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NGO-BUSINESS PARTNERSHIPS: a Win-Win Model

Interview with Franck Renaudin
Founder and Executive Director,
Entrepreneurs du Monde

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Since its creation in 1998, the French NGO Entrepreneurs du Monde has been working with communities in developing countries. The organization enables thousands of women and men living in extremely difficult circumstances to improve their living conditions: it provides support for their own economic initiatives and helps them gain access to products offering significant health, economic and environmental benefits. The organization is active in 11 countries, focusing on three main areas: social microfinance, access to energy, and support for the creation of micro-businesses.

KEYWORDS

- NGO-BUSINESS PARTNERSHIPS
- ESSENTIAL GOODS AND SERVICES
- AUTHENTICITY
- COMPLEMENTARITY
- INNOVATION

NGO-business partnerships have been multiplying for several years now. These new alliances help to strengthen the legitimacy and social acceptability of companies, but they also – above all – make essential goods and services accessible to a wider population. In this way, these partnerships boost the efficacy of NGO actions while reinventing the way in which businesses envisage their activity in developing countries.

In this interview, Franck Renaudin goes back over the potentialities, the key success factors and the possible risks associated with these new forms of partnership. The founder and executive director of the NGO Entrepreneurs du Monde explains how these partnerships appear to offer a *win-win* model for NGOs and for businesses – provided that they are put in place with sincerity, conviction and good will.

David Menascé: A growing number of businesses, whatever their sector, are launching initiatives aimed at consolidating their social acceptability. How do you explain this phenomenon? What, in your view, is at stake for businesses—both at head office and at local level?

Franck Renaudin: Clearly, it is important for businesses to reinforce their brand image with the general public, and also with all of their partners, customers and suppliers. Nowadays, a company that has dubious practices is soon pointed out, becoming a target for the media, or for online petitions, with very serious consequences for its image. The reputational risk is a very real one. The challenge for a company setting up in a developing country will be to integrate smoothly into the local social and economic fabric, avoiding conflict with communities, and so on. Funding a new football field for the local kids is a good start, but it takes more than that. Often, in the imagination and expectations of local populations, a Western company setting up in a new territory ought to offer better conditions than the market – the assumption being that, it has come to take advantage of cheap local labor.

Given these challenges, the level of engagement that businesses display varies a lot. There are some companies that worry about their social acceptability only because of this fear of reputational risk. They will often do the strict minimum and will give their actions a strong “marketing” slant. And there are some that have understood that in a fast-changing world, business-as-usual is no longer an option, and that they have to revolutionize their way of acting by putting human and environmental issues at the heart of what they do. Businesses vary greatly in the sincerity of their engagement.

D.M.: In this context, what do you see as being the role of the NGOs? Can they help to reinforce the social acceptability of businesses?

F.R.: NGOs are not there to reinforce the social acceptability of businesses. They are there to improve the living conditions of populations without access to vital goods and services. But in order to reach a large number of people quickly and much more effectively, partnerships with large companies often make sense, so long as the products and services distributed have a real impact on local populations. At Entrepreneurs du Monde, for example, we obviously rule out working with companies that promote tobacco or alcohol.

Businesses bring in know-how on products that are sometimes highly technical, with a whole logistical setup and broad experience in marketing and distribution. But they rarely know how to reach the poorest population groups. Conversely, NGOs know how to work with economically insecure groups and how to listen to their needs, but they often lack resources. Consequently, their actions are often limited.

The complementarity is therefore obvious, and indeed essential if we want to have an impact on populations that are currently cut off from access to vital goods and services.

The consequence of these partnerships is, certainly, that the social acceptability of the business is reinforced. But so is the reputation of the NGO regarding its impact and effectiveness. As long as these partnerships are set up with a sense of authenticity, we are entering

a virtuous circle. If either party is not sincere in engaging with the other, it is rare for the partnership to be fruitful.

I think, also, that NGOs can play an early-warning role for businesses, thanks to their proximity to local populations, with regard to issues that the business might have failed to identify, due to a lack of knowledge about the social environment, local traditions and beliefs, and so on.

D.M.: As you rightly said, partnerships between businesses and NGOs are multiplying rapidly nowadays. Could you give us any examples of partnerships set up by Entrepreneurs du Monde, and explain how they helped reinforce the legitimacy and social license to operate of companies you work with?

F.R.: Entrepreneurs du Monde works with several major corporations such as L'Occitane, Total, EDF and Schneider Electric. In each instance, it involves actions designed to make services (access to credit, savings or training) or products (solar lamps and kits, gas stoves, etc.) accessible to economically deprived populations. The “research” component of these partnerships is important: in several cases, we work with these partner companies in a spirit of innovation, in terms of distribution channels as well as products themselves.

With L'Occitane, for example, women who produce shea (karite) make a living from that activity for about six months a year. But for the other six months, L'Occitane wanted to give them the opportunity to develop income-generating activities, and approached Entrepreneurs du Monde to put in place savings, credit and training services. With Total, we set up a program in Haiti to provide affordable high-quality solar lamps, principally for people living in slum towns. That program has since evolved into a

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local Haitian social enterprise in which Entrepreneurs du Monde acts as a majority shareholder. In the Philippines, we are testing, again with Total, a new way of distributing solar lamps for slum dwellers. In Haiti, with Schneider Electric, we are also looking into the possibility of developing training centers in electrical trades, to create career opportunities for unemployed youths. With EDF's Research and Development team, we are looking to get back to very cheap and easy-to-use products for populations excluded from any kind of electrical network. Discussions are also under way with Danone, L'Oréal and Bel.

This means that, in these companies with which we are in partnership, people are working *with* us on projects, from design through to implementation. We are a long way from the conventional "donor-beneficiary" approach; this is a real partnership, where the complementarity of the actors involved is as essential as it is meaningful. Each of these partnerships started out from a need identified in the field and a determination to find a joint response. At no point was there a phase simply to drum up funding prior to these joint actions.

D.M.: With your long experience of working with the private sector, how would you define the key success factors for this type of NGO-business partnership?

F.R.: The main thing is that all of the stakeholders must be sincere about what they are doing, as we said earlier. If the business acts not out of conviction about the relevance of the actions being taken, but primarily just to enhance its brand image, you can be certain that before too long the actions will be undermined by diverging goals and visions. Likewise, if an NGO signs up to a project in order to obtain funding, to the detriment of the purpose of the action, it will unbalance the partnership and possibly wreck it. Having a shared vision between the stakeholders about the target populations, how to serve them, and the means for achieving these goals, is undeniably a key success factor.

This shared vision often depends more on the sensitivities of the people themselves than the entities they represent. It has already happened, in certain countries, that we couldn't make any progress with a company because the country director of the partner company didn't share our concerns and didn't buy in to our proposals, only to find that when he was replaced by a new director, we were given a radically different reception, so much so that the synergies fell into place quickly and easily. Conversely, a new country director, freshly arrived and unconvinced by the partnership, or the arrival of an NGO manager skeptical about collaborating with the business world,

can also jeopardize what their predecessors have achieved. Getting the right match between the people who carry the project and share the same vision is therefore essential.

Going beyond the human investment, and with the aim of building a healthy and equitable power balance, the company and the NGO must both invest financially in the joint project. By relying on actors who know the field, the company makes precious savings of time and money while developing new markets and reinforcing its social responsibility. Consequently, it is legitimate for it to shoulder its share of the project. The NGO, meanwhile, accomplishes its mission of reaching the poorest segments of the population, while reinforcing its experience, its visibility and its reputation. It isn't working for the company, but it is working *with* it to build an action aimed at a target population that lies at the heart of its mission. It is therefore healthy for the NGO also to contribute financially to the actions.

Complementarity between the actors is also essential, and it often comes quite naturally. For instance, in our partnership with Total in Haiti, the roles were distributed in a natural way. Now that the target populations have chosen the solar lamps promoted by Total – through focus groups and tests on different lamps from a number of suppliers – Total is taking care of managing relations with the supplier, importing the products, and handling press relations. In the meanwhile, Entrepreneurs du Monde is taking care of developing the "last mile" distribution network and recruiting resellers, the development and promotion of financial services for potential buyers, direct marketing, and impact assessment.

D.M.: On the downside, are there any watch-points and/or potential risks that need to be kept in mind when embarking on this type of partnership?

F.R.: The risks are very real. In 18 years of activity, Entrepreneurs du Monde has called a halt to two partnerships that started off on the wrong footing.

One company that we had approached expressed a keen interest in developing a program with us. After two years of fruitful partnership, the program began to experience ever stronger intervention from the company in question, which ended up demanding that we stop the training that was being given to the beneficiaries, and that we locate our savings and credit agencies not in the slum towns but on much more commercial routes. The divergence about the choice of target population, and the purpose of such programs, was clear. We later learned that going through Entrepreneurs du Monde costs the company five times less than when it operated directly – mainly due to the cost of human resources – and so it had developed the habit of setting up its actions via NGOs rather than directly. There was therefore clearly no sincerity in the company's partnership approach, and no shared vision about the actions to be implemented. But, as it is often the case, that had more to do with the person in charge of the program at the company than with the company itself – which, in this case, ended up letting that person go.

In another context, we were approached by a foreign company that came to see us at our head office in France and very quickly validated financial support for one of our programs. In no time at all, they voted through and paid us a subsidy of €60,000. A few months later, during a field mission, we discovered that the name of the company featured on the front page of local newspapers: it had been responsible for an accident that had

caused the deaths of several people and was denying responsibility. We immediately decided to return the subsidy to the company, since we doubted that they had approached us in good faith.

As these two examples show, we have to be lucid about these NGO-business partnerships. Once again, they underline the importance of the authenticity of the approach. Of course, it's impossible to define the degree of authenticity objectively, whether for the NGO or for the company. And the criteria for assessing this authenticity will, naturally, vary from one person to another when it comes to making a decision. Nonetheless, it is a key element.

There are other risks, too. For example, the potential implications for local industries of implementing actions that might compete with local production. When we set up our partnerships, we are careful not to favor the import of products that could be manufactured locally.

On the NGO side, there is a risk of being tempted by the prospect of obtaining funding regardless of the utility and impact of the actions put in place.

With regard to all of these risks, we have had several discussions at Entrepreneurs du Monde before deciding whether to set up or close down a partnership, and we are currently defining our ethical charter to help us in our decision-making. If there are any doubts about engaging in a partnership, the quality of the personal relationship with our contacts often proves to be the determining factor in our final decision. The quality of this relationship is an indicator of our ability to change mindsets – and, ideally, practices – in the partner company when we are not completely convinced of its sincerity. It might sound pretentious to claim that a little NGO like ours can influence a large company, but we know from experience that the success of a pilot project in the field, which demonstrates its ability to reach a very economically insecure target group, can influence the top management of a major corporation in its strategic decisions and encourage it to no longer ignore that segment of population. Conversely, companies as innovative as Danone, for example, have done a great deal to move NGOs forward in their practices by acting as a driving force for new ideas in implementing these partnerships. Companies also help NGOs to evolve.

D.M.: How do you see these NGO-business partnerships changing? Do you think we are entering a new era of co-creation and collaboration between the non-profit and private sectors, or will this trend remain limited to the most innovative businesses and NGOs? What is at stake for businesses and for NGOs?

F.R.: Examples of NGO-business partnerships are more and more numerous and diversified in their content. This is great news, and it probably foreshadows what tomorrow's company will look like: an increasingly responsible actor, both by obligation (due to ever greater pressure from consumers and legislators) and by conviction: those at the forefront have already realized that it's possible to serve the poorest population groups and still not lose any money – if not make a little.

The implications for companies that have understood this are very significant, at every level: that of the employees, who find meaning in their work; that of the suppliers and customers, who feel as though

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they're getting the best of both worlds by choosing the company in question or its products; that of the social utility of the company, which serves vulnerable populations (provided, of course, that the products are of good quality and meet essential needs); and that of the social acceptability of the company and its reputation. We have a fantastic opportunity to put the race for growth of the last 45 years behind us and return to a virtuous business model that contributes to the wellbeing of everyone it comes into contact with. What's more, the choice made by these companies pays off, as can be seen from all the current initiatives that dare to adopt a different, and much more responsible, model. Very often, these initiatives achieve excellent results.

For the NGOs, it is a grave mistake to embark on this type of partnership out of opportunism, in response to the ever-tighter funding context; it must be done out of conviction, with all the authenticity demanded by such an approach, if we want to get results. It's not a question of selling your soul to business, if you're not convinced that the complementarity between NGOs and businesses is meaningful... and there are still many reservations in the world of the NGOs. Ultimately, what we are seeing is not so much an evolution of the longer-established NGOs towards this new way of reaching deprived populations, as the emergence of new players which are convinced that such partnerships make sense. It is these new players that, in future, will probably occupy an increasingly important place in the NGO world. Their emergence is favored by all the younger generations now arriving on the labor market; they hold the previous generations responsible for the dead ends we now find ourselves in, and they no longer identify with the conventional business as we knew it 10 or 20 years ago. They want to make their contribution to a better world by inventing a new economic model, in which there is a part to be played by these NGO-business alliances that have become such a feature in recent years.

The trend goes much deeper than the company's concern for its brand image, or the NGO's difficulty in obtaining funding. In this respect, it is highly positive, and heralds a new – extremely healthy – economic model for a more equitable and therefore more peaceful world... even if there is still a long way to go.