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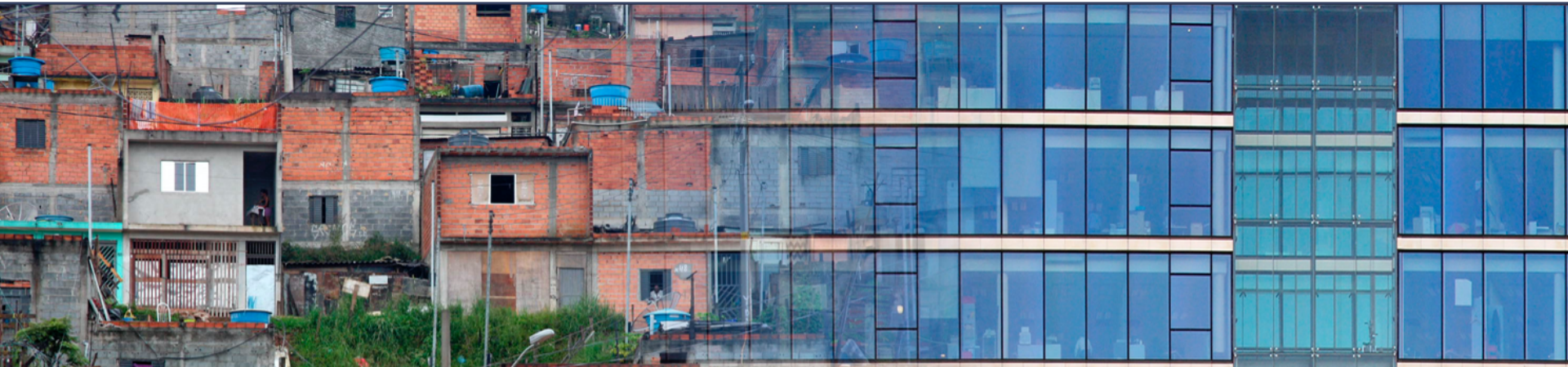
Swiss Agency for Development and Cooperation SDC

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

*Private Sector Engagement ** Multinational Companies

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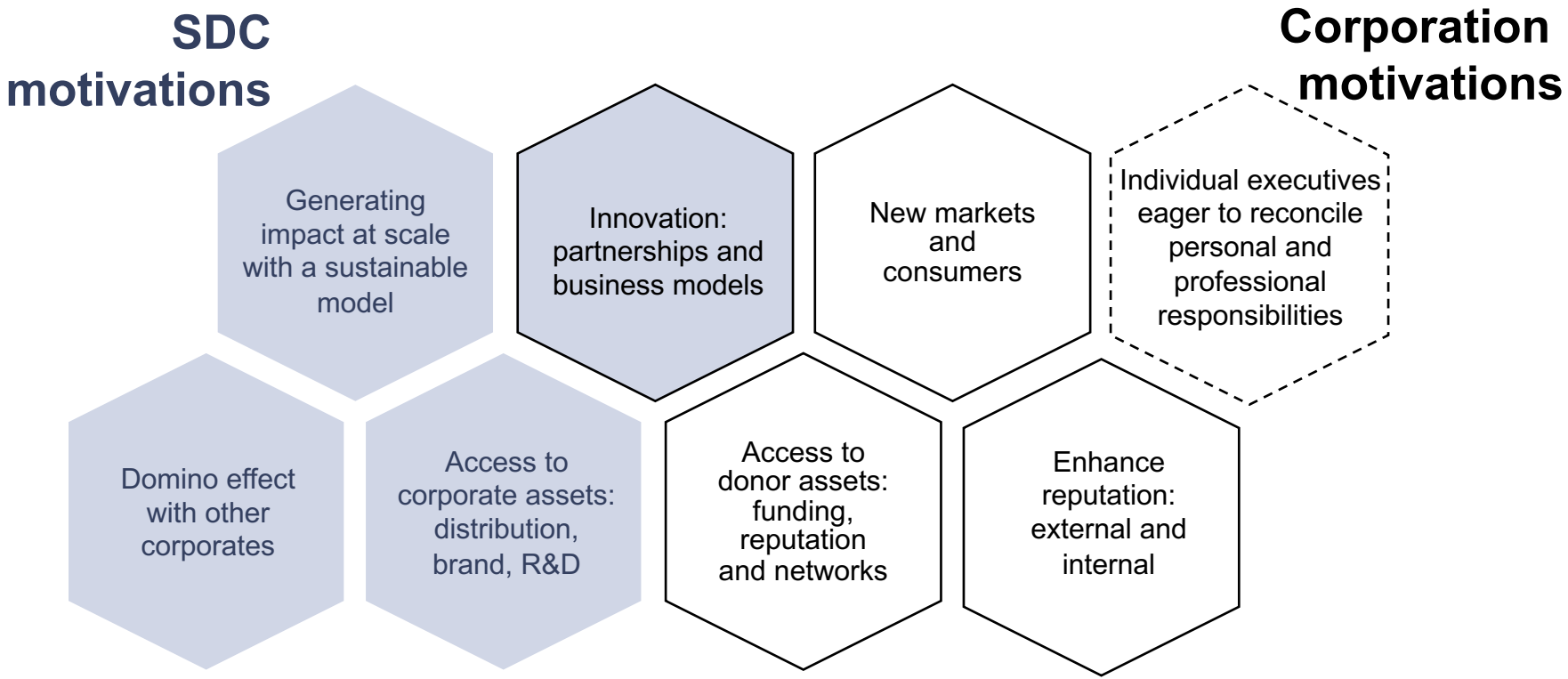
Both corporates' core business and SDC have motivations to jointly launch PSE programs



Source: Hystra

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

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Corporation obstacles	*SDC value proposition*
Unaware of the existence of innovative business models that can deliver on financial and impact goals	**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
Unable to adopt a frugal innovation mindset, learn from social entrepreneurs and get out of their comfort zone	**Support corporations in crafting their inclusive business strategy and in designing the appropriate KPIs, governance and financing set-up**
Unwilling to take the risk to jeopardize conventional KPIs (e.g. margin dilution) and to put one's career at stake	**De-risk and support pilot projects and intrapreneurs**

Source: Hystra

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

New growth platforms

- *Entering new markets:* Launching new products or services independent of existing ones, in existing countries of operations **e.g. solar lights in Total Access to Energy Solutions program**
- *Lowering costs: S*ourcing directly from smallholder farmers **e.g. the Margarita project of the Danone Ecosystem fund**
- *Improving margins:* Offering new paying services on top of products, **e.g. Patrimonio Hoy, a Cemex program selling a complete housing solution** including architect advice, delivery on demand and payment plan instead of just selling cement

Sense of purpose valued by employees and stakeholders

Talent recruitment and retention by answering people's aspirations to do more than just a traditional job.

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!"

Reverse innovation benefitting core business

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.

Positive externalities that can be monetized

Impactful businesses produce positive social, health, livelihoods, or environmental outcomes that can be be compensated in the long run (e.g. via tax exemptions)

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

Start from an SDC IC 21-24 priority in a given country (priority country or relevant for a global program)

Identify an opportunity for private sector engagement, draft a strategy

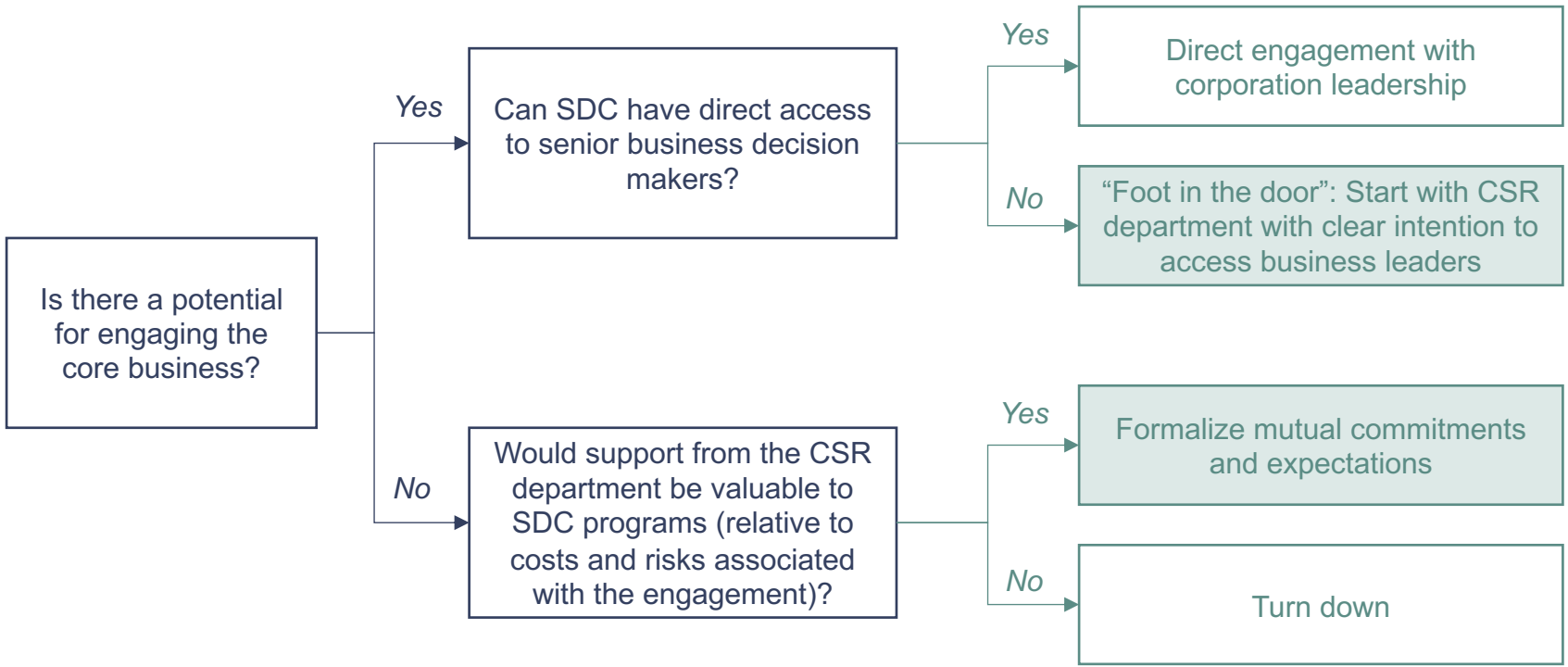
Look for a private sector partner to implement it

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



Source: Hystra

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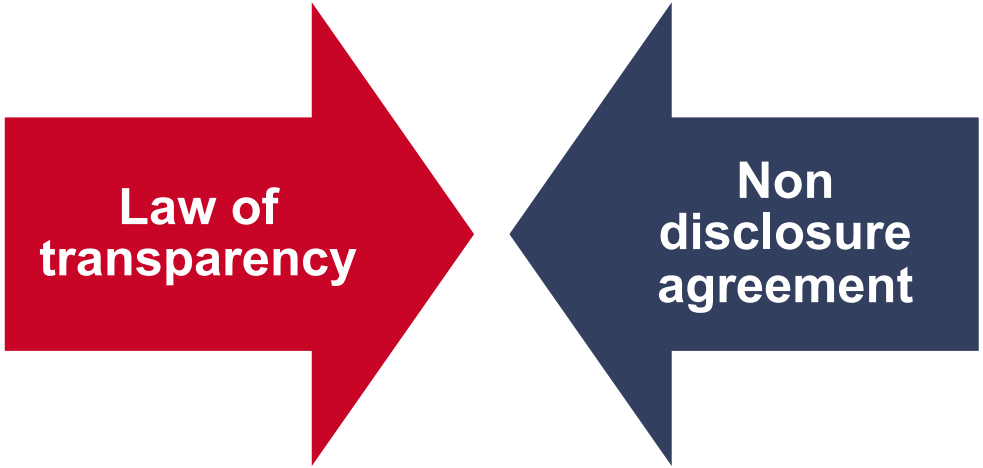
Effective collaboration between SDC and MNCs appears to be impossible due to their fundamentally opposed views on confidentiality

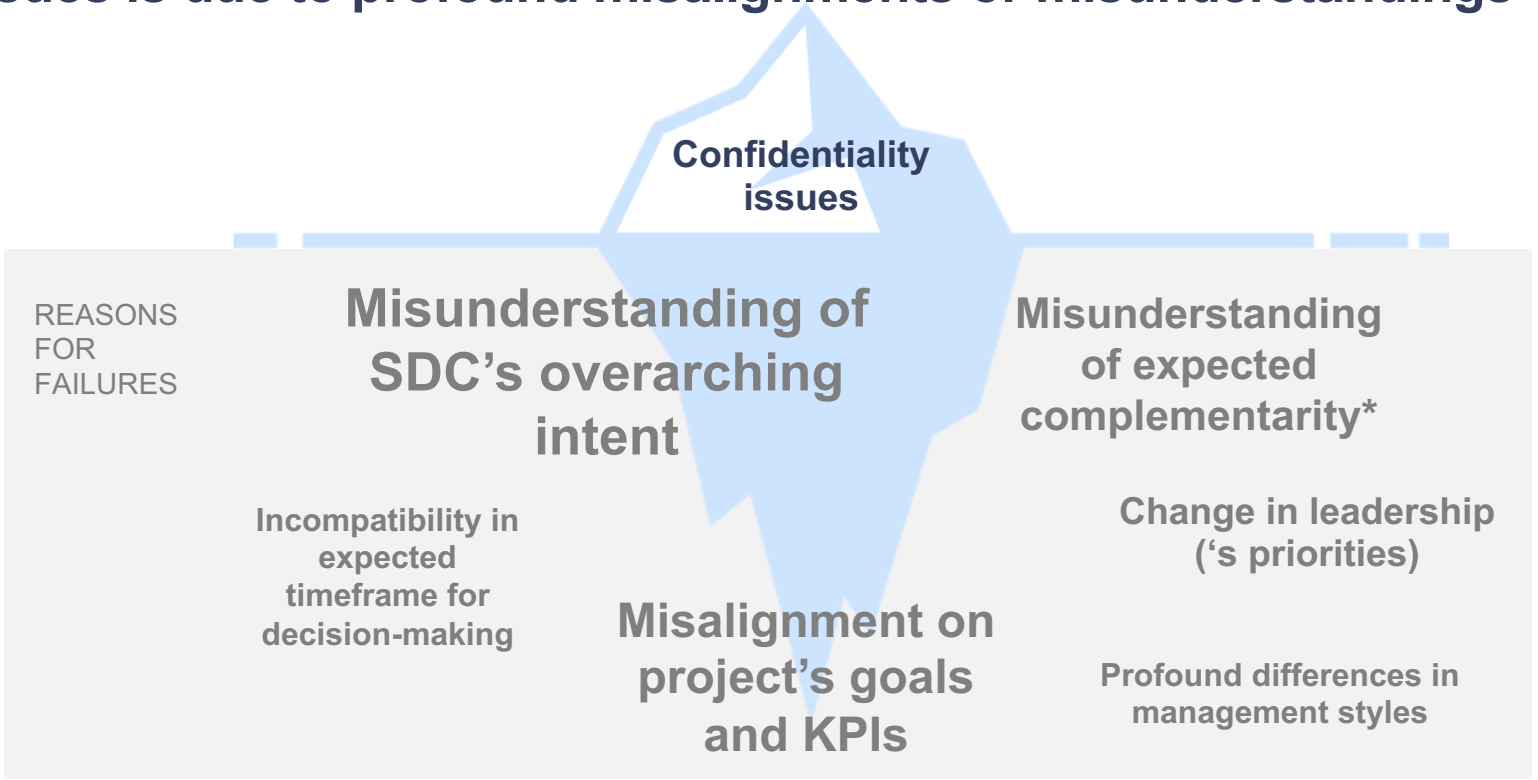
SDC
obliged to release all information gathered throughout projects



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



* SDC not providing the required capabilities
Source: Hystra

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

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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

PSE program lifecycle	1 Intent alignment	2 Business case and pilot design	3 Pilot implementation	4 Scale-up
Timeframe	3 months	6 months	8-14 months	NA
SDC role	Leadership	Co-leadership	Co-leadership	Supporter
Phase budget *Total budget* **SDC funding** Corporate funding *Go / No go decision*	*€ 50k-150k* 100%	*€ 150 – 350k* 50%	*€ 800k - 1,2 million* 40% ***% declining over time***	*NA*
Funding	Fund this phase until formalisation of the intent alignment and guiding principles	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	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

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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

Partnerships 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**)*

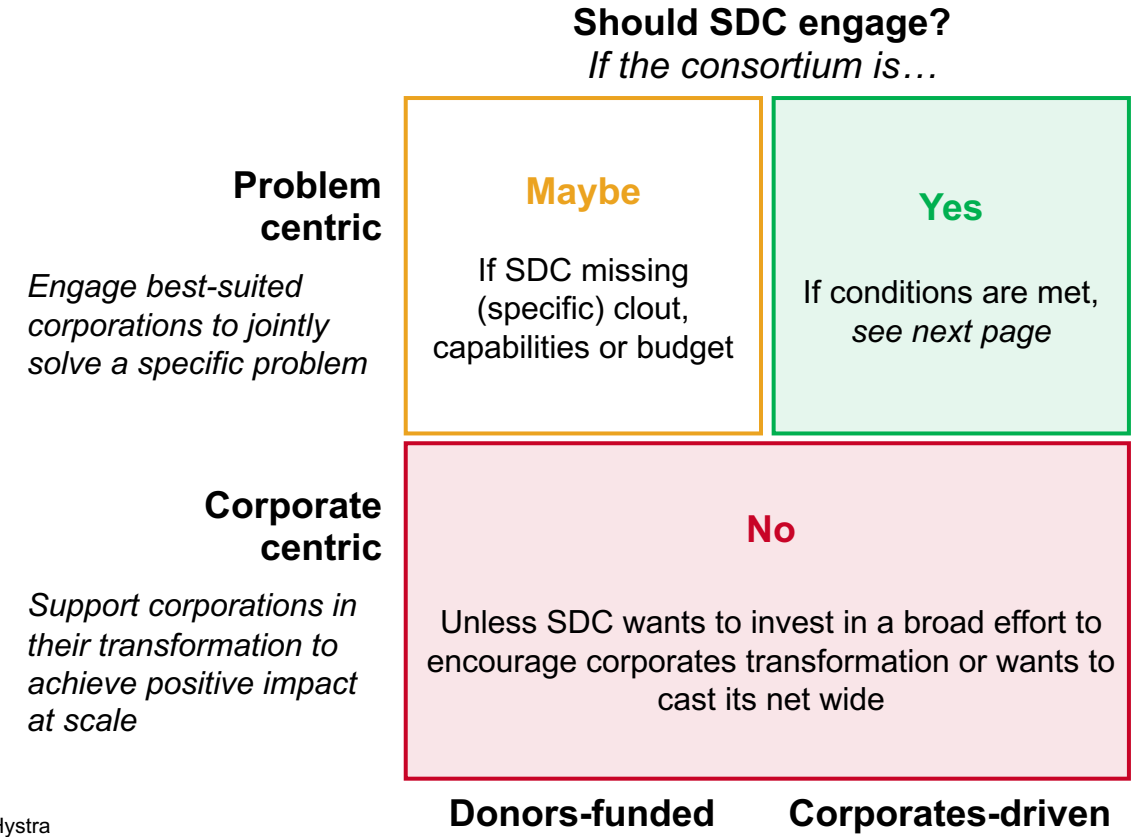
Source: Keith Bezanson, Hystra analysis

Understand the different kinds of networks and consortia the SDC can work with

Who are they?	Reason for being	Examples
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

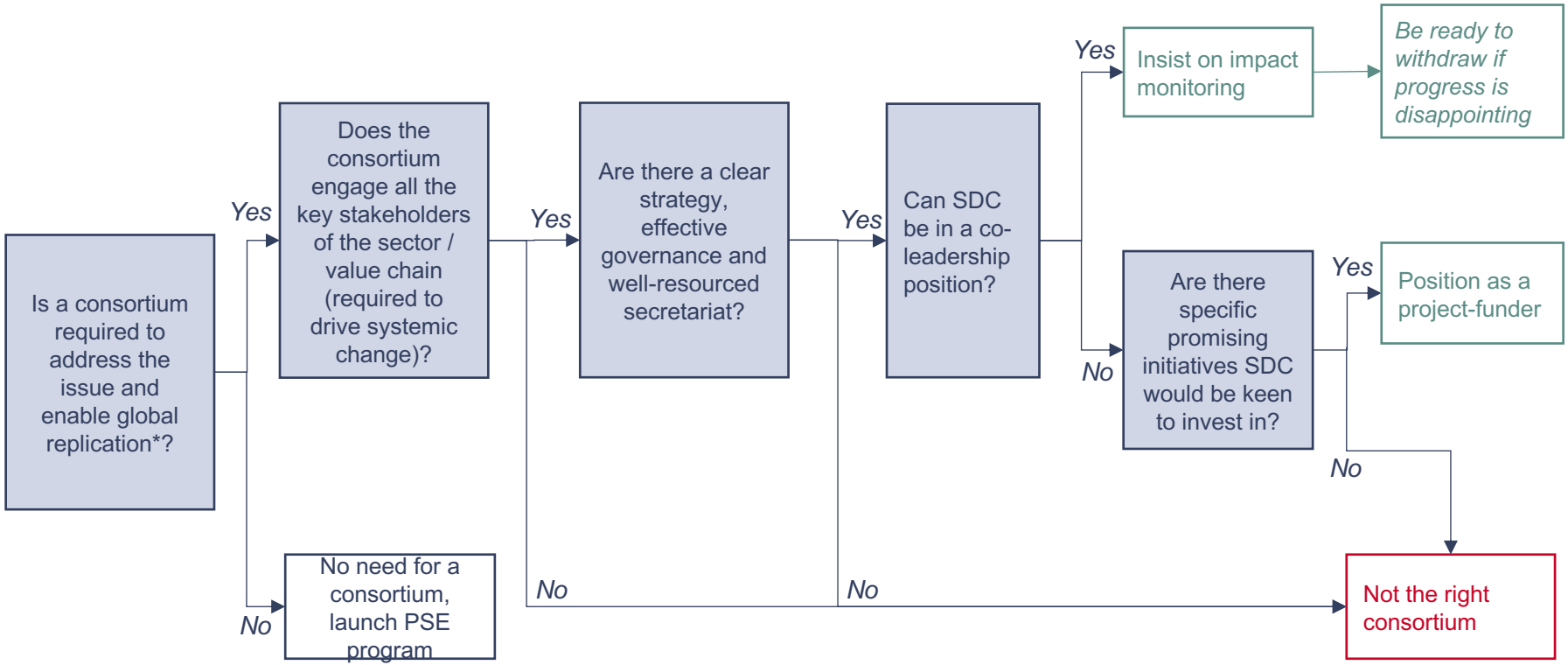
Source: Hystra

Identify most relevant kinds of networks and consortia for the SDC to meet its objectives



Source: Hystra

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



* hence justifies the significant coordination cost and loss of speed

Source: Hystra

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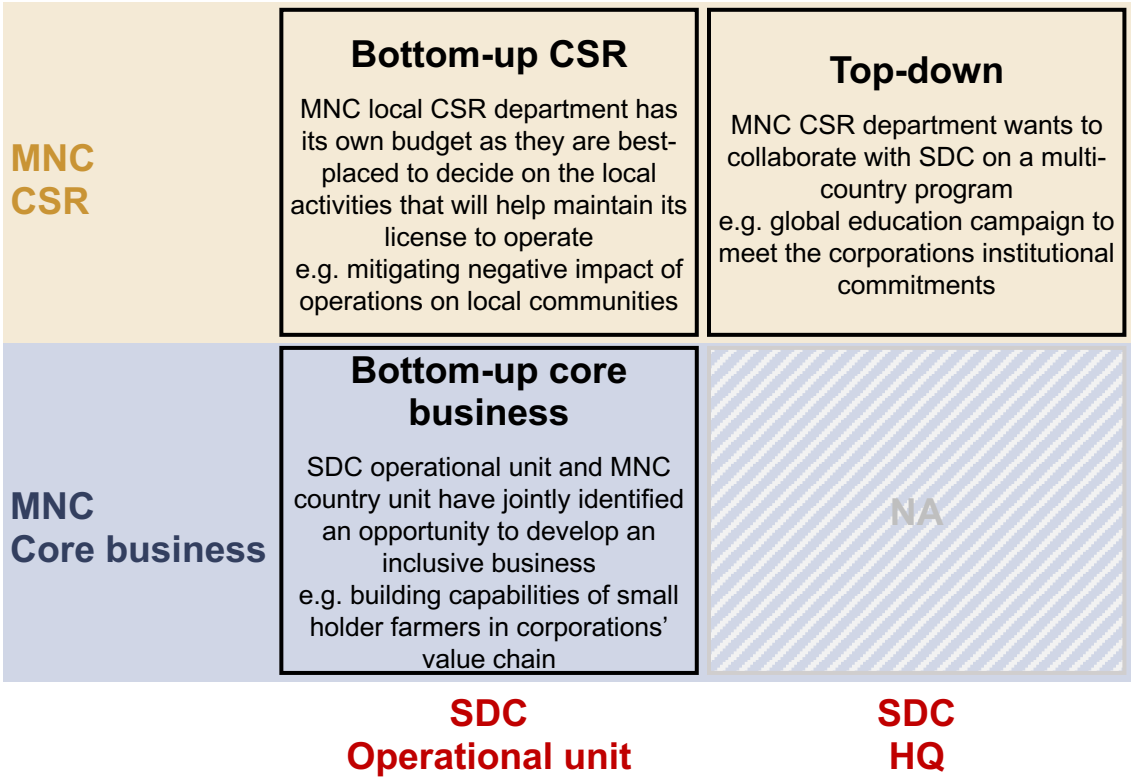
SDC HQ and operational unit roles and responsibilities depend on project origin and focus (1/2)



Source: Hystra

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

	Bottom-up core business	Bottom-up CSR	Top-down
SDC HQ	• Facilitate sharing of experience across operational units *e.g. repertoire of projects* • If project is aligned with IC priorities, provide technical assistance and potentially financial support to country unit (if required) • Ensure regular dialogue with relevant HQ departments of corporations with frequent local engagement	• Ensure regular dialogue with global CSR departments of corporations with frequent local engagement • Facilitate sharing of experience across operational units *e.g. repertoire of projects*	• Assess whether this collaboration meets SDC IC 21-24 priorities and the reputational risk is acceptable • Consult operational units to confirm their interest in participating • Appoint a key account manager to maximise the impact of the program and coordinate implementation
SDC op. unit	• Inform SDC HQ early on to learn from (1) relevant best-practice interventions and (2) prior experience with this corporation • Identify critical corporation HQ decision-markers and seek support from SDC HQ to facilitate access	• Understand the operational problem and co-design an intervention provided it is aligned with its own IC 21-24 priorities • Inform SDC HQ early on to learn from (1) relevant best-practice interventions and (2) prior experience with this corporation	• Contribute to the design of the program • Keep key account manager informed of country program implementation progress and difficulties

Source: Hystra