



**SOCIAL ENTERPRISES
AND GLOBAL
CORPORATIONS**
COLLABORATING
FOR GROWTH
WITH IMPACT



ACKNOWLEDGEMENTS

Acumen wishes to acknowledge and thank the partners that have supported our efforts to scale social enterprises in Africa and identify new models of partnerships through the Technical Assistance (TA) Initiative, including Dow, Unilever, Barclays and The Coca-Cola Company. The TA Initiative has supported the summits mentioned in this report as well as the research that made this report possible. Acumen and Business Fights Poverty are grateful to the leading social enterprises and multinational companies that shared their experience collaborating to accelerate growth with impact. We would like to thank the following individuals in particular:

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The Coca-Cola Company

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Yasmína Zaidman, Acumen, on a site visit to Miliki Afya

ABOUT ACUMEN

Acumen is changing the way the world tackles poverty by investing in companies, leaders and ideas. We invest patient capital in businesses whose products and services are enabling the poor to transform their lives. Founded by Jacqueline Novogratz in 2001, Acumen has invested more than \$86 million in 77 companies across Africa, Latin America and South Asia. We are also developing a global community of emerging leaders with the knowledge, skills and determination to create a more inclusive world. In 2015, Acumen was named one of Fast Company's Top 10 Most Innovative Not-for-Profit Companies. Learn more at www.acumen.org and on Twitter @Acumen.

ABOUT BUSINESS FIGHTS POVERTY

Business Fights Poverty is the world's largest network of professionals harnessing business for social impact. Business Fights Poverty connects professionals to the latest practical insights and to a vibrant community of stakeholders in business, government and civil society. We help our members share their experience, conduct original research to deepen our collective understanding of what works, create opportunities to identify and connect with partners, and build capacity to design, develop, and deliver profitable and impactful innovations at scale.

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FOREWORD

On a cold January afternoon in 2012, at Dow's headquarters in Midland, Michigan, I sat at a large conference table with representatives from across Dow's venture fund, foundation, sustainability team, and human resources department. I had never before had a meeting like that with one of our corporate partners, but I was unwittingly part of an emerging shift in how social change organizations and corporations are working together. A shift towards partnerships that align business growth objectives with social and environmental imperatives.

Since then, Acumen has developed a partnership with Dow that reinforces investments that both of us have made in scaling social enterprises, developing leaders and creating more sustainable and inclusive business models. Dozens of professionals from across the Dow team in the US, Europe and Africa have spent time with our social enterprises through our three Collaboration Summits in Nairobi and multiple secondments to address business challenges. It has been a process of mutual learning and value creation. In addition, funding from the partnership for technical assistance has enabled many of our portfolio companies to accelerate their growth.

What started as an experiment has become a core part of how we work and will, we believe, become an instrumental part of how social innovations are nurtured and scaled to achieve their greatest possible impact. We've had the opportunity to partner with Unilever, The Coca-Cola Company, EY and other industry leaders that are revealing new benefits to collaboration. This report represents a snapshot of the ongoing experiments that we have been a part of or learned about that capture this broader shift, and what we are learning during a time of experimentation.

We are focusing on these examples because we have been able to watch them unfold, but this selection is not exhaustive, even within our own universe of partners and portfolio companies. We have aimed to give an indicative sense of the diversity of partnerships that are emerging, the ways that different business drivers are influencing partnerships, and the kinds of challenges that are common.

Much has been written about cross-sector partnerships, particularly between corporations and non-governmental organizations (NGOs), including steps in the partnering process, and key success factors making them work.

Many of these lessons apply to partnerships between large corporations and social enterprises, which can have significant differences in purpose, culture, accountability, and financial and human capacity. However, the fact that both social enterprises and multinational corporations are businesses can help facilitate partnerships that achieve large scale impact in more sustainable ways, given shared goals around achieving viable business models. On the other hand, there are still significant issues related to scale, pace, and risk tolerance that need to be overcome.

By providing a framework, examples, and reflections on what is working and what isn't so far, we hope this report will help catalyze more discussion and collaborative action to accelerate growth with impact, and to use the powerful tools of business more effectively to improve lives.

YASMINA ZAIDMAN, Director, Strategic Partnerships, Acumen

FOREWORD

Over the past 15 years, we have seen a significant shift in the way global corporations see poverty, food security, water scarcity, climate change, and other sustainable development challenges. At the same time, we have seen a related shift in the way mission-driven individuals and organizations are tackling these challenges.

Today, leading global corporations and mission-driven organizations are converging on the view, expressed so well by management guru Peter Drucker, that “every single social and global issue of our day is a business opportunity in disguise.”

At Business Fights Poverty, we believe a new development paradigm is emerging that will not be called “development” at all. It will simply be called “innovation,” and it will drive impact at scale because it creates value for everyone involved. It will expand opportunity for people to live better lives consistent with their aspirations and values. It will help businesses of all stripes create jobs and incomes for workers and returns for shareholders. It will generate tax revenues that governments can use to improve public services and invest strategically for the future. It will promote social stability and help preserve the natural resources upon which we all depend.

This new era will be led by purpose-driven entrepreneurs and intrapreneurs who cross traditional sector and industry boundaries, blend disciplines, and harness exponential technology trends to scale products, services and delivery mechanisms that we can't even imagine.

This is why we are particularly excited about this report. This report is about collaboration between two types of businesses that offer enormous promise in their own rights and comparative advantages that, if harnessed through partnership, can unlock new worlds of impact for these businesses themselves and for the societies in which they operate.

As Yasmina stresses, this kind of collaboration is emergent. There is lots of experimentation and learning to be done. We don't know all the answers yet—but as in everything Business Fights Poverty does, we want to get this experience out in the world in order to help doers learn in real time. The implications should shape the way a wide range of stakeholders see their work unfolding in the future—from intrapreneurs and the global corporations in which they work, to entrepreneurs and their new ventures, to investors from across the spectrum, and to traditional development actors including bilateral and multilateral donors, private foundations, and civil society organizations. We look forward to being part of the journey.

ZAHID TORRES-RAHMAN, Founder and Director,
Business Fights Poverty

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7. THE OPPORTUNITY FOR GROWTH WITH IMPACT

Around the world, both global corporations and social enterprises are catalyzing virtuous cycles of growth and impact through inclusive and sustainable business models that create value for the poor.

Though social enterprises and global corporations are different in many ways, they also have a lot in common, and there is a growing potential for both to share common goals. The leadership of both types of organizations are realizing that the more than 3 billion people living on less than \$2.50 per day—nearly half of the global population—will be critical to their future growth and sustainability.

Whether they are the kind of innovative social enterprises that Acumen invests in or mainstream multinationals that raise money in the capital markets, these leading companies are:

- **BUYING FROM THE POOR AS SUPPLIERS**, directly or indirectly purchasing the products or services that smallholder farmers, small and micro enterprises, and low-income individuals produce, and/or
- **SELLING TO THE POOR AS CUSTOMERS**, offering products and services that low-income individuals value, as evidenced by their willingness to pay, at prices they can afford—either directly to consumers or through small and micro retailers.

WHAT IS A "SOCIAL ENTERPRISE?"

"Social enterprise" can mean different things to different people. Some even use the term as an alternative to "non-profit organization." In this report, social enterprises are businesses that apply entrepreneurial approaches to social problems to change the status quo and build lasting solutions.

The social enterprises that Acumen invests in specifically are businesses working to bring sustainable solutions to the problems of poverty.



Figure 1

In the process of growing their businesses, these companies are creating jobs and providing products and services that improve standards of living for the poor. By increasing incomes and by improving quality, affordability, convenience, and choice in the marketplace, they are enhancing access to healthcare, nutrition, connectivity, energy, water and sanitation, financial security, and educational and economic opportunities. And this, in turn, lays important foundations for further growth: greater purchasing power, more skilled and sophisticated workers, suppliers, distributors, and retailers, and more stable societies.

The next page provides examples of companies catalyzing these virtuous cycles of growth with impact.

CASES: GLOBAL CORPORATIONS AND SOCIAL ENTERPRISES CATALYZING VIRTUOUS CYCLES OF GROWTH WITH IMPACT THROUGH INCLUSIVE AND SUSTAINABLE BUSINESS MODELS

GLOBAL CORPORATIONS

DOW operates integrated specialty chemical, advanced materials, agrosocieties and plastics businesses. For 20 years, sustainability has been a pillar of its corporate strategy. More recently, sustainability has changed the way the company approaches business development. Dow now focuses on using its core capabilities to develop new solutions to significant global challenges. Examples include a healthy cooking oil that has removed an estimated 1.5 billion pounds of trans fats from Americans' diets and a water purification technology that increases quality by 40% and reduces energy intensity by 35%. Other opportunity areas for the company include energy, food security, and affordable housing.

UNILEVER is one of the world's leading suppliers of Food, Home and Personal Care products with sales in over 190 countries and reaching 2 billion consumers on any given day. The company has embedded sustainability into its core business by launching the Unilever Sustainable Living Plan (USLP), which aims to double the size of the business while reducing its environmental footprint and increasing positive social impact. It says the USLP is its strategic response to the challenges businesses face operating in an uncertain and volatile world. Its three goals are (1) helping more than a billion people take action to improve their health and well-being (2) decoupling their growth from their environmental impact and (3) enhancing the livelihoods of millions of people by 2020.

THE COCA-COLA COMPANY sells more than 500 still and sparkling beverage brands in more than 200 countries at a rate of more than 1.8 billion servings per day. In the process, it creates jobs and business opportunities for agricultural producers, suppliers of goods and services, manufacturers and bottlers, distributors, retailers, packaging recyclers and artisans. The Company has made a commitment to help economically empower five million women entrepreneurs within its global value chain by the year 2020 (5by20).¹ The Company has identified additional opportunities to drive growth with impact in the areas of water and well-being.

SAP, the market leader in enterprise application software, aims to help companies navigate complexity to innovate and grow. As part of its CSR work, the company partnered with Acumen to launch the SAP Social Entrepreneur Fellowship in 2015. The Fellowship supports CEOs committed to building sustainable, socially driven businesses, creating a more inclusive global economy, and expanding opportunities for the poor to lead lives of dignity and possibility. The Fellowship offers critical market insight for SAP, 80% of whose customers are small and medium sized businesses, and aligns with the company's mission to help the world run better in communities that need it most.

SOCIAL ENTERPRISES

JUHUDI KILIMO finances agricultural assets that offer immediate and sustainable income for smallholder farmers in Kenya. The company also provides start-up capital for new agribusinesses, as well as basic business and finance training to improve financial literacy among its borrowers. An Acumen investee since 2011, Juhudi Kilimo has already impacted the lives of more than 50,000 Kenyans. The company recently set up Juhudi Labs, an in-house research and development facility to develop new products and partnerships, such as financing for solar lights and efficient cook stoves.



A tea farmer in Virtual City's network in Kenya

¹ Jenkins, Beth, Kara Valikai, and Piya Baptista. 2013. "The Coca-Cola Company's 5by20 Initiative: Empowering Women Entrepreneurs Across the Value Chain." The CSR Initiative at the Harvard Kennedy School and Business Fights Poverty. Online at http://www.hks.harvard.edu/mrcbg/CSRI/CSRI_BusinessFightsPoverty_5by20Report_September2013.pdf.



Miliki Afya, primary health care clinic

MILIKI AFYA is building a chain of health clinics that offer high-quality, low-cost diagnosis and outpatient care in densely populated, low-income areas in Kenya. With three clinics currently, spread in three major counties in Kenya (Nairobi, Kajiado and Narok Counties), the company offers consultations from a qualified doctor for as little as KSH 100 (USD \$0.85), achieving profitability through a combination of efficient procurement, targeted marketing and choice staffing coupled with high patient volumes. Its first clinic, Ngong, opened in early 2013, and over the next three to five years, Miliki Afya aims to expand to more than 100 outpatient clinics and 20 inpatient hospitals serving in excess of 3.5 million patients per year.

VIRTUAL CITY is the innovation company that, together with other partners, is behind the G-Soko platform. Through this platform, smallholder farmers are able to store their grain or tea at an approved warehouse. They then get a warehouse receipt that allows processing of a voucher or loan. When market prices are better, the farmer is able to sell her or his grain for a profit and pay off the voucher or loan. Through the trade platform, buyers have access to warehouse receipts that they can bid on and eventually win. The platform also provides a voucher system that allows

farmers to access services at local clinics, schools and agrovet against their warehouse receipts. The voucher also allows the farmer to get a loan from a bank, opening up access to new sources of financing that can improve productivity.

SANERGY designs and manufactures low-cost, high-quality Fresh Life Toilets operated by franchisees that offer hygienic sanitation to the residents of Kenya's informal settlements. The company supports franchisees with access to finance, training, and marketing support, and collects the waste on a regular basis for conversion into useful by-products such as organic fertilizer. To date, Sanergy has created over 700 new jobs operating a network of toilets used 33,000 times per day. Since launching in 2011, the company has safely removed and treated over 6,000 metric tons of waste from the communities it serves, and is now scaling up fertilizer production and sales.



Sanergy sanitation facilities



Sanergy facilities in Mukuru



“Sanergy addresses one major problem in the world, which is 2.5 billion people in the developing world lack access to good sanitation.”

– DAVID AUERBACH, SANERGY

2. COLLABORATING TO ACCELERATE BUSINESS GROWTH WITH IMPACT

Despite, or perhaps because of, their differences, social enterprises and global corporations have a unique opportunity to accelerate business growth with positive social impact. Collaboration may be temporary and catalytic, or it may be a sustainable and scalable way of operating. Either way, it is worth exploring how to realize this potential.

Acumen's social enterprises have begun working with several leading global companies to do just that. They are realizing benefits that range from insights to employee development, from stronger supply chains to bigger markets, and from new products and services to entirely new business models.

Social enterprises that focus on poverty often have in-depth insights into the aspirations, incentives, disincentives, and daily behaviors of the poor. They also have a risk tolerance that lets them test innovative new approaches to meeting

“For Coca-Cola it’s important we build another 130 years of our business. This whole notion of social enterprise or shared value is really important to continue to build a healthy world and healthy communities, and make sure companies like Coca-Cola can continue to thrive and that people and communities can thrive as well.”

– DERK HENDRIKSEN, THE COCA-COLA COMPANY

their needs, despite uncertain returns. But social enterprises also have limited scale and resources, both financial and—as a result—human. Attracting and/or training staff can be a significant challenge for social enterprises with only modest salaries to offer.

Global companies have scale and resources. Their operations, value chains, and customer networks are extensive and cross borders. Their employees are often highly qualified and experienced. They have the budget to fund operations and to invest strategically in priorities like plant and equipment, research and development, acquisitions, and community and corporate social responsibility programs.

However, the opportunity cost of investing in products, services, and business models with uncertain returns can be prohibitive. Global companies often have formal investment processes and hurdle rates in place to ensure that they invest in the opportunities expected to generate the highest financial returns in the shortest timeframes. Opportunities in low-income markets are frequently considered riskier, lower margin, or at least longer term. Even Vodafone's M-PESA mobile money transfer service, which now reaches 18 million users and moves more than £500 million through the Kenyan economy every month, required a £1 million matching grant from the UK's Department for International Development to get started. And even when the appetite to invest exists, multinational companies may lack the market insight they need to identify, assess, and develop opportunities with the potential to create significant value for the business and for the poor.

In Figure 2 we highlight some of the benefits of collaboration that make the most of these distinct strengths and weaknesses, allowing for outcomes that are only possible when social enterprises and global corporations find ways to collaborate that leverage the strengths and address the weaknesses of each. These outcomes happen when solar lantern manufacturer d.light partners with Unilever to improve the livelihoods of off-grid retailers in emerging markets, making them more profitable by giving them access to safe and reliable lighting. These outcomes happen when EY dedicates its business advisory services to scaling social enterprises, while creating a new sense of purpose and values-alignment within the company. These outcomes are happening more and more, and each new collaboration is shedding light on how to develop the kinds of partnerships that creating lasting impact for all parties involved.

“The value for Unilever of engaging with these enterprises is to learn how they target the BOP, which is important to us as well. But more than that, it’s really how can we cooperate with them, how can we excel and scale things we are doing through the help of social enterprises.”

– KATJA FREIWALD, UNILEVER

THE BENEFITS OF COLLABORATION BETWEEN SOCIAL ENTERPRISES AND GLOBAL CORPORATIONS

SOCIAL ENTERPRISES	BENEFITS OF COLLABORATION	GLOBAL CORPORATIONS
<p>RISK TOLERANCE</p> <p>Can quickly test innovative new approaches with uncertain returns</p>	<ul style="list-style-type: none"> • New products + services • New business models 	<p>OPPORTUNITY COST OF INVESTMENT</p> <p>Prohibitive hurdle rates often discourage radical innovation</p>
<p>IN-DEPTH INSIGHT</p> <p>Understand the aspirations, incentives, disincentives, and daily lives of the poor</p>	<ul style="list-style-type: none"> • Customer & market insight 	<p>LIMITED INSIGHT</p> <p>May understand what sells + what doesn't (or what is offered + what isn't) but not necessarily why</p>
<p>SMALL SCALE</p> <p>Limited operations, value chains + customer networks, and higher operating costs</p>	<ul style="list-style-type: none"> • New channels + customers 	<p>LARGE SCALE</p> <p>Extensive operations, value chains + customer networks, in multiple countries, and economies of scale</p>
<p>LIMITED RESOURCES</p> <p>Significant cash constraints, which contribute to staffing constraints</p>	<ul style="list-style-type: none"> • Employee engagement & development • Stronger supply chains 	<p>CONSIDERABLE RESOURCES</p> <p>Budgets + staff often with significant experience + qualifications, can be allocated for strategic support</p>

GROWTH WITH IMPACT

Figure 2

Acumen's social enterprises and their corporate partners are currently collaborating in three primary ways, as depicted in Figure 3:

- + **SKILLS PARTNERSHIPS** leverage the considerable resources of global corporations to address the limited resources of social enterprises, contributing to employee engagement and development for the corporation and any number of business benefits for the social enterprise, depending on the partnership focus.
- + **CHANNEL PARTNERSHIPS** bring the in-depth insight and targeted products and services of social enterprises to the large-scale supply and/or distribution networks of global corporations, helping social enterprises achieve scale and global corporations strengthen their supply chains and/or sales.
- + **VENTURE PARTNERSHIPS** combine the risk tolerance of social enterprises with the resources of global corporations to develop new products and services and even entirely new business models through investments, joint ventures and acquisitions.

Each partnership also requires an operating model: it must be designed to achieve a specific **objective** in response to a unique set of **drivers**, with **partner roles** that align with their incentives and capabilities. **Operating and funding structures** must fit the objective and approach of the partnership as well as the corporate cultures of the partners, and sometimes take advantage of opportunities present in the external environment—such as donor funding. **Key performance indicators (KPIs)** for the partnership, and sometimes for individual partners, need to be clearly defined from the start. These types of partnerships and operating models are proving to be effective in delivering both social impact and new business opportunities, and we believe they can be applied more broadly to link the corporate and social enterprises sectors in new ways.

The rest of this section describes and provides examples of these three partnership models. Section 3 provides emerging insights into what makes them work.



Jon Shepard, Enterprise Growth Services, EY



Kate Montgomery, d.light

“We’re really trying to understand what we should be doing, and what we should be doing through partnership. That’s still a very live conversation and it happens every day in all parts of our business. One of the things we’re realizing is that to hit the scale we want to, we’re going to have to be really creative, but we’re also going to have to have some powerful partners.”

– KATE MONTGOMERY, D.LIGHT

MODELS OF COLLABORATION BETWEEN SOCIAL ENTERPRISES AND GLOBAL CORPORATIONS

		PARTNERSHIP MODEL		
		Skills Partnership	Channel Partnership	Venture Partnership
PARTNERSHIP DESIGN ELEMENT	Drivers	What does each partner need? What are their incentives to collaborate, and what benefits do they expect?		
	Objective	What do the partners aim to achieve together?		
	Partner Roles	What will the social enterprise do? What will the global corporation do? Are there additional roles that additional partners need to play?		
	Operating Structure	What does the “partnership org chart” look like? How will project management communications take place? How will decisions be made?		
	Funding Structure	Which partners will incur what kinds of costs on what timeframes? How will these costs be covered? How will revenues be managed?		
	KPIs	How will success be measured by the social enterprise? By the corporation? By any other partners involved?		

Figure 3

SKILLS PARTNERSHIP

Skills partnerships involve one party sharing their skills and expertise with the other, either through structured pro bono or low-bono² engagement, through skills-based volunteering, or through informal mentoring, coaching or advising. Typically, it is the global company that shares its skills and expertise to address a specific challenge the social enterprise is facing. Social enterprises benefit from the experience and insight multinationals' employees bring to the table, particularly on issues they face as they work to scale their businesses. For their part, global companies benefit from exposure to new markets and innovative approaches to serving them, which can inform long-term strategy and business development if captured and utilized appropriately—which can be a challenge for many. In addition, by providing opportunities to use their time and skills to help improve the lives of people around the world, multinationals contribute to their employees' sense of purpose and leadership potential, which can increase productivity, retention, and impact.



Smallholder chicken farmer and Ethiochicken customer



Sproxil's anti-counterfeiting technology

CASE: SPROXIL AND THE DOW SUSTAINABILITY CORPS

Sproxil is an Acumen investee that helps consumers avoid purchasing counterfeit products. Each product protected by the company contains a unique one-time use code, which allows customers to verify the product's authenticity for free using their mobile phones. Sproxil's services were initially developed for use by pharmaceutical companies in the fight against counterfeit drugs, and the company has quickly expanded to protect products in over ten industries, including beauty and personal care, fast moving consumer goods, electrical goods, automotive, oil and gas, and agribusiness. With operations in six countries across three continents, the company has processed nearly 19 million verifications to date.

In 2014, Sproxil developed a skills partnership with the Dow Sustainability Corps (DSC). DSC matches interested and capable Dow employees with social entrepreneurs, nonprofit organizations, and local government agencies that need support for water, energy, agriculture, housing, and other sustainable projects. Employees who take DSC assignments offer their time, professional skills and knowledge to help these projects succeed on a pro bono basis. These employees benefit from opportunities to apply their skills in new settings, and participate in supporting Dow's sustainability and global citizenship goals in personally meaningful ways. Dow benefits from exposure to new market opportunities and business approaches while also cultivating stronger, deeper local networks.

The objective of Sproxil's partnership with DSC was to create a global human resources strategy for its expanding business. Over the course of eight months, a team of three Dow human resources professionals helped Sproxil develop and refine approaches to identify, recruit, grow, and retain mid- and senior-level talent outside the United States, as well as formulate sales commission plans for deals that involve multiple countries.

² Professional services offered at a discounted rate.

CASE: ETHIOCHICKEN AND EY ENTERPRISE GROWTH SERVICES

Founded in 2010, EthioChicken produces improved breed day-old chickens (DOCs), affordable, blended feed, and trains rural extension workers, thereby generating income for rural women, increasing egg and meat productivity, and improving access to protein among food insecure families. EthioChicken is the only private company in Ethiopia focused exclusively on reaching smallholder farmers, and has created an innovative, economically viable, and replicable agent-based distribution model to reach rural households. EthioChicken's selected breeds produce more than 230 eggs per year in these same rural conditions, and achieve market weight in just three months—a fourfold increase in both egg and meat production when compared to traditional indigenous breeds.

In 2015, EthioChicken formed a skills partnership with EY Enterprise Growth Services (EGS), a not-for-profit, not-for-loss “social enterprise inside EY,” the global tax, audit, and consulting firm. EGS makes EY's world-class consulting services available to social enterprises at highly subsidized rates. The firm sends skilled and experienced teams to work hands-on to help social enterprises overcome barriers to growth—through better financial and operational reporting, HR, finance, IT, strategy, and integration with global company supply chains.

EY helped EthioChicken identify a wide range of operational and financial performance improvements, and prioritize which ones to take on after the engagement. EY also helped the social enterprise select an Enterprise Resource Planning (ERP) system, an important strategic investment decision for any small business. Two consultants—one from the UK and one from the local Addis Ababa office—spent 3.5 months in-person and a senior partner was also heavily involved. The cost was divided between EthioChicken and Acumen, but the social enterprise indicated that they derived sufficient value that they would have been happy to shoulder the entire cost had Acumen been unable to contribute.

SKILLS PARTNERSHIP KEY SUCCESS FACTOR: MATCHING PEOPLE TO NEEDS

In large multinational companies, finding employees with the needed skills, experiences, networks, and attitudes to help with the specific challenges social enterprises are facing is not always easy, particularly if those employees must also be willing to volunteer time above and beyond their day jobs. Sometimes those employees with the most to gain—for example because they are young or want experience in developing countries—have the least to offer. If the learning curve for the volunteer is too great, the investment in time the social enterprise needs to make to get him or her up to speed may not pay off. With many competing priorities and limited manpower to address them, entrepreneurs need to weigh the potential returns on investing time in a skills partnership versus other pressing needs.

Corporations that recognize this risk are experimenting with operational mechanisms to avoid it. These include having the right sponsorship to make sufficiently experienced people available for long enough, and intra-company finance transfers to avoid disincentives at local levels. For consulting firms, a proven approach is to enter partnerships on a low bono rather than pro bono basis. This approach, adopted by EY for example, helps overcome internal resistance, and creates a helpful commerciality. Contracts and fees, however reduced, bring an expectation of consultants with the right skills and experience to do the job, an expectation that EY welcomes.

CHANNEL PARTNERSHIP

In **channel partnerships**, social enterprises and multinational companies serve as sales or supply channels for each other. The multinational may serve as a channel for the social enterprise, with the social enterprise selling products and services to the multinational's suppliers, distributors, or retailers. Alternatively, the social enterprise may serve as a channel for the multinational, providing on-the-ground presence and services that help the multinational reach that "last mile" to procure from smallholder farmers or sell to low-income consumers effectively. The benefits of such channel partnerships—for both the social enterprise and the multinational—can include increased sales and enhanced quality, quantity, and reliability of supply.

"We have strategic partnerships with multinational companies that are structured to help farmers by improving the value chain. The companies use our tool to increase the efficiency of their customers. They are helping us reach customers that we might not reach through traditional marketing methods."

– SOCIAL ENTREPRENEUR

"Our partner connected us to one of their distributors who is interested in distributing organic fertilizer, and through that we've built a good partnership enabling us to do trials with this company over the coming year."

– SOCIAL ENTREPRENEUR



A d.light customer

CHANNEL PARTNERSHIP KEY SUCCESS FACTOR: MUTUAL PROBLEM-SOLVING

CASE: THE PERFECT SOLAR STORE INITIATIVE OF D.LIGHT AND UNILEVER

d.light is a global solar energy company delivering affordable solar-powered solutions designed for the two billion people living without access to reliable energy. An Acumen investee since 2007, the company designs, manufactures and distributes solar light and power products to households and small businesses, transforming the way people use and pay for energy. Through 10 field offices and four hubs in Africa, China, South Asia and the United States, d.light has already sold over ten million solar light and power products in 62 countries, bringing access to safe, affordable lighting to over 50 million people.

d.light recently started piloting a channel partnership with Unilever, plugging into their Perfect Store Initiative. d.light sells solar home systems to Unilever, which places them in the small-scale retail shops that stock its products. Piloted in Kenya in 2014, the partnership aimed to answer the question "If you provide retail outlets with access to solar lighting, do they stay open later, and if so, do their sales increase?" The partnership was designed to financially benefit all parties: Unilever, d.light, and the retailers all profit from increased sales, while d.light also benefits from increased awareness of its products among consumers who shop at retailers' stores because of the way that the light impacts the aesthetic of the shops, which are typically dark or smoky from kerosene use. The initial results showed that having access to solar lighting led to significant increases in store revenue, and the partnership is now being scaled from 100 to 1,000 stores to get better data on the efficacy and potential for scaling the model.

d.light's Marketing Director Tim Rump previously worked for Unilever for 21 years, providing him with an understanding of the company's DNA, strong networks internally, and the ability to speak their language, all of which has helped create a strong partnership between the two companies. His experience working for both a multinational and a social enterprise has provided him with insights on how the two types of companies can create effective partnerships, including:

- Cultivate a relationship over time. Be prepared to be patient and persistent.
- Understand the psychology and motivations of your counterparts and work around the fact that they may differ from your own.
- Communicate openly, regularly and positively!
- Understand your potential partner's business priorities, and design your partnership ideas around them. Offer a solution to their problem.

As Tim says, "You have to have patience, persistence and empathy. I've had this relationship with Unilever for four years, and by cultivating the relationship and listening, I've been able to propose and move forward with other projects."

VENTURE PARTNERSHIP

In venture partnerships, social enterprises and multinational corporations actually go into business together. A multinational may take equity stakes in a social enterprise whose goals align with its own—because the social enterprise’s work expands the market for the multinational’s products and services, for example, or reduces risk in the multinational’s supply chain or operating environment. A social enterprise and a multinational may also invest financial and/or human resources to jointly get a brand-new venture up and running.

“[Social enterprises and global companies] are a lot more similar than we probably assume that we are.”

– JON MANGUM, DOW



CASE: CLEAN TEAM GHANA

Clean Team is a start-up providing affordable sanitation to families in Ghana. The company rents families an attractive, branded portable toilet and collects the waste 2-3 times per week. The product and service model was first piloted in 2011, and has seen quick uptake ever since. By the end of 2015, Clean Team expects to grow to over 40 staff, 2,500 toilets, and approximately 17,500 people benefiting from in-home sanitation.

Clean Team is the result of a joint venture between Unilever and the social enterprise Water and Sanitation for the Urban Poor (WSUP) who, with assistance from IDEO, came up with the “high-touch service toilet” concept. For Unilever, launching Clean Team was about creating new customers for one of its core products, toilet cleaner. For WSUP, the venture was an opportunity to enhance its impact.

Once the pilot was successful, a local management team was brought in to take things forward, though Unilever and WSUP are both still involved as members of the Clean Team board. WSUP is the single shareholder for the business. DFID and the Stone Family Foundation are major supporters and funders of the initiative. Unilever also continues to provide resources on an ad hoc basis, including helping to develop some of the health and safety protocols of the business, and assisting with manufacturing and process automation.

CASE: WATERHEALTH INTERNATIONAL AND THE COCA-COLA COMPANY

Acumen investee WaterHealth International (WHI) develops and runs decentralized WaterHealth Centers (WHCs), financially sustainable water treatment plants that use ultraviolet and reverse osmosis technologies to provide access to safe and affordable drinking water. Founded in 1995, the company has already installed more than 500 WHCs in rural, underserved communities in India, Bangladesh, Ghana, and the Philippines.

In 2014, The Coca-Cola Company took a minority equity stake in WHI. This investment will help WHI accelerate the placement of new WHCs globally, and help The Coca-Cola Company achieve its goal of replenishing all of the water used in its beverages by 2020. The Company has invested in hundreds of water replenishment projects over the last five years, and WHI stands out as one of the few aiming to build a financially sustainable business model.

VENTURE PARTNERSHIP KEY SUCCESS FACTOR: LEVERAGING PARTNERS' RESPECTIVE STRENGTHS

Successful joint ventures leverage the respective strengths of each partner. In the case of Clean Team, WSUP provided an understanding of the context on the ground, links into external grant funding sources, and existing relationships with the local government which provided "license to operate." Unilever contributed the initial seed capital and the know-how needed to design the business for scale.

In the case of WaterHealth, the social enterprise's primary strength is its experience setting up financially sustainable water treatment plants. Coca-Cola invested financially and used its local networks to make connections in areas where WHI did not have a presence. The partnership supports both companies' goal of providing safe and affordable drinking water to people in developing countries that currently go without.



Waterhealth International

3. MAKING COLLABORATION WORK

Collaboration among Acumen investees and multinational companies to date suggests that there are four fundamental questions to consider when envisioning, building, and implementing partnerships between these two types of entities:

1. Is there a clear business case for collaboration—on both sides?
2. Are the partners' needs and goals for the partnership defined and transparent?
3. Do the partners have the capacity to realize the business case?
4. Do the partners have a relationship of mutual respect?

1. IS THERE A CLEAR BUSINESS CASE FOR THE PARTNERSHIP—ON BOTH SIDES?

In traditional cross-sector partnerships, the company has a business case and its government or civil society partners participate for purely mission-related reasons. Social enterprises collaborate with multinational corporations for mission-related reasons, but they need a business case just as much as their larger corporate counterparts do (perhaps even more, since they are typically more resource constrained).

Business cases may be based on increasing revenues, reducing costs, managing risks, enhancing reputations, strengthening relationships, and a host of other value drivers. They are most powerful when they support core business strategies and when they can be quantified. Both sides having a financial stake in a partnership's success has been the top theme to emerge in reflection on collaboration among Acumen's social enterprises and multinational corporations to date.

Business cases also need to take time horizon into account. Emergency priorities make poor opportunities for partnership, given the amount of time it takes to get partnerships off the ground. The best approach is to build collaboration around more strategic, longer-term priorities.

2. ARE THE PARTNERS' NEEDS AND GOALS FOR THE PARTNERSHIP DEFINED AND TRANSPARENT?

Transparency about incentives, goals, timeframes, and expectations on both sides enables the partners to do an important "reality check" on the business case for collaboration and set a precedent for frank conversation that is important in any business relationship. Social enterprises and multinational corporations both have business interests in collaboration, helping to make the necessary transparency easier to achieve. Softer, more personal and vision-oriented conversations at the beginning of a relationship can help build trust and pave the way.



3. DO THE PARTNERS HAVE THE CAPACITY TO REALIZE THE BUSINESS CASE?

A business case is theoretical—an expectation. So the partners must ask themselves if they have what it takes to realize it. This is often some combination of size, geographic presence, staff with sufficient time and the right skills, networks inside and outside partner organizations, a sufficiently long timeframe, and senior management support to mitigate the risk that staff or strategy changes will derail a nascent effort before it gets off the ground. Research shows actively engaged sponsors are by far the top driver of projects meeting their original goals and business intent. In fact, one in three unsuccessful projects fail to meet goals due to poorly engaged executive sponsors.³

A thorough scoping process can help social enterprises and multinational corporations assess whether they have the size, staff resources, senior management support, networks, and geographic presence necessary to execute and realize the business case for collaboration (see Tips for project scoping).

“The best opportunities to partner are those very core to your business: distribution, service development, and the like.”

– NAT ROBINSON, JUHUDI KILIMO

“One thing we have learned throughout the years is that if you partner, make sure it is linked to your business. Investing in something that is not linked to your business will not lead to scale and the long-term impact your shareholders want.”

– KATJA FREIWALD, UNILEVER

TIPS FOR PROJECT SCOPING

When scoping a collaborative project, be as specific as possible about what the needs are, and the steps it will take to address them. Probe the timeframe for these steps, make sure it is realistic, and establish measurable KPIs. Where possible, try and link social KPIs with strategic corporate KPIs. Stay flexible enough to respond to new challenges and opportunities as they arise.

³ Project Management Institute and Boston Consulting Group. 2014. “Executive Sponsor Engagement: Top Driver of Project and Program Success.” PMI’s Pulse of the Profession® InADepth Report. Online at <http://www.pmi.org/-/media/PDF/Knowledge%20Center/PMIAPulseAExecutiveASponsorAEngagement.ashx> (accessed August 5, 2015). Pages 3, 7.

4. DO THE PARTNERS HAVE A RELATIONSHIP OF MUTUAL RESPECT?

The social enterprise and the global corporation must each appreciate the unique circumstances, perspective, assets, and capabilities the other brings to the table. For example, does the social enterprise appreciate the internal challenges a large corporation faces when trying to do business in ways that create value for the poor? Does the corporation recognize that while it may have greater financial and staff resources to bring to the table, partnering may cost the social enterprise much more as a percentage of its overall budget and staff capacity?

Importantly, both sides bring non-financial resources that need to be valued. For instance, social enterprises may bring market insights, local networks, and relationships of trust that have taken many years to build and that are crucial to their business success. Likewise, the purchasing power and distribution networks of large multinational companies are potentially more valuable than any cash they might be able to contribute. It also takes a good deal of effort to steer the ship internally within a multinational, and intrapreneurs may need to spend significant personal time and political capital launching partnerships with social enterprises.

Valuing the full package of assets and resources each partner brings to the table helps partners establish relationships built on mutual understanding and respect. Intermediaries that know how social enterprises and multinational companies work, and that are trusted by all partners, can help to facilitate this process and to design partnerships that balance cost and benefit, risk and reward

“A mindset of equality and inclusion among partners is important. That’s not something that happens easily between big companies and social enterprises.”

– SOCIAL ENTREPRENEUR

“Like all companies, we’re accountable for our quarterly targets. We have limited resources and limited time, and unless these partnerships are viewed as critical to business success they will not be given the necessary attention and care and resourcing.”

– JON MANGUM, DOW

“To be successful, you have to identify the right partners – ones where the business interests, needs and capacities to fill them align.”

– JOHN WAIBOCHI, VIRTUAL CITY



Ani Vallabhaneni, Sanrgy and Bo Miller, Dow

4. THE WAY FORWARD

The opportunities for social enterprises and multinational companies to collaborate to accelerate growth with impact are exciting. But they are still unproven. Pioneering efforts are still developing and there is much more to learn about how to make them work—for the social enterprise, for the multinational company, and for the poor.

Fortunately, even without proven models for partnership, there is an opportunity for immediate action that can lead to new insights, new partnerships, and models that can be replicated. We urge those who recognize the potential for this convergence of social enterprises and large corporations to take action in the following ways:

SHOW UP.

There are a growing number of forums where social enterprises and multinational companies can get to know each other, including the Aspen Network of Development Entrepreneurs, the Skoll World Forum, the Clinton Global Initiative, and Acumen's own Collaboration Summit. Leading social enterprises and multinational companies can be open about their business priorities and where they are struggling, so they can find ways to help solve one another's problems. They can recognize that not every dialogue will result in a partnership, and value the learning and relationship-building that takes place along the way.

SHARE.

Leading social enterprises and multinational companies can recognize that they belong to broader business ecosystems whose collective strength they depend on to succeed. So while some insights from their partnerships will be confidential and competitive, they can share what they can about the opportunities, the challenges, and the key success factors so that other companies, civil society groups, donors, and governments can learn to play their roles more effectively for the benefit of all.

EXPERIMENT.

Leading social enterprises and multinational companies can invest time and resources collaborating in different ways. Depending on their drivers, they can experiment with skills partnerships, channel partnerships, and venture partnerships. As experience grows, they can identify what types of partners are best suited to play what roles. They can develop effective operating structures and equitable funding structures that can be replicated in future partnerships.



They can pinpoint the KPIs most needed to justify and inspire replication, as well as the most feasible means of measuring them. Social enterprises and multinational companies can experiment strategically and prudently, and accept the risk that not every partnership will succeed. Acumen, other intermediaries, and a wide range of service providers can help facilitate and support their efforts.

Acumen has actively embraced this process of showing up, sharing, and experimenting because we believe that the collaboration among social enterprises and multinational corporations is key to achieving the breakthrough solutions that are needed to address global poverty at scale. By fostering this kind of collaboration, Acumen is challenging itself to work in new ways. With the help of Business Fights Poverty and other partners, Acumen is committed to sharing what it learns—the highs and the lows—with the growing community of companies and other intermediaries collaborating to accelerate growth with impact.

Please join us.

