

Business Innovation Facility

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A word from the author...

When we started to implement the Business Innovation Facility (BIF), I was among many who thought that supporting companies to partner would be central to what unfolded over the three years of the pilot. The Department for International Development (DFID) thought the same: in the contract notice partnering appeared in two of the three purpose statement for BIF. One of our three outputs was expected to be "80 new partnerships brokered between businesses, NGOs, government, donors and other stakeholders, to match businesses to the right opportunities and partners to enhance returns on investment and development gains."

As we started to talk to companies and develop our pipeline of projects, we didn't see partnership emerging as a strong theme. We held a number of workshops on partnership, all of which were well received, both by those from the private sector and also from NGOs and other organisations that were keen to collaborate with companies. Despite this, a feeling developed that perhaps partnership is not as important to the development of inclusive business as we had thought.

Now that we have the luxury of being able to review the whole BIF portfolio, I can see we were right and wrong to have this feeling. Right, because the there are few projects where we were asked to deploy consultants with 'partnering skills' as their prime area of expertise. Wrong, because there is a wide variety of different kinds of collaboration in many of the projects. This is particularly evident in our projects in support of large companies. However, it could be the case that companies underestimate the need for specialist skills in partnering to be part of their inclusive business journey.

This "Insider" explain how we reached this conclusion.

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Tom Harrison Business Innovation Facility

Take your partners: large companies and collaboration in the Business Innovation Facility portfolio

Collaboration between companies undertaking inclusive business projects and other organisations is very widespread in the BIF portfolio. There is also a striking correlation between the size of company and partnership.

What kind of companies collaborate?

This "Insider" is the outcome of a survey of the BIF portfolio that was undertaken to discover to what extent, and why, companies that BIF supported collaborate to achieve their inclusive business objectives. We use the term 'collaboration' and 'partnership' somewhat interchangeably to cover a range of activities that companies undertake with another organisation.

Our survey revealed that the use of partnering by large companies, in particular, seems to be widespread.

Of the 15 companies categorised as 'large' by BIF, nine are also identified as having a strong partnership element to the project (60 per cent). The figure for small and medium-sized companies is three projects out of 25 (12 per cent).

However all of the 15 large companies asked BIF to help them with some kind of collaboration and 11 of the 15 cited 'partnership' or 'collaboration' as being a significant element of the innovation that they foresaw in the inclusive business project that they were asking BIF to support.



Farmers discuss a BIF project in Bangladesh

The 'Inside Indusive Business' series is based on the real—world experiences of companies who are actively expanding opportunities for people at the base of global economic pyramid through their core business activities.

Each edition explores one aspect of inclusive business. The aim is to shave practical ideas, challenges and solutions, as they emerge, in ways that are relevant to other business and development professionals.

What types of partnership do large companies use?

There are many examples of different kinds of collaboration between large companies and other organisations evident in BIF projects. While a key learning is about the breadth of collaboration, we also decided that partnerships fall within the following three types:

Sectors of the organisations Same sector (all companies) Cross-sector (between companies partnering: and not-for-profit or government) Relationship of partners Between a company in a value Companies that Companies that within the value chain: buy and sell to each normally compete chain and other organisations other in the same providing support services in value chain value chain to a value chain Type of partnership: Value chain Peer-company Cross-sector partnership business-to-business business to business

- 1. Cross-sector partnerships in the BIF context are characterised by collaboration between companies and organisations that are from the not-for-profit or government sectors. They are defined as an ongoing working relationship between organisations combining their resources and competencies and sharing risks towards achieving agreed objectives while each achieving their own individual objectives¹
- **2. Peer business-to-business** are collaborations between companies that have a similar role in a value chain, either as competitors within the same value chain or have a similar role within different value chains (e.g. as processors within different commodity markets).
- **3. Value chain business-to-business partnerships** are between companies that are in the same value chain but at different points, so are buying from and selling to each other. These are new arrangements that go beyond existing transactions.

We then looked at how often these three types of collaboration occur across the large company portfolio. The most frequently occurring type of collaboration is cross-sector partnership which is the most dominant type in eight of the 15 BIF projects with large companies (53 per cent). However was also noted that many of these projects also have one or both of the other main types of collaboration as well. In five of the 15 projects, we thought that collaboration among companies in the same value chain was the next most common type of partnership (33 per cent) and the other two companies (13 per cent) are mainly collaborating with other companies who might normally be competitors in the value chain.

Looking at these results, the total number of projects where business to business collaboration was a major component of the partnering was nearly half. Even some of the projects where the dominant partnership type was cross-sector, they sometimes also collaborate with other companies too. We were therefore surprised to find that business to business collaboration was very prevalent in the BIF portfolio, and could be a very interesting feature of how inclusive business opportunities are realised.

The 15 large companies in the BIF portfolio are: **ACI Agribusiness** (Bangladesh) **Barrick Lumwana** Mining Company (Zambia) **Bharti Airtel Ltd** (India) **Guinness Nigeria** (Nigeria) Hindustan **Unilever, HUL** (India) **Lafarge Cement Zambia** (Zambia) mKrishi, TCS (India) MCX (India) Oando Marketing **PLC** (Nigeria) **Phosholer Pran** (Bangladesh) Rahimafrooz RSL, **Agora** (Bangladesh) **Stanbic IBTC** (Nigeria) **Unilever PLC** (multi-country) **Universal Industries** (Malawi)

¹ http:// thepartneringinitiative.org

What do different kinds of partnership help companies to achieve?

To examine the relationship between collaboration type and other significant project features further, we plotted the 15 projects in terms of their predominant partnership types against two dimensions of the market in which the project occurs.

We had the following research questions in mind:

We were interested to see how the type of partnership that companies were engaged in was related to the businesses' activities within the value chain.

Example: The Barrick Lumwana Mining Company 'Lumwana Contractor Development Programme' aims to increase the amount of goods and services procured from local mining industry suppliers. BIF were asked by the company to 'where possible, support brokering of partnerships between the company and [local] organizations'. This project therefore helps the company to procure goods and services in support of its production function.

- 2 We also noted that there could be differences between inclusive business project in relation to three different IB market scenarios. We were interested in whether the main innovation in the IB project:
 - **a)** involved creating a new market for poor people that will provide an opportunity for the company;
 - **b)** was around how a company can enter an existing marketing with a new BOP product or service offering, or that engages small producers in a new way; or
 - **c)** was to help to consolidate a market where the company already has a presence that is inefficient in regard to providing opportunities for poor people to participate.

Company
request to
BIF: "...identify
the best
NGO partner
and design
a partnering
process..."

Examples:

- a) Oando Marketing PLC aims to provide Nigerian low income households with affordable and accessible clean cooking fuels through low weight Liquefied Petroleum Gas (LPG) cylinders with integrated cooking ring. In its request for BIF support, the company commented that 'the success of its initiative as an inclusive business project hinges on changed consumption patterns at the BOP.' This is therefore a market creation scenario because consumers in Nigeria are not used to cooking with LPG.
- b) With its Affordable Housing Initiative, Lafarge Cement Zambia aims to address the large deficit in affordable housing for medium to low-income Zambian families and establish itself as a key provider of simple, ready-made building solutions at the base of the pyramid. The venture aims to support prospective homeowners through a housing micro-finance and loan scheme. In addition to that, developing a lower cost option for good quality housing will enable the company to have enter a market segment that is currently grossly underserved. The company believes that 'coordination of various partners from different sectors to deliver affordable housing will be innovative.' This project will utilise collaboration to support a market-entry strategy for Lafarge.
- c) Guinness Nigeria aims to change the transactional relationships that exist between the company and its millers into more strategic partnerships with all stakeholders cutting across its value chain. This project is therefore aiming to consolidate an existing market where Guinness is already an active player.
- We wondered whether the fact that a large company was primarily a national company, or had access to wider skills and networks from having a multi-national presence made any difference to how it chose to collaborate.

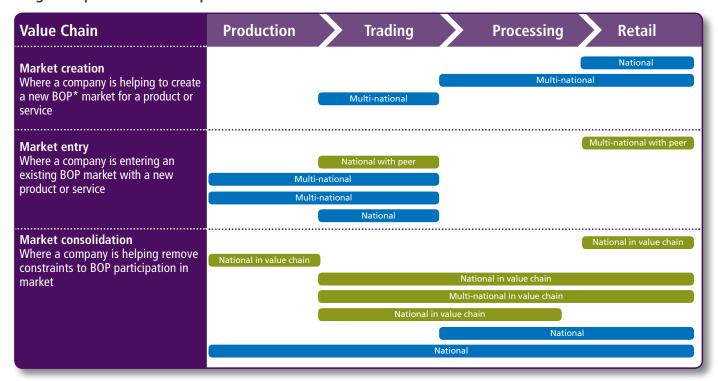
Example: Rahimafrooz RSL in Bangladesh employs 3,000 people² whereas the Diageo Group, of which Guinness Nigeria is part, employs over 25,000 people across the world³. It might be expected that this disparity in size and reach may impact on the need for a company to collaborate.

² www.rahimafrooz.com

³ www.diageo.com

The results of our analysis of the BIF large company portfolio with these research questions are presented below:

Large companies in the BIF portfolio: where collaboration 'fits' in the value chain



^{*} BOP or 'base of the pyramid' refers to low income consumers, employees, and/or producers

From this analysis, it appears that cross-sector partnership is the predominant type of collaboration that is useful if the inclusive business project requires market creation (i.e. there is no existing market in which low income people participate). Cross-sector partnering can also be a useful approach in other IB project types: we can see in the figure that there are examples of cross-sector partnering in IB projects that involve market entry and consolidation as well as creation.



Both large national and multi-national companies use cross-sector partnership to help progress inclusive business projects, and they use them for a wide range of approaches to a market and all across the value chain. There does not appear to be any difference between national and international companies in this regard.

B2B collaboration is used in more limited ways than cross-sector partnering, but is still very useful. In these BIF projects it is used when the inclusive business opportunity seeks to address an inefficient market so as to consolidate a market through strengthening the value chain. It can help address inefficiency in a market, and peer B2B collaboration seems to be particularly useful when companies are seeking to enter an existing market.

To follow up these findings we were interested in exploring the link between cross-sector partnership, large companies and market creation further.

First, we did more analysis on partnership type and the relative importance of this approach within the overall BIF project. We did this by assessing the proportion of BIF support that related to partnership, as against the other activities that BIF was asked to support. From this work, it appeared that support to cross-sector partnership was more likely to be a significant component, or even the majority, of BIF support than either of the other types of collaboration, whereas value chain B2B partnership was most often a less significant or insignificant component of the BIF project. There was also again a strong correlation between projects where BIF support to cross sector partnership was very significant, and where market creation was a strong feature of the inclusive business project.

Company request to BIF: "...seek help in graduating the transactional relationship... to a strategic partnership with all stakeholders cutting across the value chain"

Why do large companies use cross-sector partnership in market creation projects?

We investigated this by looking in more depth at the three projects where these three features were predominant. These were all large multi-national company, which had asked for support to their partnering activities, and where the project was heavily reliant on the creation of a new market for a product that poor consumers currently do not have any access to. We did this research through a combination of interviews with project stakeholders and reviewing what we know about BIF support project having been part of its gestation and delivery (which is a great strength of the BIF model).

The three projects looked at in more depth were:

Oando Marketing PLC

Oando Marketing PLC provides integrated energy services in Nigeria and internationally. Oando aims to provide Nigerian low income households with affordable and accessible clean cooking fuels through low weight Liquefied Petroleum Gas (LPG) cylinders with integrated cooking ring.

The success of the initiative as an inclusive business project depends on significantly changed consumption patterns at the target BOP market. This means in order to achieve the scale necessary to become a profitable component of Oando's business operations, a wider industry drive for fuel switch and LPG adoption is crucial. Thus significant marketing and awareness efforts are required, highlighting the benefits that cooking with LPG has over alternatives. This goes beyond Oando's scale and scope both in terms of resources and expertise available, and the involvement of other stakeholders from the private and public sector is considered to be crucial.



Unilever PLC

Unilever PLC has been extensively involved in improving the nutrition quality as well as taste of its products over a number of decades. As outlined in the Unilever Sustainable Living Plan by 2020, the company will double the proportion of its portfolio that meets the highest nutrition standards, based on globally recognized dietary guidelines. Many of Unilever's products, like spreads and seasonings, contribute to tackling undernutrition by providing 15 per cent of the RDA of essential vitamins and minerals. These improvements will help hundreds of millions of people to achieve a healthier diet.

Because nutrition in early childhood is important for growth and development,
Unilever in close collaboration with GAIN and other partners including BIF, is investigating the
opportunity of developing a fortified food for young children in the developing world. This fortified food will be
specifically designed to increase intakes of key nutrients that are not always provided through the diet. The food
will help to close the nutrient gap in younger children and contribute to the nutrient intake of older children.

Stanbic IBTC

Stanbic IBTC aims to reach 5 million smallholder farmers in Nigeria over a five year period through its agricultural finance scheme. This inclusive business model bundles technical assistance and training with commercial financing to link famers to formal markets by developing an integrated, multi-partner approach that bundles technical assistance (soil mapping and agronomy training) and extension services with commercial financing to link smallholder farmers to formal markets through tailored loans, quality assured training and input packages, crop insurance and regulation of commodity trading.

BIF was asked to provide support towards brokering agreements with buyers and other stakeholders, conducting a review of the business model to ensure its sustainability, and identifying sources of grant funding to pay for agricultural extension services and the investment required.

We were interested in knowing more about the range of collaborations that the companies were exploring in order to launch the new products, but also to understand why the companies would chose to work so collaboratively. Intuitively, we felt that such large companies would not have a problem finding internal resources, both financial and non-financial, to progress a new product development. Such big companies should also have access to a wide range of skills, capabilities and networks, as well as being a very credible presence in the markets where they have leading positions, often in more than one country. Why, then, would these companies need to partner? Why, in particular, would they use cross-sector partnering?

Our findings are summarised below.

1. While cross-sector partnership predominates, the companies also use a wide range of B2B collaborations

We found that the inclusive business projects that the companies are progressing are using the following types of collaborations:`

Description of collaboration	Type of partnership	Benefit to the company
Procured services	Not really a partnership because it is mainly an agent transaction	
Collaboration between non-governmental organisations or public bodies that have an aligned social goal with the company	Cross-sector partnership	Leverage, reputation, credibility
Collaboration with donors who will help to fund the project in order to achieve a public good	Cross-sector partnership	Access to resources, reputation, credibility
The company will join or convene voluntary alliances, that may include other companies, that have an interested in creating the market or influencing how it is regulated	Cross-sector partnership but may include some peer B2B collaboration as well	Education & reach of product to potential customers, leverage, credibility
The company will approach academic bodies to provide external scrutiny and learning about the new product and its social impact	Cross-sector partnership	Enlarge scope, learning, creating favourable environment
The company will look for companies in the value chain that are willing to share some of the risk of developing a new product in order to achieve the same social goals	Value chain B2B	Making the internal proposition more attractive from a commercial perspective

One of the projects we looked at used all of the types of collaboration outlined in this table, and the others used more than half each. The sheer variety of collaboration is a feature of the whole BIF portfolio, but to find that a company may chose to use such a wide variety within one project was quite surprising.

"This would be the first BIF project which involves a partnership between a global corporate and a social enterprise"

© istockphoto.com

From the application for BIF support

2. Large companies have strength in depth but not in breadth and that is why they need collaborate

'Large companies are very good at a small number of things – and that is how they become so big'. When talking about the project, a senior leader from the company explained in these terms why the project needed to collaborate so widely

We interviewed the project manager for one of the initiatives that BIF is supporting to get further insights into this. She explained that large companies instinctively want – and expect – to control every aspect of a project. When companies are large they are not only in the spotlight, but the risks of damaging a brand or the company reputation through a miss-step are huge, and potentially worth millions of pounds in share prices and lost sales. However in markets where the product doesn't even exist yet, such as the project we were discussing, the need to partner overcomes these natural instincts and normal behaviours.

She identified the following reasons for partnering that any large company helping to create a new BOP market should consider:

- Market creation requires a comprehensive understanding of a market from production to consumers. Even for a very large company, it is impossible for a company to have a holistic view over the whole market. Very few companies have expertise and capacity across a whole value chain, as they have become highly specialised at (say) low cost production, or managing a brand, or distribution but not all of these areas. Developing a new market requires innovation in all of these area, and more.
- There are **skills that the company doesn't have.** Even a company that is skilled at communicating highly effectively with consumers will not be able to undertake the broader education task that a new social product will need.
- There are areas of the BOP market where **the company won't be credible.** For example, when a social product is involved, some market actors will be suspicious of the company's motives as a for profit entity.
- There is a **cost to developing a new BOP market** that is substantially greater than that of any normal innovation a company may contemplate. Most innovations build iteratively on existing products and supply chains, rather than make a lot of changes at once across many business functions. With social products, there is also a 'first mover disadvantage' in that there is a competing desire to protect the competitive position against competitors and wanting to encourage other companies to also join in to spread the social benefits more widely.
- Finally, there is a **strong motivation for risk sharing.** While resources can always be found for a new business opportunity that has a positive impact on the company's bottom line, the uncertainty resulting from entering an unknown new market means that it very hard to 'price' the commercial potential.

3. Partnerships and innovation are strongly linked

From the BIF experience we discern a link between partnership and innovation. As we have noted, large companies are very good at a limited number of things. They are also good at innovating within areas where they otherwise strong. However many of the partnerships that they form are about innovating in the aspects of the market creation that they are not good at. Some aspects of collaboration are around 'borrowing' a strength from a partner, such as the credibility that stems from having submitted to scrutiny from an academic institution, but partnering become particularly valuable when the combined knowledge and resources of organisations with very different outlooks and experiences is combined in a way that creates something that is new to both.

Company
request to
BIF: "...identify
and engage
stakeholders
to ensure they
play the roles
needed..."



Farmers engaged in a BIF project in Bangladesh

The BIF projects we looked at in depth are aiming to create a new market for a product or service. All of the companies we reviewed are looking beyond their own ability to innovate, whilst also finding ways to build on its strengths.

The projects all have the following characteristics:

- 1. The company innovation is **strong in the product or service that is closest to their core competence.** This is 'technical innovation'. For example, the introduction of a new cooking size and design of cook stove, or a new back office system which allows farmers to borrow against their crop which is in a warehouse.
- 2. The companies reached out to other organisations in order to innovate within the supply-chain or distribution network. For example, to work out how to get a refill system working that was close to consumers, or how to ensure that famers have the input they need to maximise the use of credit. These were mainly B2B collaboration or procured design services.
- **3.** The companies were **less sure where to turn to innovate around less familiar elements of the business model,** and new market creation in particular. For example, the stimulation of consumer demand through stakeholder alliances including governments and NGOs and education, or addressing broad capacity issues in a small-holder dominated agriculture market.

The good news for companies is that there is a strong motivation for partners from the non-business sectors to do this also. Many NGOs and governments are seeking to address the inequity and disadvantage that many sectors of society face, and to change the systems that lead to them. Intractable problems such as poor nutrition, lack of access to clean and safe cooking fuels and a ready supply of finance for smallholder farmers have not been solved by these public agencies working on their own. Combining with companies to create new possibilities to address them is very attractive for both the public and private sector.

Expecting the private sector alone to be able to address many of these problems alone is also a mistake. It is the combination of organisations working together that leads to innovation.

'According to Scott Anthony, President of Innosight, the 'sucking sound of the core' prevents MNCs from being able to deliver new innovations to market. This means that a company's core structures 'want' an innovation to conform to what a company has done before, not what is necessary for success. The 'sucking sound' makes innovation slow and complicated.'4

4. Companies need skills in the process of partnering – but they may not realise it

Managing collaboration between and company and other organisations is not easy. In the three projects we reviewed, an element of the BIF support was to access expertise in one or more aspect of cross-sector partnering, from identifying potential partners through to helping to forge partnerships.

In two of the projects, the support requested from BIF at the beginning of the project turned out to be inadequate, and the scope of BIF support was therefore changed during the course of the project. In one project there were two such changes: the first change in scope was to ask a BIF consultant to implement some of the plans that had been developed with his help as there was no capability to do that in the company. The second change was to undertake training of company staff in order to embed the expertise in the company. In the other case the request was for BIF to develop and structure a private sector led forum that would bring together peer companies in a market in order to address common challenges (i.e. convening a voluntary alliances).

A company will need to develop a **wide set of partnering skills,** to cover all of the types of collaboration that could be of value when developing an inclusive business model. While procurement is a key capability for any company, most of the types of collaboration in the list above will require skills that are less common, although they can be accessed through organisations dedicated to developing partnering skills. The BIF support request, and the subsequent scope changes, accentuate that there are gaps in large company capabilities. It also suggests that a business may underestimate the need for such skills when starting to develop an inclusive business project.

'Multi-stakeholder collaboration is now widely seen as vital to creating a more sustainable world. But such collaboration (commonly known as 'partnership') is hard to build, manage and scale up without expertise that helps to navigate what is inevitably a complex and challenging process.'5

"The innovation on this project is also about this collaboration between sectors that do not normally work together"

From the application for BIF support

Company request to BIF: "...to investigate the international experience of other players, in both the private and not-for-profit sectors... [and] hold a series of interviews with key players and stakeholders including, national and local government, NGOs and donors as well as potential implementation partners..."

⁴ Developing BoP partnerships towards collective impact at the Base of the Pyramid: Key lessons from three pilots for pro-poor innovation

⁵ http://partnershipbrokers.org/

Conclusions

The research presented in this 'Insider' has confirmed what the designers of BIF had suspected. Collaboration is a key part of many inclusive business projects. This takes many forms. Large companies, in particular, partner with a wide range of different types of organisation, despite appearing to have access to a wide range of skills and other resources. They partner most extensively – and often with organisations from outside the private sector – when they are creating a new market and they need to innovate outside of their areas of core strength. However, these companies may underestimate the difficulty of this kind of partnering, and learn as they are implementing an IB project that they need to get more external help on the process of partnering.

What can other companies learn from this? Firstly, to be open to collaborate. It may not be comfortable for you, but it is a pathway that others have already taken when developing a new inclusive business, and it will help you to innovate in aspects of the business model that lie outside your core competencies. However, be warned: the process of partnering also requires skills that you may not have as an organisation. Be prepared to access or develop these skills sooner rather than later if you want to form effective partnerships that will help you to achieve your inclusive business objectives.

'Managing this project is like choreographing a dance when the music has already started, the dancers don't know the steps and new dancers keep joining all the time' BIF project manager



Additional resources:

Further information on the projects highlighted in this document can be found on the Practitioner Hub on Inclusive Business at: http://businessinnovationfacility.org/page/projects-landing-page-template

Visit our 'know-how' section on 'Partnership for innovation' at: http://businessinnovationfacility.org/page/know-how-partnerships-for-inclusive-business

We have a Checklist "Why go it alone? How partnerships can help a company address constraints to inclusive business" which aims to help inclusive businesses determine whether collaboration with other organisations might be appropriate to support their business model. http://bit.ly/14TDpFX

View other Insiders in this series from the BIF Publications Page:

http://businessinnovationfacility.org/page/facility-publications

Partnering for Inclusive Business in Bangladesh: The Partnering Initiative, in collaboration with BIF, CARE, IBLF: http://businessinnovationfacility.org/forum/topics/partnering-for-inclusive

Partnering for Inclusive Business in Zambia: The Partnering Initiative, in collaboration with BIF and IBLF: http://businessinnovationfacility.org/forum/topics/event-resource-partnering-for-inclusive-business-in-zambia-1

Business partnerships for development in Africa: Redrawing the boundaries of possibility: Business Action for Africa: http://bit.ly/19W4rjv

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Photos provided by Tom Harrison.



The Business Innovation Facility supports companies as they develop and implement inclusive businesses. Inclusive business is profitable, core business activity that also expands opportunities for people at the base of the economic pyramid: either as producers, suppliers, employees, distributors, or consumers of affordable goods and services.

For further information and to join the discussion on inclusive business, go to: Practitioner Hub on Inclusive Business: www.businessinnovationfacility.org

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