How can the SDC best work with large corporations to reach its impact goals?

November 2020
Context and objectives

CONTEXT

The SDC has developed multiple PSE* programs in the last decade, including working with CSR departments of large corporations. In doing so, like many other donors, the SDC has faced multiple challenges preventing them from effectively engaging with MNCs**.

Hystra has gained significant experience on these topics over the past decade, having worked with over 25 large corporations in launching their inclusive businesses and half a dozen donors in designing and deploying their PSE programs. We have seen and learnt “the hard way” the best practices (and common mistakes) made by donors and corporates alike, and trust that we can draw key insights from these experiences to give the SDC a second opinion on how best to tackle these challenges.

OBJECTIVES AND DELIVERABLES

The objective of this project is to provide the SDC’s strategic and operational teams with insights, illustrated by concrete examples, on how to better collaborate with large corporations especially with their core business, as part of the SDC’s PSE strategy.

We have worked closely with Alexander Keberle and Peter Beez on the 5 key questions outlined below:

1. Why and how to go beyond CSR when engaging large corporations?
2. How to manage confidentiality concerns?
3. How to ensure accountability throughout a PSE* project life cycle?
4. How to leverage networks and consortia to facilitate PSE*?
5. What should be the roles and responsibilities of the SDC HQ and operational units when collaborating with global corporations?

Caveat: Throughout the document, PSE will be referring to PSE with large corporations

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*Private Sector Engagement ** Multinational Companies
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Both corporates’ core business and SDC have motivations to jointly launch PSE programs

**SDC motivations**
- Generating impact at scale with a sustainable model
- Domino effect with other corporates
- Access to corporate assets: distribution, brand, R&D
- Innovation: partnerships and business models
- New markets and consumers

**Corporation motivations**
- Access to donor assets: funding, reputation, and networks
- Enhance reputation: external and internal
- Individual executives eager to reconcile personal and professional responsibilities

Source: Hystra
SDC could help corporates overcome critical obstacles preventing them from identifying impactful business opportunities

Corporation obstacles

Unaware of the existence of innovative business models that can deliver on financial and impact goals

Unable to adopt a frugal innovation mindset, learn from social entrepreneurs and get out of their comfort zone

Unwilling to take the risk to jeopardize conventional KPIs (e.g. margin dilution) and to put one’s career at stake

SDC value proposition

Make corporations aware of the opportunity to build inclusive businesses
  • Leveraging your deep thematic insights to help them identify high-potential impact opportunities
  • Building a library of successful profitable business models to be used as provocations
  • Celebrating and disseminating learnings from successful pilots

Support corporations in crafting their inclusive business strategy and in designing the appropriate KPIs, governance and financing set-up

De-risk and support pilot projects and intrapreneurs

Source: Hystra
**Deep-dive: Make corporations aware of the opportunity to build inclusive businesses**

<table>
<thead>
<tr>
<th>New growth platforms</th>
<th>Sense of purpose valued by employees and stakeholders</th>
<th>Reverse innovation benefitting core business</th>
<th>Positive externalities that can be monetized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entering new markets: Launching new products or services independent of existing ones, in existing countries of operations <em>e.g.</em> solar lights in Total Access to Energy Solutions program</td>
<td>Talent recruitment and retention by answering people’s aspirations to do more than just a traditional job.</td>
<td>Innovating under constraints for lower-income clients can help find new ways of doing business. When Danone joined forces with Grameen Bank to produce and sell fortified yoghurts in Bangladesh, they had to ask a retired engineer to come back to design amore basic small scale plant and acquire second-hand equipment.</td>
<td>Impactful businesses produce positive social, health, livelihoods, or environmental outcomes that can be compensated in the long run (<em>e.g.</em> via tax exemptions)</td>
</tr>
<tr>
<td>Lowering costs: Sourcing directly from smallholder farmers <em>e.g.</em> the Margarita project of the Danone Ecosystem fund</td>
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<tr>
<td>Improving margins: Offering new paying services on top of products, <em>e.g.</em> Patrimonio Hoy, a Cemex program selling a complete housing solution including architect advice, delivery on demand and payment plan instead of just selling cement</td>
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</tbody>
</table>

As Emmanuel Faber explains: “When Danoners realize what is at stake in the solutions they propose and when we let them align themselves to what emerges from their personal conscience, we obtain levels of energy and commitment that cannot be compared to what you get from obtaining 0.1 point of trade margin from Carrefour!”

The Livelihoods Funds are supported by private companies willing to offset their unavoidable carbon emissions and transform their supply chains through sustainable and transparent agricultural models. Livelihoods investors work together to share business knowledge, investment risks for project implementation and maintenance during the whole duration of our projects.

Source: Hystra, *The Journey of Multinational Corporations to Inclusive business, Livelihoods Funds*
Engage with corporates’ core business adopting a problem-centric approach

**Problem-centric approach**

- **SDC priority**: Start from an SDC IC 21-24 priority in a given country (priority country or relevant for a global program)
- **PSE opportunity**: Identify an opportunity for private sector engagement, draft a strategy
- **Corporate**: Look for a private sector partner to implement it

**Advantages**

- By design, this approach guarantees alignment with IC 21-24 priorities and recognized additionality of private sector contribution
- SDC approaches business decision makers with a robust understanding of the problem, and two key assets to offer: a draft yet attractive business case and SDC’s local networks (leading to a faster and easier planning and implementation)
- SDC can select from the get-go projects based on their potential for global replication in the industry

Source: Hystra
Engaging with CSR departments can also enable to engage business leaders or to support SDC programs

Is there a potential for engaging the core business?

Can SDC have direct access to senior business decision makers?

Yes

Direct engagement with corporation leadership

No

“Foot in the door”: Start with CSR department with clear intention to access business leaders

Would support from the CSR department be valuable to SDC programs (relative to costs and risks associated with the engagement)?

Yes

Formalize mutual commitments and expectations

No

Turn down

Source: Hystra
1. Why and how to go beyond CSR when engaging large corporations?

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5. What should be the roles and responsibilities of the SDC HQ and operational units when collaborating with global corporations?

*Caveat: Throughout the document, PSE will be referring to PSE with MNCs / large corporations.*
Effective collaboration between SDC and MNCs appears to be impossible due to their fundamentally opposed views on confidentiality.

SDC
obliged to release all information gathered throughout projects

Law of transparency

Non disclosure agreement

Corporates
asking for a NDA before even starting the collaboration

Source: Hystra
Yet, experience shows that inability to address confidentiality issues is due to profound misalignments or misunderstandings.

**Confidentiality issues**

**REASONS FOR FAILURES**

- Misunderstanding of SDC’s overarching intent
- Incompatibility in expected timeframe for decision-making
- Misalignment on project’s goals and KPIs
- Misunderstanding of expected complementarity*
- Change in leadership (‘s priorities)
- Profound differences in management styles

* SDC not providing the required capabilities

Source: Hystra
Therefore, follow six guidelines to progressively resolve confidentiality issues while ensuring intent alignment

1. **Ground all confidentiality discussions on a shared intent with decision-makers** (formalized in a non-binding yet signed document)

2. **Be upfront and transparent** on SDC policies and duties but reassure the company that you understand and respect their own constraints and concerns, committing to co-create a pragmatic win-win arrangement

3. **Differ resolution of critical points of disagreement** until we have a clear understanding of the concrete issues (most likely when designing business model and business case) and before significant financial commitments are made

4. **Co-design pragmatic solutions** for contentious topics e.g. ask for targeted information instead the full financials, ask for ranges instead of exact information

5. **Secure alignment on principles at a sufficiently high level** in both organisations

6. **Engage legal teams** when principles are set and pragmatic solutions have been drafted

Source: Hystra
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**Ensure the corporation ‘skin in the game’ grows progressively throughout the gated engagement process**

<table>
<thead>
<tr>
<th>PSE program lifecycle</th>
<th>1 Intent alignment</th>
<th>2 Business case and pilot design</th>
<th>3 Pilot implementation</th>
<th>4 Scale-up</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Timeframe</strong></td>
<td>3 months</td>
<td>6 months</td>
<td>8-14 months</td>
<td>NA</td>
</tr>
<tr>
<td><strong>SDC role</strong></td>
<td>Leadership</td>
<td>Co-leadership</td>
<td>Co-leadership</td>
<td>Supporter</td>
</tr>
<tr>
<td><strong>Phase budget</strong></td>
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<tr>
<td><strong>Total budget</strong></td>
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<tr>
<td><strong>SDC funding</strong></td>
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<tr>
<td><strong>Corporate funding</strong></td>
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<tr>
<td><strong>Go / No go decision</strong></td>
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<tr>
<td><strong>Funding</strong></td>
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### Phase Budget

#### Intent alignment
- **Total Budget**: €50k - 150k
  - **SDC Funding**: 100%
  - **Corporate Funding**: 0%

#### Business case and pilot design
- **Total Budget**: €150 – 350k
  - **SDC Funding**: 50%
  - **Corporate Funding**: 50%

#### Pilot implementation
- **Total Budget**: €800k - 1,2 million
  - **SDC Funding**: 40%
  - **Corporate Funding**: 60%
  - **Decline over time**: 40% declining over time

#### Scale-up
- **Total Budget**: NA
  - **SDC Funding**: NA
  - **Corporate Funding**: NA

### Funding

- **Intent alignment**: Fund this phase until formalisation of the intent alignment and guiding principles
- **Business case and pilot design**: De-risk the initiative to take on innovations or try out new business models that are not proven to generate a sustainable return on investment
- **Pilot implementation**: Ensure the corporation is 100% accountable by the end of the market test

*Source: Hystra*
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Start by recognizing that capturing the significant benefits of working in consortia is not an easy task

Expected benefits

✓ Coordination of activities
✓ Better channeling of funding/ resources
✓ Economies of scale in delivery
✓ Intelligence in multi-disciplinary / networking approach

Actual short-comings

✗ 7/11 lacked clear strategy
✗ 6/11 lacked accountability and transparency
✗ 5/11 had poor governance and ineffective partners’ management
✗ 5/11 had under-resourced secretariats
✗ 4/11 could not ensure long-term financial sustainability of programs

Partnerhips that underwent independent evaluations

• Consultative Group for International Agricultural Research (1971)
• UN Program on AIDS (1995)
• Consultative Group to Assist the Poor (1995)
• Global Water Partnership (1996)
• Roll Back Malaria Partnership (1998)

• Cities Alliance (1999)
• Global Alliance for Vaccines and Immunization (2000)
• Global Fund to fight AIDS, TB and Malaria (2002)
• Global Alliance for Improved Nutrition (2002)
• Global Partnership for Education (2002)
• International Health Partnership (2007)

Source: Keith Bezanson, Hystra analysis
Understand the different kinds of networks and consortia the SDC can work with

<table>
<thead>
<tr>
<th>Who are they?</th>
<th>Reason for being</th>
<th>Examples</th>
</tr>
</thead>
</table>
| Corporations-driven | Pre-competitive alliances leveraging common resources, sharing best practices, and facilitating collaborative projects | General: WBCSD, B4IG  
• Thematic: OP2B, Alliance to End Plastic Waste  
• Sectorial: Consumer Goods Forum, Nexus Ecosystem |
| Donors-funded   | Achieve critical mass in resources, maximise clout, facilitate coordination       | General: IBAN  
• Thematic: RIICE  
• Sectorial: GAIN, GAVI, GOGLA |
| Institutional   | Represent the interests of members, facilitate dialogue                         | General: Chamber of Commerce, Industry federations                       |
Identify most relevant kinds of networks and consortia for the SDC to meet its objectives

Should SDC engage?
*If the consortium is…*

**Problem centric**
*Engage best-suited corporations to jointly solve a specific problem*

**Corporate centric**
*Support corporations in their transformation to achieve positive impact at scale*

**Donors-funded**
Unless SDC wants to invest in a broad effort to encourage corporates transformation or wants to cast its net wide

**Corporates-driven**

<table>
<thead>
<tr>
<th>Maybe</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>If SDC missing (specific) clout, capabilities or budget</td>
<td>If conditions are met, see next page</td>
</tr>
</tbody>
</table>

Source: Hystra
Understand when to work in a problem-centric corporates-driven consortia

Is a consortium required to address the issue and enable global replication*?

Yes

Does the consortium engage all the key stakeholders of the sector / value chain (required to drive systemic change)?

Yes

Are there a clear strategy, effective governance and well-resourced secretariat?

Yes

Can SDC be in a co-leadership position?

Yes

Are there specific promising initiatives SDC would be keen to invest in?

Yes

Position as a project-funder

No

Insist on impact monitoring

Be ready to withdraw if progress is disappointing

No

Not the right consortium

No need for a consortium, launch PSE program

No

Insist on impact monitoring

Be ready to withdraw if progress is disappointing

No

Not the right consortium

No

Be ready to withdraw if progress is disappointing

* hence justifies the significant coordination cost and loss of speed

Source: Hystra
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SDC HQ and operational unit roles and responsibilities depend on project origin and focus (1/2)

### Bottom-up CSR
MNC local CSR department has its own budget as they are best-placed to decide on the local activities that will help maintain its license to operate e.g. mitigating negative impact of operations on local communities

### Top-down
MNC CSR department wants to collaborate with SDC on a multi-country program e.g. global education campaign to meet the corporations institutional commitments

### Bottom-up core business
SDC operational unit and MNC country unit have jointly identified an opportunity to develop an inclusive business e.g. building capabilities of small holder farmers in corporations’ value chain

Source: Hystra
### SDC HQ and operational unit roles and responsibilities depend on project origin and focus (2/2)

<table>
<thead>
<tr>
<th>Bottom-up core business</th>
<th>Bottom-up CSR</th>
<th>Top-down</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SDC HQ</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Facilitate sharing of experience across operational units <em>e.g. repertoire of projects</em></td>
<td>• Ensure regular dialogue with global CSR departments of corporations with frequent local engagement</td>
<td>• Assess whether this collaboration meets SDC IC 21-24 priorities and the reputational risk is acceptable</td>
</tr>
<tr>
<td>• If project is aligned with IC priorities, provide technical assistance and potentially financial support to country unit (if required)</td>
<td>• Facilitate sharing of experience across operational units <em>e.g. repertoire of projects</em></td>
<td>• Consult operational units to confirm their interest in participating</td>
</tr>
<tr>
<td>• Ensure regular dialogue with relevant HQ departments of corporations with frequent local engagement</td>
<td></td>
<td>• Appoint a key account manager to maximise the impact of the program and coordinate implementation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>SDC op. unit</strong></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Inform SDC HQ early on to learn from (1) relevant best-practice interventions and (2) prior experience with this corporation</td>
<td>• Understand the operational problem and co-design an intervention provided it is aligned with its own IC 21-24 priorities</td>
<td>• Contribute to the design of the program</td>
</tr>
<tr>
<td>• Identify critical corporation HQ decision-makers and seek support from SDC HQ to facilitate access</td>
<td>• Inform SDC HQ early on to learn from (1) relevant best-practice interventions and (2) prior experience with this corporation</td>
<td>• Keep key account manager informed of country program implementation progress and difficulties</td>
</tr>
</tbody>
</table>

Source: Hystra