with Barclays, Care and Plan to establish an international microfinance partnership using the Village Savings and Loans (VSL) approach across ten countries, with a specific goal to link traditional microfinance programs with Barclay's local products and branches in these markets.

We believe that the approach we have taken with this report has enabled us to provide a meaningful and hopefully accurate reflection of the current situation. Very deliberately, we did not start by creating a predefined set of answers for interviewees to choose from for each question. Instead, we

Table 1.1: Overview of the research questions

A) What types of CSR/Sustainability investments are businesses/corporations investing in … and Why ?	**1)** What are the current types of investment in CSR/Sustainability made by the company? **2)** What are the fundamental goals / rationale for the company in investing? **3)** In what areas/domains does the company currently invest ? (where they stated a preference)
B) What is the current state of collaboration between Business and NGOs .. Business perspective ?	**4)** Have NGOs been involved in the formation of the company’s CSR/sustainability strategy? **5)** Which of the company’s current investments involve NGOs ? **6)** What is the current NGO role in the relationship? (where they are involved) **7)** Does the company make distinctions between local and international NGOs when selecting partners **8)** If yes – what are the considerations that inform the distinctions between local/international?
C) What is the current state of collaboration between Business and NGOs .. NGO perspective ?	**9)** What are the NGO’s most important motivations for engaging the private sector? **10)** Is NGO investing resources in private sector engagement - beyond fundraising/campaigning?
D) What are the most fruitful future opportunities and appetite for collaboration?	**11)** What is the company’s appetite for future NGO involvement? **12)** What are regarded as the most fruitful areas to collaborate? – Company perspective **13)** What are regarded as the most fruitful areas to collaborate? – NGO perspective **14)** What is the company’s appetite for global partnerships?

posed our questions in an open-ended way, being careful not to guide the participant to a specific answer. We then analyzed the information in two stages. Firstly we categorized the responses into natural groupings, reflecting the underlying essence of what we felt we were hearing from each discussion. We then re-analyzed the results from all interviews to create a complete set of responses against the answer choices that had emerged from the first wave of analysis.

The results presented in Part 2 of this report are a direct summary of the findings from this analysis. Where material differences have emerged between the responses across different sectors, we have included this in the findings. Where there are interesting variations between responses from interviews conducted in the "North" as compared with the "South", we have also included this. In writing Section 2, we have resisted the temptation to stray into too much interpretation of the findings. We feel strongly that the reader may want to reflect on the feedback we have highlighted, and try to interpret it in a way that is most useful for his or her own specific context.

We would particularly like to acknowledge the major contribution from World Vision, for funding the original study from which a significant portion of this analysis is based, as well as their considerable support and encouragement. In particular we would like to acknowledge Charles Badenoch, the Country Director of World Vision in the UK, and also the global sponsor of the initiative on behalf of World Vision. We commend the spirit of sharing and mutual learning demonstrated, in allowing the data and associated insight to be made available to others. We would also like to acknowledge the contribution of The Partnering Initiative, a specialist global program of the International Business Leaders Forum, who worked side-by-side with us on the World Vision study.

This research report links closely with a recent paper titled "Development Collaboration; None of Our Businesses? " by Gib Bulloch, of Accenture Development Partnerships, which argued that solving some of the large intractable challenges of poverty, education and 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.

Structure of this report

This report is structured into three main sections. This Section (Part 1) is intended to set the context of the research initiative, and help the reader understand our scope and approach. Part 2 is a factual sharing of the analysis of 14 straightforward questions which were covered. These questions are grouped into four research areas. In category A, we seek to understand the fundamental drivers or goals for businesses in making these types of investments. Our hypothesis here is that gaining understanding of the fundamental mix of companies' goals is a critical foundation-stone for longer-term collaboration. The next two categories seek to explore the current state of collaboration, firstly from a corporate perspective (category B), and then from an NGO perspective (Category C). In Category D, we try to understand the most fruitful areas for future collaboration from the perspective of companies as well as from the perspective of NGOs.

In Part 3, we present our view of the six major conclusions from the research, as well as our view of the major lessons and implications for both the business community and for development organizations related to each conclusion. These conclusions are drawn heavily on interpretations of the findings as set out in Part 2. However they are also based on qualitative information not directly captured in this analysis, particularly in relation to detailed insight gleaned from a number of specific case examples.

As we progress into the findings, it may be helpful to introduce a framework that encapsulates our analysis of the kinds of investments made by companies in the area of CSR/Sustainability, as well as the goals related to each of these investment types. This framework is derived from a Unilever internal model which we found to be instructive and which we would like to acknowledge. It describes four levels of investments that business make in the broad in the area of CSR/Sustainability, and which are specifically relevant to the core issues of alleviating poverty.

Table 1.2

Framework for Business investment in CSR/Sustainability related activities

	Type of investment	Example Business Goals	Value horizon
Doing Good	**Philanthropy**	Do Good – Anywhere Do good – Close to business operations Employee engagement – commitment	**“Prospective Value”**
Doing Good	**Social Investment**	Contribute skills / technology / assets Stimulus of social transformation Demonstrate what is possible	
Doing Good Business	**Corporate Investment**	Grow market Build sustainability image into brand Link business with local markets Develop / strengthen supply chain	**“Emerging Value”** ***Jam “Tomorrow”***
Doing Good Business	**Business Basics**	Sustainable operations and supply chain Regulatory environment Environmental degradation Community support for operations Healthy productive workforce Human / child rights	**“Embedded Value”** ***Jam “Today”***

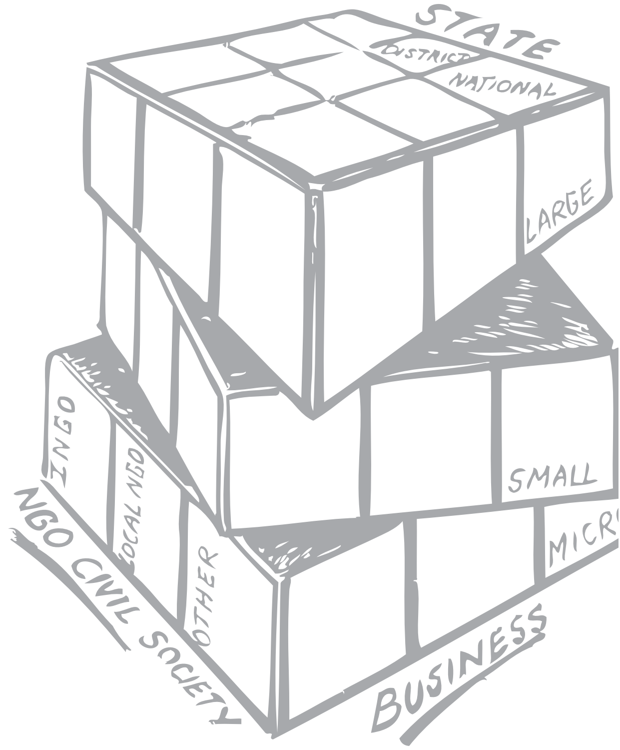
PART 1: CONTEXT AND INTRODUCTION

Before sharing the findings, we should like to make a few final comments in relation to the participants, particularly regarding the companies representatives we met, and highlight some other contextual points that may help to put the findings in perspective.

What we found in asking these questions is that most companies were very keen to engage – and that it was not difficult to set up meetings with very busy senior executives to discuss these issues. However, it was quickly evident there was a wide disparity in the maturity and state of evolution regarding their thinking and strategizing. Some had very well developed strategies, closely integrated into their core business strategy and plans. Others were in the very early stages in their thinking, and their CSR strategy and investments were peripheral activities.

In addition, with few exceptions, CSR thinking, planning and investment primarily reflected the views of management in that particular business, country or region – often adhering to some broad global guidelines, but more significantly shaped by the local management philosophy and priorities. Investment decisions were typically made locally.

We found that there was also a considerable divergence regarding the positioning of responsibility for CSR/Sustainability within each company. In some cases there was a distinct, well-resourced CSR function. In others it was a role devolved onto, or integrated into, the responsibilities of senior executives. Based on what we observed it would be dangerous to judge which approach was best – we believe it depends on the context in each case. Approaches can better be assessed on the basis of the nature of the investments they are making, or by the rationale behind those investments, and not by looking at how CSR responsibilities are represented in companies' internal hierarchical structures. However, one can observe that many companies have evolved the internal structure over time, in line with their progress and changing priorities.

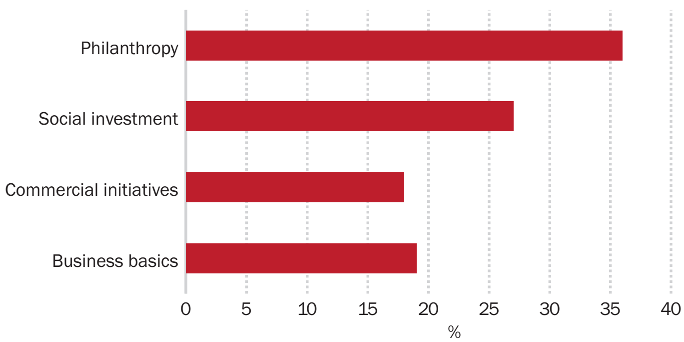


PART 2:
Research Findings

Category A: What are businesses/corporations investing in … and Why ?

Question 1) What are the current types of investment in CSR/Sustainability made by the Company/Foundation?

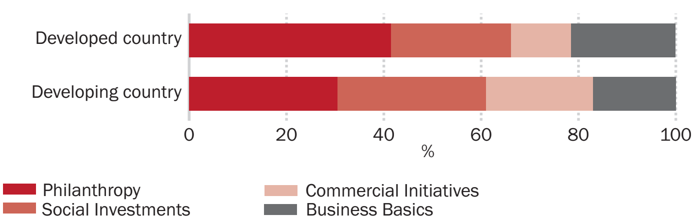
Private company investment in CSR



KEY MESSAGES

- Philanthropy remains prominent but outnumbered overall in ratio 2 to 1.
- Investments differ across industries:
  - Philanthropy and Social Investment most popular with Communications & Hi-Tech (CHT) and Financial Services
  - Commercial Initiatives particularly endorsed by Professional Services (50%), Financial Services (26%) and Products (19%)
  - Business Basics achieve highest score by Extractives (30%) and Products (21%)
- Significantly, companies who invest in Commercial Initiatives and Business Basics stress that the amounts invested in these areas far exceed investments in Philanthropy

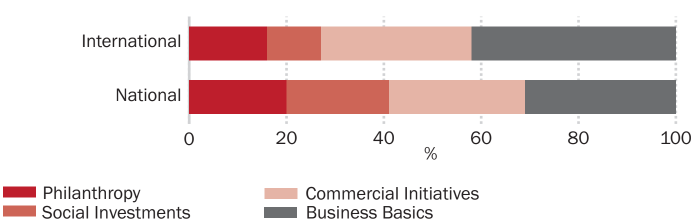
Distribution of investment by economy development



KEY MESSAGES

- Investment profile differs between developed and developing economies:
  - Philanthropic approaches are more predominant in developed economies (42% vs. 30%)
  - Commercial Initiatives tend to be favored more in developing economies (22% vs. 12%)

Distribution of investment by company type



KEY MESSAGES

- Global companies more prone to direct investments to areas related to their core business:
  - For International companies 41% of initiatives revolve around core business
  - National companies more likely to focus on Philanthropy (42%) and less on core business (27%)

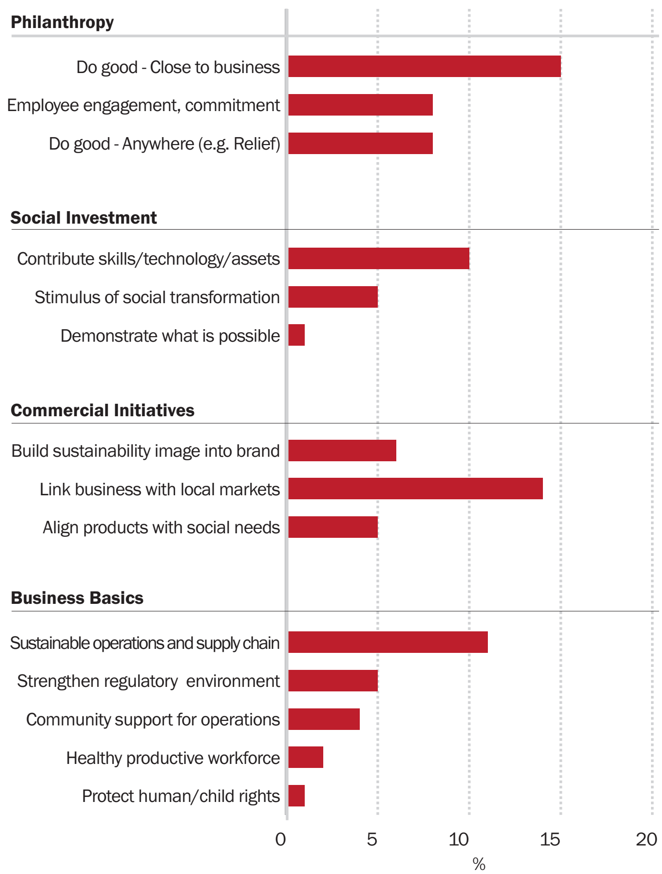
Take away:

Though more traditional philanthropic drivers still feature prominently in companies rationale for investment, they are outnumbered (2 to 1) by more sophisticated investments, increasingly more integrated with core business activities – particularly for large international companies operating in developing markets. It is also important to appreciate that the scale of investments closer to core business appears to be considerably larger.

Category A: What are businesses/corporations investing in ... and Why ?

Question 2) What are the fundamental goals/drivers for companies investing in CSR / Sustainability?

Company drivers for CSR investment



KEY MESSAGES

- Philanthropic drivers are unsurprisingly prominent in the responses – Do good - Close to business ranks as most popular driver
- However, Link business with local markets... is almost as popular as well as Sustainable operations... (14% and 11% respectively)
- Notable differences across industries:
  - Products particularly value Link business to local markets (17%) and Sustainable operations and supply chain (16%)
  - Extractives value Mobilization of Community support (16%)
  - Professional Services value Align products... (17%) and Contribute skills... (25%)
  - Communications & Hi-Tech (CHT) and Financial Services value Contribute skills (25%; 20%) and Employee stimulation (13%; 17%)

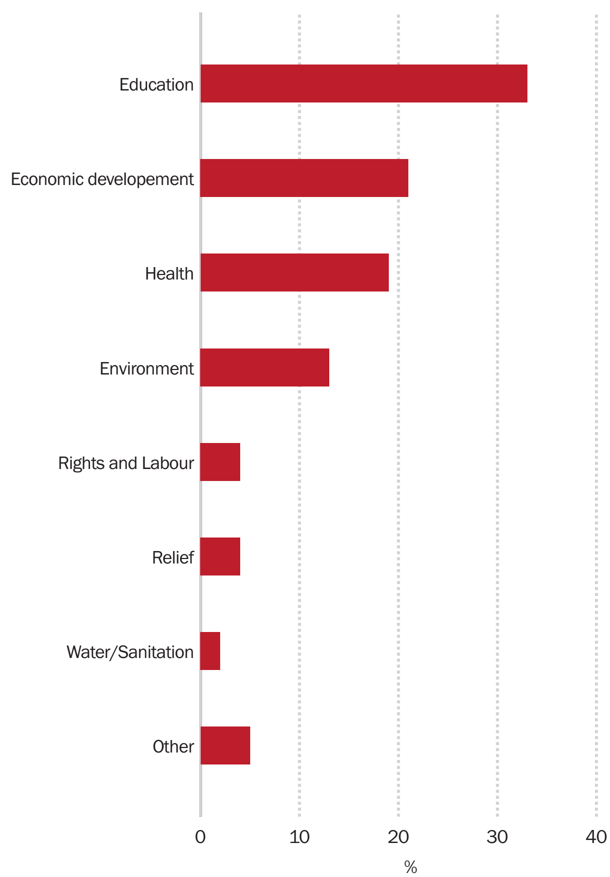
Take away:

The emphasis on philanthropic drivers remains strong for companies, though some companies exhibit more sophisticated and integrated sets of goals and approaches, particularly those companies with more developed experiences and strategies. Linking businesses with local markets and creating local sustainable operations are becoming very prominent drivers.

Category A: What are businesses/corporations investing in ... and Why ?

Question 3) What domains have companies identified as priorities in their CSR/Sustainability strategy – where there is an expressed preference?

Preferred Domain - Where preference expressed



KEY MESSAGES

- Where companies have identified a preference, Education is by far the most popular area for investment within their CSR/Sustainability strategy (33% of responses)
- Economic development and Health are 2nd and 3rd (21% and 19% of responses respectively)
- Notable variation across industries:
  - Stronger bias towards education for Professional Services firms (80%); Communications and Hi-Tech (67%); and Financial Services (43%)
  - Products companies invest equally in Health, Education and Economic Development (26%,25% and 21% respectively)
  - Resources / Extractive companies indicate Environment (28%) as their most popular area, followed by economic development (25%) and education 22%)

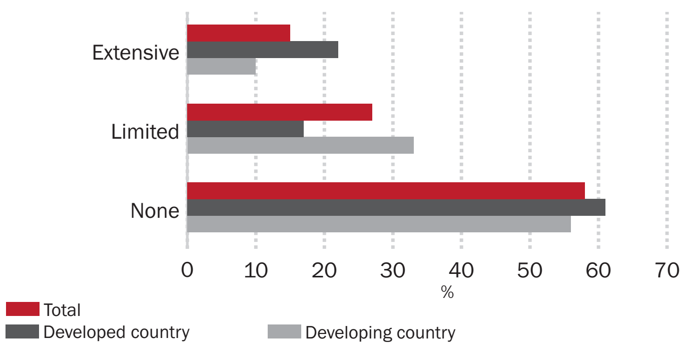
Take away:

There seems to be a strong affinity with education in particular as an important domain in which to invest – with the belief that education is a fundamental driver of progress on a number of dimensions. However, many companies will invest in a variety of domains depending on the specific context. It is worth noting that, based on our qualitative analysis, the preference for specific domains correlates more closely with those companies who are more aligned with a more philanthropic investment approach.

Category B: Current state of collaboration (Corporate perspective)

Question 4) Have NGOs been involved in the formation of the companies' CSR / Sustainability strategies?

NGO involvement in formation of CSR/sustainability strategy

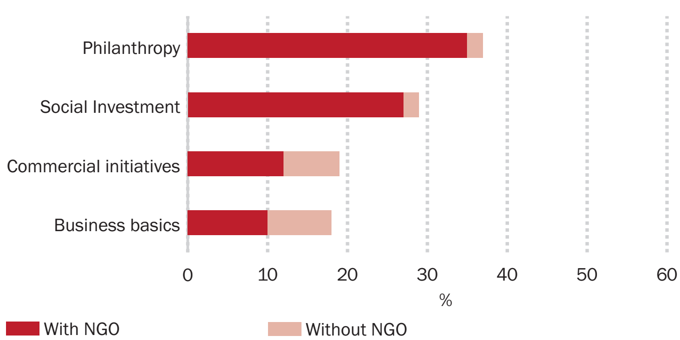


KEY MESSAGES

- Only 15% of the companies involve NGOs to a large extent in the formation of their CSR / Sustainability strategies
- In a related sub-question about the degree of dialogue between companies and NGOs, we found that:
  - 42% all of all companies have some ongoing dialogue with an NGO on their CSR activities
  - More than half (58%) engage with NGOs only on a transactional basis – if at all
  - Responses for developed and developing economies are similar – although there is a larger group (22%) of companies in developed economies who engage NGOs in extensive dialogue

5) What proportion of companies' current investments in CSR / Sustainability involve NGOs?

Proportion of investments that involve NGOs



KEY MESSAGES

- Involvement of NGOs is very common in company activities revolving around Philanthropy and Social Investment – close to 100% for both areas
- Involvement of NGOs in Commercial Initiatives and Business Basics is limited to about 50%
- NGO involvement varies between industries:
  - Commercial Initiatives are most likely to involve NGOs in Financial Services (19%), Products (15%), and Professional Services (33%)
  - Business Basics initiatives are most likely to involve NGOs in Extractives (23%), and Products (12%)

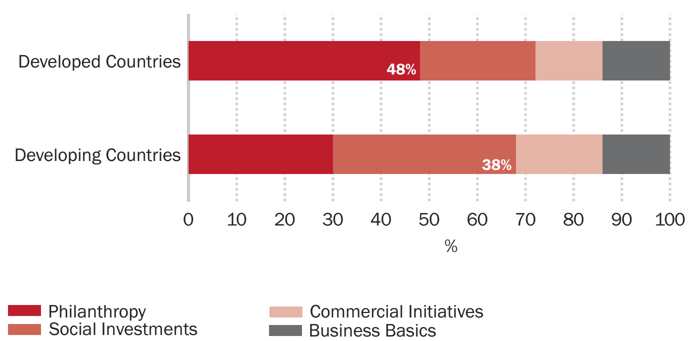
Take away:

So far, NGOs have been predominantly absent from the CSR / Sustainability strategy development arena in the corporate sector. However, there is now much more collaboration – but largely limited to a space where each organization takes up traditional roles.

Category B: Current state of collaboration (Corporate perspective)

Question 5) What proportion of companies' current investments in CSR / Sustainability involve NGOs? (Continued...)

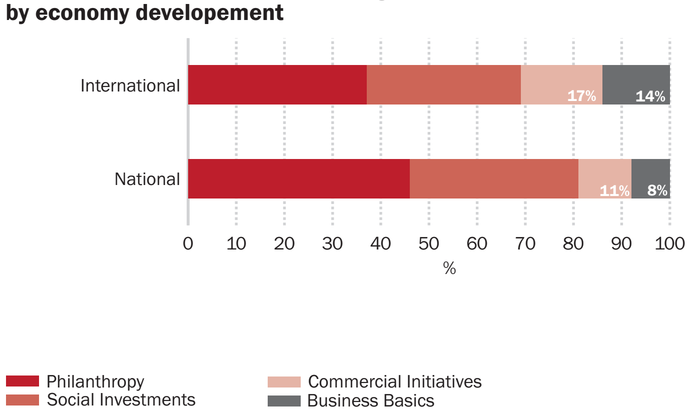
Distribution of investments involving NGOs by economy developement



KEY MESSAGES

- In developed economies the involvement of NGOs in Philanthropic activities predominates (48%)
- In developing economies NGO involvement in Social Investment activities is relatively more prominent (38%)

Distribution of investments involving NGOs by economy developement



KEY MESSAGES

- International companies are more likely to collaborate with NGOs in the areas of Commercial Initiatives (17%) and Business Basics (14%)
- For National companies, there is a stronger emphasis on Philanthropy and Social investments

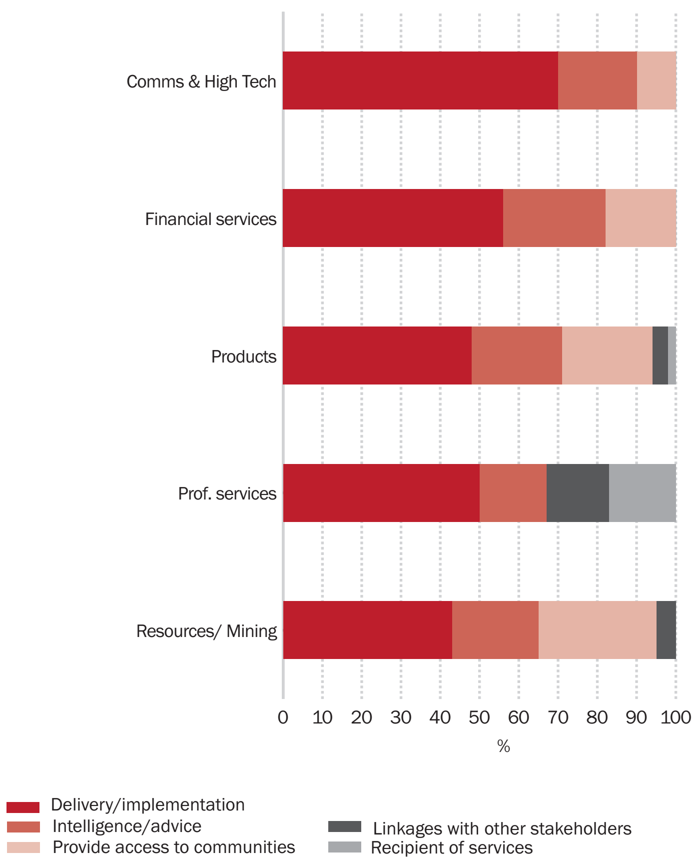
Take away:

There are notable differences in the behavior of different kinds of companies. International companies that operate in developing economies have a stronger bias towards core business investments.

Category B: Current state of collaboration (Corporate perspective)

Question 6) What is the current role of NGOs in the relationship? (i.e. Where there is one)

Predominant NGO role in relationship with company



KEY MESSAGES

- The most frequent role of the NGOs is serving as a delivery / implementation channel for company investments (50%). This role is slightly more pronounced in developed economies (56%)
- The second most frequent role is as a source of Intelligence and Advice (22%) as well as a provider of Access to communities (22%)
- Interestingly, the role of NGOs as a facilitator of Linkages with other stakeholders does not feature strongly (only 4%)

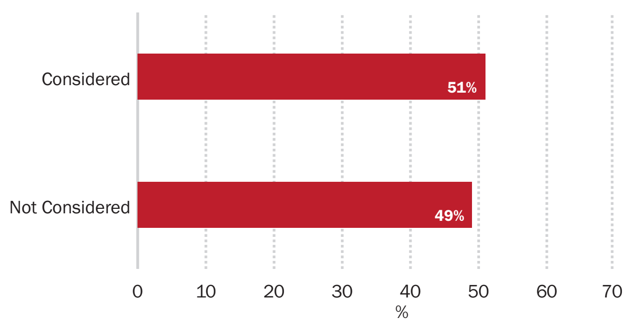
Take away:

The role of the NGOs remains largely focused on delivery and implementation of projects.

Category B: Current state of collaboration (Corporate perspective)

Question 7) Do companies make distinctions between National and International NGOs when selecting partners?

Company consideration of NGO national /international status when selecting partners

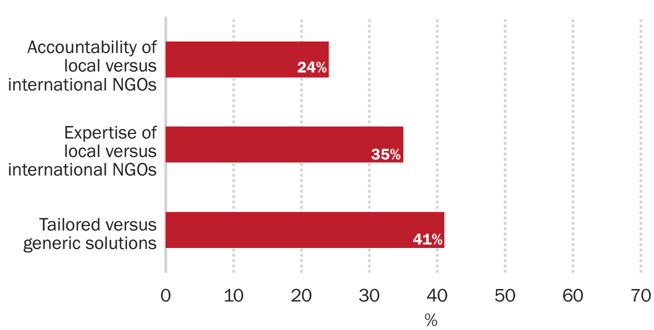


KEY MESSAGES

- Half of the companies surveyed (51%) indicate that they consider the NGO's status as National or International when selecting partners
- This distinction is particularly important to Extractives (63%), CHT (60%) and Financial Services (58%)
- The distinction is also more prevalent in developing countries (56%) than in developed countries (41%)

Question 8) If so – 8) What are the considerations that inform the distinction between national and international?

Considerations for preferring either International or National NGO as partner



KEY MESSAGES

- With those companies that make the distinction, accountability, expertise offered, and flexibility of solutions are often cited as areas of differentiation
- Accountability is a more prevalent consideration in developing economies (27% versus 10%) and may point the company toward an International NGO in spite of a default preference for a local NGO
- Often Local NGOs are perceived as more 'local' than International NGOs, thus influencing perception of expertise and flexibility

Take away:

Companies are becoming increasingly selective when approaching NGOs – and one selection criterion is their perceived local profile and presence. Although companies believe themselves to be reasonably well-informed, many have "patchy" perceptions of who's who, and of who possesses the desired capabilities to meet a particular need.

Category C: Current state of collaboration (NGO perspective)

Question 9) What are the NGO's most important motivations for engaging the private sector?

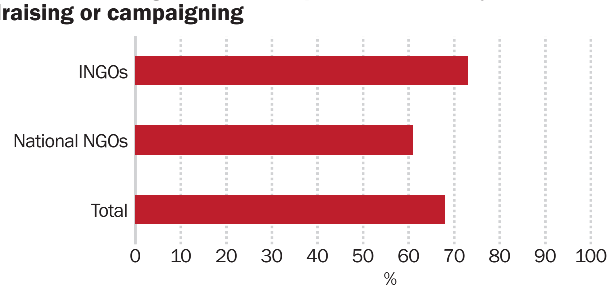
NGO drivers for collaboration

KEY MESSAGES

- The biggest motivation remains in traditional Fund Raising (36%), followed by Linking the poor with markets (23%)
- There is a considerable difference between International NGOs and National NGOs. INGOs frequently cite the ability to:
  - Leverage company strengths
  - Forge new business models.
- National NGOs are particularly motivated by Ensuring accountability and standards (33%)

Question 10) To what extent are NGOs currently investing added resources in private sector engagement?

% of NGOs investing resources in private sector beyond fundraising or campaigning



KEY MESSAGES

- More than two-thirds of NGOs interviewed indicate that they currently invest in building capacity to tackle the private sector – beyond fundraising / campaigning
- This emphasis seems stronger for INGOs (73%)
- The investment occurs at program, country and HQ levels – with a marginal bias towards investment at HQ level.

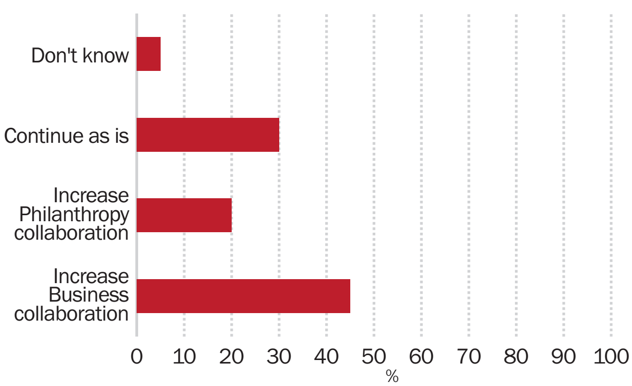
Take away:

Although fundraising remains important, NGOs are equally driven by a strong interest in linking with the core business to achieve their goals. Added investment indicates NGOs are beginning to take the private sector seriously, beyond regarding it merely as a source of additional funding.

Category D: Future collaboration opportunities

Question 11) What is the companies' appetite for future NGO involvement?

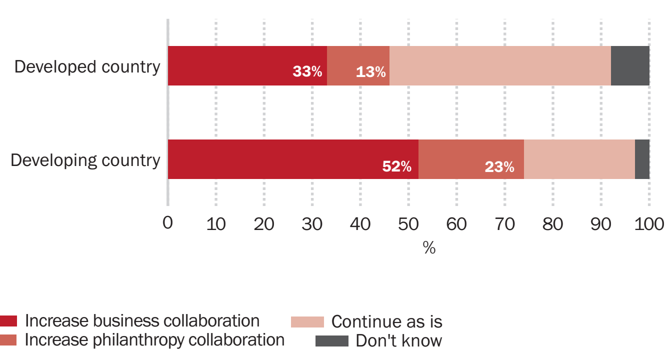
Private company appetite for future collaboration with NGOs



KEY MESSAGES

- Encouragingly, 65% of respondents are interested in increasing the scope of collaboration
- Almost 50% of companies are interested in increasing the scope of collaboration in Commercial initiatives and Business basics (45%)
- A smaller proportion (20%) want to expand collaboration around Philanthropy and Social Investment
- Only one out of three respondents wish to Continue as is (30%)

Appetite for collaboration in developed vs. developing economies



KEY MESSAGES

- Developing countries show significantly greater interest in collaboration on Core business (52% compared with 33% in developed economies)
- Similarly, the interest in expanding collaboration in Philanthropic activities is greater in developing economies (23%, compared with 13% in developed economies)
- The corollary is that there is less urgency to change in the developed world compared to developing world, where only 24% say they Don't know or wish to Continue as is

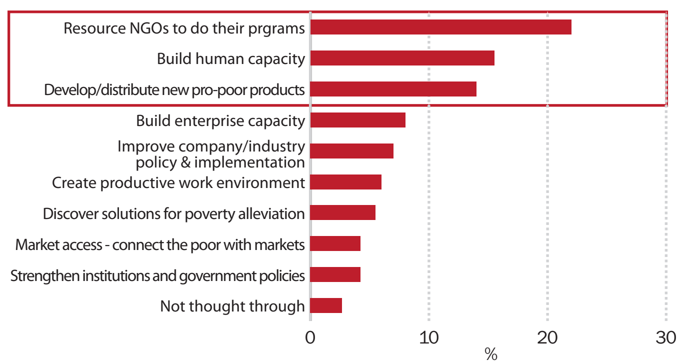
Take away:

Companies see sustainability investment in its many guises as increasingly critical to their future success, and seemingly welcome NGOs' contribution. Particularly in developing economies, there appears to be an as-yet unmet desire for increased collaboration between the sectors.

Category D: Future collaboration opportunities

■ **Question 12)** What do Companies and NGOs regard as the most fruitful areas to collaborate?

Greatest opportunities to collaborate – company respondants

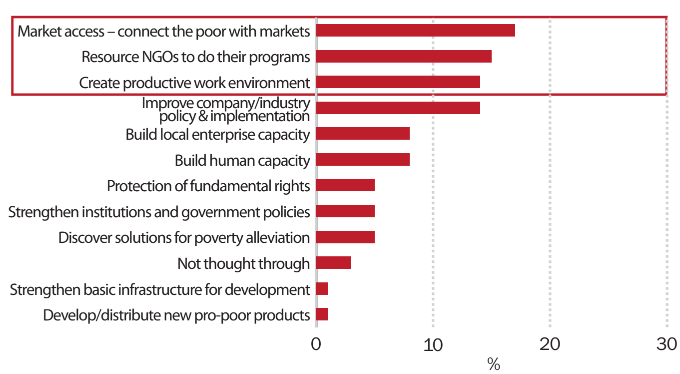


KEY MESSAGES

- Resourcing NGOs to do their programs still most frequently cited opportunity (22%) – this view is most prominent in Extractives (33%)
- Industry differences include:
  - FS, Communications & Hi-Tech and Extractives all single out Build human capacity (29%; 33%; 17%)
  - Professional Services point out Improve industry policy (20%), Strengthen institutions and policies (13%), and Improve work environment (13%)
  - Products single out New product development (18%)
  - Resources also identify Build enterprise capacity (20%)

■ **Question 13)** What do Companies and NGOs regard as the most fruitful areas to collaborate?

Greatest opportunities to collaborate – NGO respondents



KEY MESSAGES

- For NGOs, Market access opportunities rank highest (18%) – interestingly, this response did not feature as strongly in views of companies – see previous chart.
- However, resourcing NGO programs also features strongly – correlating with the views of companies.
- The 3rd and 4th opportunities underline NGOs' interest in influencing, supporting and helping deliver changes to company policy and practice:
  - Create productive work environment (14%)
  - Improve company policy and implementation (14%)

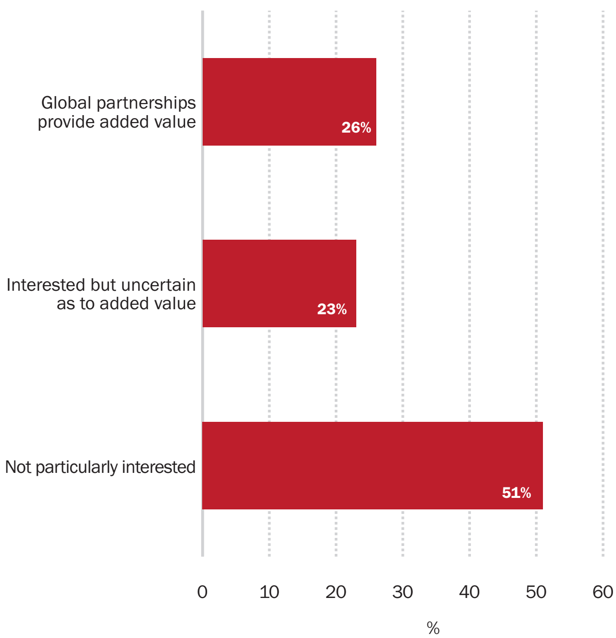
Take away:

Both companies and NGOs are beginning to recognize and value a broader set of collaboration opportunities – even though resourcing NGO programs is still prominent on the list for both parties. There is some evidence of misalignment regarding the broader opportunity – for example, Market Access is ranked much more highly by NGOs.

Category D: Future collaboration opportunities

Question 14) What is the companies' appetite for global partnerships?

Company perception of added value of global partnerships

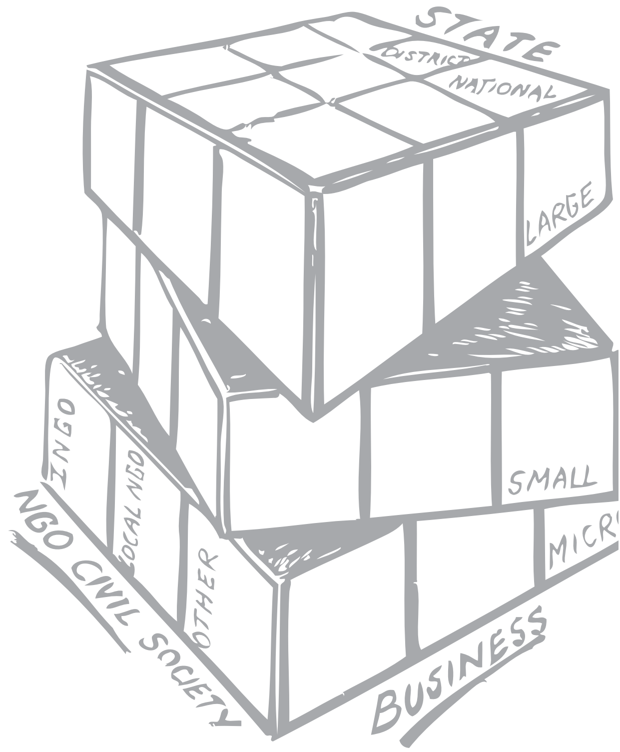


KEY MESSAGES

- A total of 74% of companies state either that they are Not particularly interested (51%) or Interested but uncertain as to the added value (23%) of global partnerships, indicating a low level of interest
- Just 26% can see potential value in global partnerships
- Financial Services companies respond most positively (38% see some value) and Extractive companies are the least positive (12% see some value)

Take away:

Global partnerships do not appear to occupy a serious position on the agenda – at least not yet...



PART 3:
Main Conclusions and Lessons

PART 3: MAIN CONCLUSIONS AND LESSONS

So, what can we glean from this analysis? And what additionally can we say when we combine this structured data analysis with the considerable amount of qualitative information gathered in the process of conducting this research? What lessons can we learn from the excellent examples that we observed and documented as we carried out this research? Examples like Eureka Forbes in water filtration in India; like Johnson & Johnson and World Vision in the Philippines ; like Alliance and WorldVison in Indonesia; like the fascinating example of the exemplary school and university, set up and run by Termomecanica in the poorest part of Sao Paulo, and serving 2000+ children from the most impoverished communities; like the 24-hour TV channel run by the Salvador Arena Foundation in Brazil in partnership with 1200 local partners; like the stimulating role played by the Indonesia Business Links in bringing development and humanitarian together with corporate business leaders in Indonesia.

Furthermore, what additional insights can we derive from our broader exposure to a wide range of other relevant engagements, both with NGOs and with the corporate sector; From cases like the Rapids partnerships fighting against the effects of AIDS in Zambia; From the efforts to establish a collaborative partnership between AMREF and a number of major companies around specific health challenges in Africa; From the efforts of the recently launched partnership between Barclays, Plan and Care to establish a multi-country, Village Savings and Loans, microfinance program spanning multiple countries and linking community programs with Barclays core business in those countries.

The following section provides a brief summary of the six overall conclusions that emerge from our work. Some of them seem unsurprising – but in some cases we felt it was important "to say it as it is", whether the finding is new or is merely confirming conventional wisdom. In the rest of this section we have expanded on each conclusion, and try to draw out the implications for companies and for NGOs.

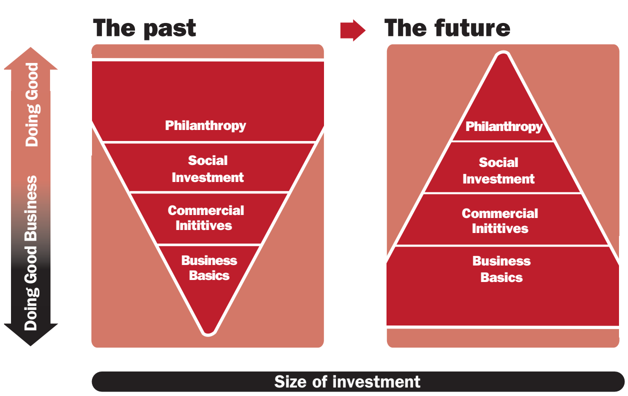
Conclusion 1	Integrated investments
Conclusion 2	Lots of opportunities
Conclusion 3	Early Days
Conclusion 4	Bottom Up opportunities
Conclusion 5	Wealth creation is OK.. but !!
Conclusion 6	NGO profile matters

Conclusion 1: Integrated Investments

Companies are increasingly linking their CSR investments with their core business goals – and finding a synergistic relationship between them. This evolving trend is at its most explicit among those companies with more developed experiences and strategies. This shift is creating an exciting new landscape of opportunity for NGOs and companies to collaborate.

Quantitative as well as qualitative findings suggest the focus of companies' CSR investments is changing. Companies are increasingly framing their CSR/Sustainability investments in terms of their direct or indirect impact on their core business.

The profile of types of investments in Question 1, and the underlying goals/drivers of investments from Question 2, reveal a situation in a clear state of transition. We believe this is a very different picture from the one that would have emerged five years ago (if one had conducted a similar exercise then), and that the picture will again be considerably different five years hence.



The diagram above illustrates a very important trend that we can glean from our research. The inverted pyramid on the left indicates where we have come from, and the pyramid on the right shows where are rapidly moving to. This is the case if one considers numbers of investments but even more so in terms of volume of investment dollars. Many companies who are experienced in their approach to CSR/Sustainability are already well down this road. Examples include companies like Unilever and Nestle in foods and household goods, Alliance and Barclays in financial services, and XL in telecommunications.

Implications for NGOs

- **Opportunities are emerging** in a broad range of non-traditional areas – holding the promise of increased impact
- However, there is a lot of work to be done **to develop trust** with companies – requiring time and patience to build the necessary bridges
- **New roles and capabilities required** (eg role as provider of intelligence/advice becomes more prominent, advocacy emerges as a channel to attract attention and also know-how)
- With limited exposure and multiple opportunities – need to find **ways to sift through projects** that make sense (eg segment by industry, investment type, issue etc). Specialization could be very beneficial.

Implications for Companies

- Opportunity to rethink how **collaboration with NGOs** can change – from predominantly philanthropic to creating long term business value
- Need to open the doors to **build up trust with NGOs** – this will take considerable time and patience
- Need to **update current company models** of value creation to reflect the potential of co-creation of value, involving new producers / consumers and other stakeholders such as NGOs – A possible example is Unilever emerging new methodology "Global Imprint" for their complete lifecycle product development, which embeds sustainability issues (economic, social and environmental) into their end-to-end methodology.
- Need **to join the dots** between functions in the business, incorporate sustainability as a performance measure throughout traditional business functions.

Conclusion 2: Lots of opportunities

For those organizations that are properly prepared, the potential opportunities for collaboration are many and varied. Both sides need to get their priorities, strategy and criteria straight in order to determine where to play, see the wood from the trees, and identify the 'sweet spots' for each organization. They should be aware that the early stages can be very inefficient, as parties come together to seek new opportunities to collaborate.

Companies and NGOs need a way to "see the wood from the trees" in order to identify the best opportunities for each organization. Given the range of countries, issues, domains, industries and types of company and NGO – the opportunity landscape is extremely complex. We believe companies and NGOs should establish some sort of practical framework to pre-select the kinds of partners that are most likely to make sense. In practice this could be a straightforward set of criteria, which would identify issues early on. At an overall level five examples of criteria could include:

1. **Complementary objectives;** not necessarily common objectives. What is important is that both sides are transparent and comfortable with the other parties' objectives, shorter term and longer term, and that there is some significant synergy in achieving both through a collaborative program.
2. **Complementary timescales;** most likely to be longer term, say 3 to 10+ years; a successful collaboration is unlikely if one organization wants results in multiples of months and the other is seeking goals over several years.
3. **Complementary footprint;** where both sides have existing activities in overlapping countries, regions and districts, they are more likely to find discrete early projects from which they can learn and expand.
4. **Complementary capabilities and capacities**; recognition and transparency of the other party's particular strengths and weaknesses seems a critical ingredient.
5. **Complementary people:** Trust and chemistry is such a critical ingredient of success in any collaboration that care and attention is very important in the selection of the individuals from both sides to make the collaboration work.

A good example of a strong match is from Indonesia where Allianz works with several NGOs (CARE, World Vision etc.) developing micro-insurance products and reaching thousands of vulnerable families that have loans with micro-finance institutions. The business rationale for Allianz is the building of future consumer segments and brand awareness among a part of the population that could otherwise not afford insurance but whose incomes are rising. The rationale for the NGOs is to extend insurance and banking services to poor entrepreneurs. As Allianz states, "although the current insurance premium received from this part of the product portfolio is minimal, we are not operating at a loss. We are not counting the $s but the numbers of people insured and we are certain that in the long term we are building our business..."

Finally, it is important to recognize that attractive opportunities might not only be for two organizations but might entail tripartite partnerships, industry-wide engagements, or 'regionally-based opportunities'. These arrangements are clearly more complex. However, if diligent care is taken to identify the "delta" of a bigger combination, rather than multiple one-to-one arrangements, they certainly can work. Clearly the governance of such arrangements needs special care and attention, which unfortunately may be particularly challenging given the relative immaturity of collaboration activities today.

Implications for NGOs

- **Strategy and focus** is important – if you want to avoid the risk of diluting activities and brand. Start out with your own view of strategic areas of collaboration and your own high-level criteria. However, be ready to learn and refine – otherwise risk being bypassed by newer, more agile and relevant NGO models.
- Need to invest time to recognize, understand, and accept the **other party's long term goals** as being as important as your own goals
- Explore potential to **start becoming 'consultants',** not just delivery people.

Implications for Companies

- **Strategy and focus** is important if you want to avoid the risk of dilution of activities and brand. Start out with your own view of strategic areas of collaboration and your own high level criteria. However, be ready to learn and refine.
- Need to invest time to recognize, understand, and accept the **other party's long term goals** as being as important as your own goals
- Be creative when considering where and how to assess the value of collaboration; sustainable operations might entail **new opportunities in very different areas** e.g. in sales, improved work environment, risk reduction in supply etc.

Conclusion 3: Early Days

It is still early days in the collaboration process around companies’ core business. Both sides need space to interact and learn. NGOs and companies need to accept that they are at this “early” stage of maturity – and to adapt tactics and approaches to reflect where progress is at today.

In our research across the NGOs and companies, we uncovered a number of very exciting examples, particularly those integrating philanthropic and business goals. One good example is the collaboration between Alliance and World Vision in Indonesia as mentioned earlier. Another was XL, part of Malaysia telecoms who, within 4 to 5 hours of an earthquake or flood in remote regions, construct vital telecommunications towers and infrastructure. These ultimately become the hub of the telecommunications infrastructure once normal economic development resumes, again positioning the company for the very long term. Another recent example is the exciting new partnership between Barclays, Care and Plan International, recently launched as an initiative to implement a village savings and loans (VSL) suite of programs, at scale, in 10 to 12 developing countries, with explicit goals to create a linkage with Barclays growing businesses in each of those countries.

However, despite the existence of these and many other exciting examples, the findings suggest the majority of collaboration still happens closer to the philanthropic end of the spectrum. The debate is well ahead of the reality. For every example, such as the ones indicated above, there are many which operate on a more traditional donor approach with zero or minimal linkage with core business activities. Collaboration around core business is increasing but is still in its infancy. Also, the dominant role for NGOs remains in the realm of implementation or service delivery (Question 6). There is still very limited direct NGO involvement at the level of framing future CSR / sustainability strategy or in identifying and shaping new initiatives. (See Q 4).

There seems to be increasing debate about the possibility and desirability of global partnerships. This is an area, in our view with considerable potential. However, we found no example of a global partnership that we would regard as significant or in any way mature.

Few companies have a clear understanding of the added value of global partnerships and when these might be appropriate, and in any case, many NGOs lack the structures to deliver such partnerships.

Implications for NGOs

- Establish credibility and trust and **build and expand over time**, creating greater skills and capacity to work closer and more strategically over time.
- Be patient and open in new relationships; be willing to learn and share and take a **longer-term perspective**. If you take an overly transactional approach from the outset – “you might just get that”.
- Strike a **balance between opportunistic activity and strategic selection** – fine to build on opportunistic initiatives/relationships but long term objectives of engagement should be clear.

Implications for Companies

- **Wake up to new opportunities** – identify the challenges and opportunities where NGOs might be able to help.
- Be **patient and open** in new relationships – be willing to learn and share – take a longer term perspective – if you take an overly transactional approach from outset you may just get a transaction - at best.
- Realize that it **may take time to show results** and that the process might be hard. A lot of work with NGOs involves long term value creation or risk reduction, although some projects can have an early impact on bottom line.

Conclusion 4: Bottom-up opportunities

Despite increasing discussion of the international or global partnerships spanning several countries and covering both North and South, most of the interesting collaboration opportunities seem to emerge from bottom-up ideas, primarily in developing markets. So far, at least, local pressures and ideas trump global initiatives. However, local examples will benefit hugely from support and nourishment to achieve material scale and impact.

Our research demonstrated that few companies have a clear understanding of the added value of global partnerships and when these might be appropriate. This is an area, in our view with considerable potential. The great majority of the interesting collaboration initiatives seem to emerge from one node in each organization, to address a specific issue or need at a point of time. Hence, partner selection is more ‘bottom-up opportunistic’ than strategically planned. We logged a long list of local collaboration examples, which have proven results on a local or pilot basis, and which, in our view could benefit from a global umbrella to drive to greater scale and impact. The following are three examples from a long list which demonstrate the kinds opportunities that emerged during our research:

One good example is OneWorld in Zambia to support peasant women farmers through a partnership with a mobile phone company (CELTEL,) and a government agency (Food Reserve Agency). The women have been provided with mobile phones by CELTEL so they can obtain market access and accurate price information for their farm produce. This mutually benefits all parties as OneWorld is achieving the objectives of the organization of facilitating development through the use of ICT, the FRA has added suppliers to their list at no cost at all and CELTEL increases its presence in the region.

Another interesting example is the case of Maple Orgtech Ltd. In India , which markets Effective Microorganisms (EM) Technology. The mission of the company is to create sustainability through environmental conservation, while making economic sense for both the stakeholders with whom it works with and for the targeted community. An entrepreneurial World Vision Manager initially formed the partnership with Maple Orgtech. He saw EM Technology as an opportunity to effectively increase the margins on produce for the low-income farming community and encourage sustainability in farming practices.

A group of local farmers were trained by Maple Orgtech in the use of the EM technology, creating an ‘organic' workforce’ who then facilitated the change in practices among the rest of the community. World Vision brought its understanding and links into the rural communities, while Maple Orgtech brought the technology, training packages, and market linkages to suppliers and retailers. From the perspective of Maple Orgtech, the collaborative relationship has provided the company with a strengthened market reach and helps it fulfill its social and environmental mission. Today, the revenue stream from NGO partnerships makes up 20% of Maple’s total revenue, World Vision being Maple’s largest NGO partner.

Another interesting example is the partnership between World Vision, Etica and O’Boticario in Brazil, which helps large groups of women in cooperatives gain access to market for their products increasing their income, demand stability and improving their families economic choices. Etica was set up , as a spin-off from World Vision in 2004, because NGOs are not allowed to buy or sell products, or to make any kind of profit. Ética is responsible for the capacity development of producers, quality and production control and market research. It trains the producers to professionalise and commercialise their products (handicrafts and agriculture) and works under the concept of fair trade (50% pre-finance). This case study is an illustration of the large opportunity to engage with the private sector, both multinationals and national companies, to allow small producers access to these markets and gain valuable technical expertise. The key issue in this example – was to challenge the NGO business model. The mindset and structure of a World Vision company spin-off, such as Ética, are quite different from the traditional World Vision way of working. These social enterprises, while continuing to focus on its social mission, are first and foremost businesses and need the correct professional business skills and infrastructure in place in order to be effective. This may require a separate company with new staff with a different skill set rather than a transfer of NGO staff to the new entity.

Implications for NGOs

- Explore **‘bottom-up’ concrete and practical opportunities** in a market, rather than being over concerned with global partnerships from the outset. However be ready to establish and support global coordination networks.
- NGOs need the global policy, tools and networks to be able to share and nurture **good examples** and bring to **scale** locally and internationally.

Implications for Companies

- Explore **bottom-up, concrete and practical opportunities** rather than being over concerned with global partnerships from the outset.
- Be prepared to collaborate with different nodes of the same NGO, or several NGOs in different countries, as well as with other commercial companies as needs dictate.

Conclusion 5: Wealth creation is OK..but!

The perception that wealth creation is somehow uncomfortable or separate from development goals is slowly disappearing from the NGO landscape. NGOs are beginning to appreciate that economic development is a central long-term solution to alleviating poverty. However some NGOs still have a considerable range of barriers to overcome.

As we set out in the introduction, the engagement of the private/business sector in development sector issues is in many ways a natural progression. The private sector can be regarded as the third part of the jigsaw in addition to government and other state bodies. NGOs who have already engaged seriously with the private sector are beginning to see the range and scale of the potential outcomes e.g. through critical ingredients such as use of technology, new products, market access, impact on industry policy. Poor countries can only progress in the long-term if their economies grow, and at a rate that enables them to catch up with the developed world. This means more private sector investment, more entrepreneurial activity, more business activity, and more jobs.

It is easy to forget that it is only since the early 1800s that the relative gap between GDP of the developing world and the richer countries in the “west” became prominent, prompted by the industrial revolution, the development of democracy, exploitation of technology and the world’s resources. GDP growth in the developing world lagged behind that of the “West” by only 0.7% on average over this period. However this growth rate difference has accumulated to a situation where GDP in the “West” is 10 to 20 times that of the developing world. (Source - Data from Maddison, 2001).

The scale of the development opportunity through business investment is far larger and offers far more opportunity than traditional aid. With the exception of the most extreme cases of failed states, investment by the private/business sector will always dwarf volumes of overseas aid, irrespective of the potential growth in aid budgets. Overseas development aid is a small proportion of even total foreign direct investment – probably 20 – 30 % today (Ref IMF & FT, Oct 2007) and likely to become a much smaller proportion in the coming years, even before the impacts of the oncoming financial crisis and recession have taken their toll.

We also know that the role of corporate giving through traditional philanthropy is, in the overall equation, always going to be modest. Our research has highlighted that, even for the most generous companies, philanthropy is approximately between 0.5% and 1% of corporate profits. This is only a fraction of the volume of profits reinvested in core business activities. Last year, corporate philanthropy was estimated to be in the order of $5Bn, or approx 5% of total overseas aid flow of approx $100Bn. (Source: OECD - Financing Development 2008).

Quoting a CEO of a major INGO: “We started treating CSR add on but are now aiming at integrated partnerships. We don’t ask for money, we want them to change. We are providing an opportunity rather than asking for money, providing solutions to problems and business challenges”. This is a good example of how some NGOs are changing the focus of their attention from pursuing handouts through CSR departments to providing an expert and advisory role in the relationship. Some NGOs (as an example WWF) actually develop business cases to single out the quantitative and qualitative value drivers of the larger deals (eg water or waste management) to support an effective value proposition to the corporate.

Implications for NGOs

- New paradigm and areas of dialogue require other **types of experience, strategy, and skills** – this may involve a redefinition of the traditional NGO role.
- There are a **raft of barriers** to be overcome in many NGOs to be able to effectively exploit these emerging opportunities; structural (e.g. in decision making), attitude, capability, capacity, and importantly in confidence to collaborate as peers.

Implications for Companies

- The NGO landscape and agendas are changing – **current assumptions about NGO role** and capabilities need to be revised on an ongoing basis – (also note emergence newer NGO types like “One” or “Kiva”)
- Current apparent **misalignment on future opportunities for collaboration** (see Questions 12 and 13) may reflect need to square off perceptions of what you can expect from NGOs.

Conclusion 6: NGO profile matters

NGOs' positioning and profile are becoming increasingly important considerations. Clear and careful thinking in building profile should help create a solid platform for collaboration. Companies are becoming more sophisticated in their NGO selection processes, though at this stage their knowledge and awareness of NGOs is still quite limited.

Companies are becoming increasingly rigorous and goal oriented in the process of NGO selection, though their knowledge and awareness is still limited. Companies' selections are based on perceived profile and some companies use distinct categories to earmark different types of NGOs (eg Think Tank, Advocacy, Service Delivery NGOs) with very uneven degrees of data and sophistication. One company we met described NGOs according to a four color classification: The Black ones – Always say NO to everything; The Red ones – High profile campaigners on specific issues; The Green Ones – Environmental focus; The Yellow ones – Working with communities, grass roots, but very limited profile.

We saw that some companies are getting increasingly precise about selecting an organisation for a specific need and working with a range of NGOs at one time on different needs. Collaborating with a "Red" NGO may be most effective when dealing with compliance issues, and the value of association with such a high profile, though apparently "difficult" or "controversial" brand may be valuable. However, the same company will not consider such an NGO as a long-term partner, working with local communities or strengthening their local supply chains or distribution networks. A good example of this was Adidas in Asia who have very carefully selected NGOs to address specific objectives in different sub-regions and countries. Adidas's concern to improve labor relations policies and working relations within the apparel and garments industry sector in East Asia to create a stable and productive working environment for its suppliers has led to engagement with a number of NGOs, each singled out for their particular contribution: Marie Stopes Intl. for their provision of health services and education to female workers, Action Aid for their expertise in lobbying with industry bodies and government for the rights of migrant labor, CARE for their capacity to educate factory management etc.

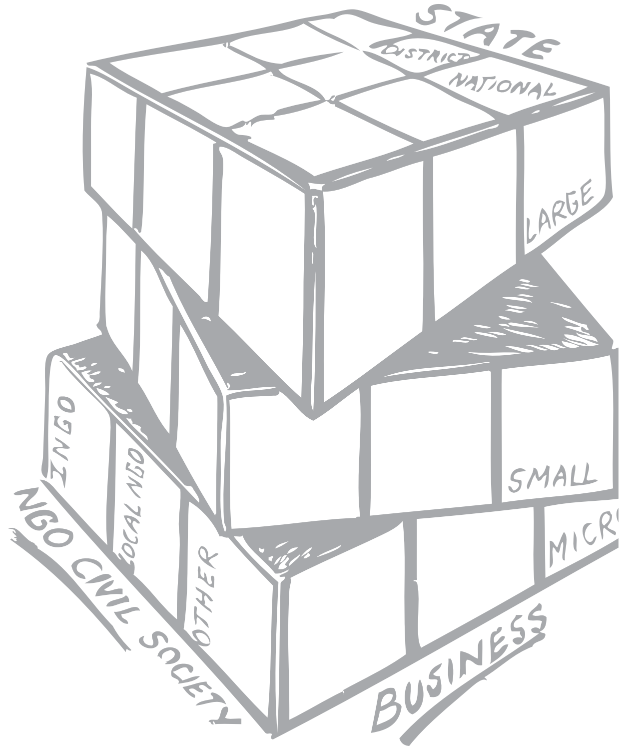
Finally, companies frequently seem to consider the National / International and local / global profile of NGOs when choosing partners. NGOs that are perceived as having a strong 'domestic' profile are often preferred in many situations. However, when we probed the definition of Local versus International NGO we found, unsurprisingly, the differentiation is somewhat more complex than merely whether the entity was legally registered locally, and whether it has an independent local Board. Factors such as the nationality of leaders (local versus expatriate), the NGOs' name, the language of the recognized name, brand association, independence of policy and approach and the NGOs' profile or behavior based on previous events emerged as important differentiators. In some cases the awareness of some NGOs was so low that one particular event or exposure had a disproportionate effect on its reputation.

Implications for NGOs

- Proactive profiling, **careful local / global positioning**, and clear messaging on areas of expertise are key factors in building successful brands.
- Having a **critical profile** is fine as long as the message is rigorous and consistent. A critical voice draws attention and frequently one "desired aspect" of **brand association**.
- Connect vigorously with the **commercial networks** of the country (eg via industry boards/committees).
- Be cautious about initial work – **reputation** is disproportionately impacted by early projects.

Implications for Companies

- Need to put stereotypes aside and **accept the complexity and diversity** of the NGO landscape.
- **Prepare to invest** in factual information re. the substance of NGO capabilities, capacities and positioning. Do not accept initial pre-conceptions.
- Could be more open to **include well-positioned NGOs** into areas of strategic planning as critical partners in dialogue. New perspectives might bring added value.


STATE
DISTRICT
NATIONAL
LARGE
SMALL
MICRO
BUSINESS
INGO
LOCAL NGO
OTHER
NGO CIVIL SOCIETY

APPENDICES

APPENDICES: REFERENCES

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About World Vision

World Vision International is a Christian relief, development and advocacy organization dedicated to working with children, families and communities to overcome poverty and injustice. Working with the world's most vulnerable, World Vision serves all people regardless of religion, race, ethnicity or gender. www.worldvision.org.uk and www.wvi.org

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. 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. Its home page is, www.accenture.com/adp.

About The Partnering Initiative

The partnering initiative is a hub of five partners in which the International Business Leaders Forum operates as the lead partner. It is dedicated to promoting the art and science of cross sectoral partnership through research, and the development of tools, methodologies and tailored capacity and skills building programs.

APPENDICES: ABOUT THE AUTHORS

James Crowley

James Crowley is a business professional with more than 25 years experience in a variety of large private-sector companies and more recently with non-government organizations and donors in the international development sector.

James joined Accenture’s consulting practice in 1989, became a Partner in 1997 and has worked across a range of strategic issues for products, high tech and energy companies, working with major international clients such as SmithKline Beecham, Hewlett Packard, Shell, British Gas as well as a raft of energy companies. Up to 2005, James led Accenture’s strategy practice in the UK & Ireland and was the practice lead for the European Mergers, Acquisitions and Alliances practice for many years.

James formally left Accenture in 2005 to work as an independent consultant focusing on strategic and organizational performance issues in the development sector. However, he has continued to collaborate extensively with Accenture’s not for profit practice, Accenture Development Partnerships. Over that time, he has led a range of assignments on international strategic issues for clients such as Plan International, AMREF, Amnesty International and World Vision.

Prior to joining Accenture in 1989, James worked as a project engineer in the offshore engineering sector, working on projects in the North Sea and in Australia. He holds a first class honors degree in civil engineering from University College Cork, a Masters degree in offshore engineering from University College London and an MBA from London Business School.

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Cristina Alzaga is a management consultant at Accenture with experience from a range of strategic assignments spanning the private, public and development sectors. Her primary experience is the area of strategy development and execution with large Scandinavian companies. She was introduced to the development sector through Accenture Development Partnerships, a non-for-profit organization within Accenture.

On her assignments with ADP, Cristina has interacted with dozens of international and national NGOs and multinational and national companies. The recurrent theme of these assignments has been to explore the landscape of collaboration between the business and development sectors with an aim of building the private sector strategy of NGOs. She has spent several months dedicated to research traveling across countries in the developing and developed world discussing the value propositions that each industry and different types of NGOs bring to the table, reviewing cross-sectoral partnerships, and mapping the current space and future potential of collaboration.

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