



CATALYST CONSULTING GROUP

# HOW NGO AND BUSINESS PARTNERSHIPS CAN CREATE COLLECTIVE IMPACT

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**PREPARED BY:**

Anaum Osman, Patrick Trimmel, Manav Vora







# In this report

1

## Overview

Key stakeholders involved, and the growth of NGO and business partnerships through the years

p.4



2

## Success Factors

What do successful partnerships between businesses and NGOs look like.

p.8

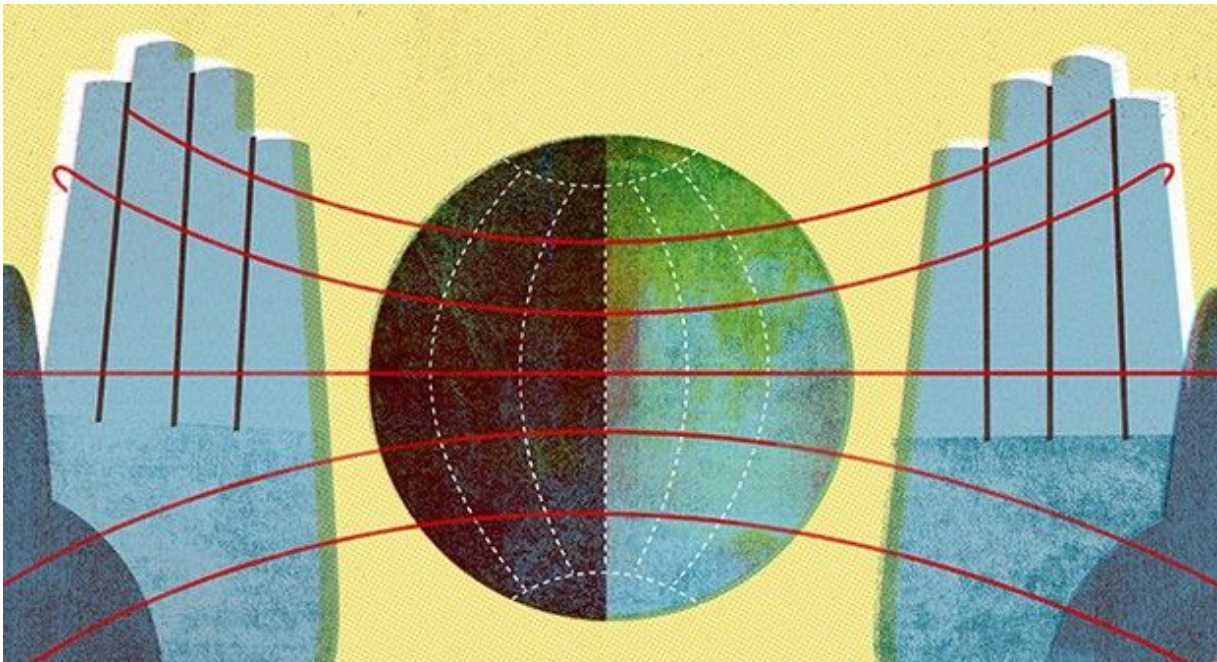


3

## Partnerships

How to find a corporate partner, what should an NGO look for in a corporate partner, different partnerships.

p.10





# IMPORTANT NOTE ON THIS REPORT

Catalyst Research Institute's aim through the creation of this report is to provide organizations who would benefit from business partnerships with advice on creating efficient and effective partnerships. In the context of this report, the research conducted and the conclusions drawn suggest that partnerships overall have a net positive impact on organizations, despite potential setbacks in their duration. This paper will provide insight into how NGOs can evaluate and determine an IB partnership that suits their needs, and how these partnerships ultimately have positive impacts on creating a greater social impact.

## Things to keep in mind before reading:

1

The following focuses on partnerships between NGOs and businesses, with the exception being UNICEF (which is still a non-profit but a subsidy to the UN).

2

The research done intends on determining the greatest success factors for partnerships through focusing on successful NGO-business partnerships.

3

This report will determine steps that both NGOs and businesses can take to ensure the long-term viability of their partnerships.





OVERVIEW

# KEY STAKEHOLDERS



## THE UN

The Committee on Non-Governmental Organizations (NGO Committee) was established back in 1946.<sup>1</sup> The committee outlines terms that all NGOs must comply with, and these terms must be considered when an NGO is partnering with a company.



## THE GOVERNMENT

Governments set out regulations at a federal level that NGOs and the government must follow. They regulate companies and the NGOs to ensure transparency between financial dealings.



## BUSINESSES

Corporations are legal entities with a common goal - for most, primarily profit generation. As corporate social responsibility becomes increasingly more important in consumers decision making processes, many corporations are turning towards partnerships with NGOs to further grow their company.



## COMPANY SHAREHOLDERS

Shareholders are investors within a company. As such, their main goal is to ensure long-term growth and success for the company, so that they can gain the highest possible return on their investment. NGO sponsorships have an impact on the future of a corporation - typically, sponsorship may create an initial financial strain, however smart shareholders focus on the value creation and long-term growth that these partnerships provide.



## NGOs

NGOs are non-governmental organizations that are often non-profits aiming to alleviate social issues. NGOs partner with businesses to receive funding and utilize a business's expertise in different areas to advance their own organization.



## NGO DONORS

NGO donors donate funds to help NGOs grow. They want to ensure the NGO is creating social change and that their impacts hold value. When an NGO partners with a company, it must ensure that they are not jeopardizing relations with existing external donors.



## NGO BENEFICIARIES

Those who are benefiting from the respective NGOs are stakeholders as they are impacted by the social cause that the NGO is attempting to alleviate. These beneficiaries would like to assure that partnerships can increase the rewards that they reap from the NGOs.

OVERVIEW

# GROWTH OF PARTNERSHIPS THROUGH THE YEARS

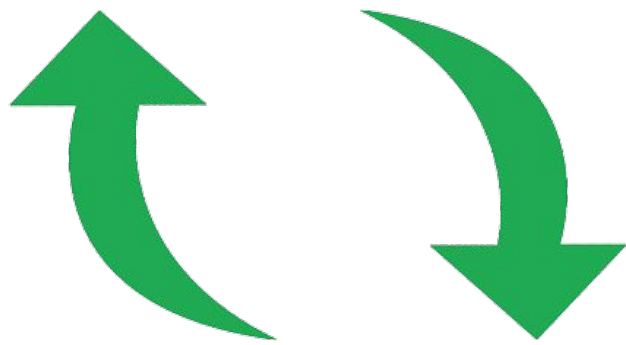
NGO and business partnerships have been around for decades. At their cusp, their main goal was for NGOs to obtain funding and for businesses to further their CSR initiatives. As both NGOs and businesses have grown in scale and gone through periods of innovation, the possibilities of what partnerships could provide grew as well. The focus now appears to be on mutual value creation; businesses and NGOs working together to create a greater social impact on society - combining resources to create the greatest possible social impact and moving away from surface-level, solely transactional agreements. Many NGOs now look for deeper partnerships to address societal issues such as gender discrimination, unemployment, poor education, or the lack of health resources. Having greater alignment within partnerships makes reaching these broader goals more plausible.

A key focus for NGOs in more recent years is to achieve the UN’s Sustainable Development Goals. The Sustainable Development Goals (SDGs) are a series of 17 goals fixed by the United Nations and adopted by 193 countries in 2015.<sup>4</sup> Through sustainable (economic, environmental, and social) development, their overall objective is to create a better world, and a better life for all, by 2030. Examples of these goals include alleviating poverty, closing the illiteracy gap, ensuring everyone has access to health care, and so forth. Both businesses and NGOs should ensure that their actions are furthering these goals, with a key focus being creating systematic social change - this helps create a clear mission and objective for both NGOs and businesses.



## MICROSOFT X PLAN INTERNATIONAL USA

NGOs and businesses have now entered a new market - one centered around growth and sustainability. For instance, Plan International USA, a children's rights organization, partnered with Microsoft with the mission of extending digital access to classrooms in African countries. Microsoft provides funds to Plan International USA (a total of \$75 million USD) to provide training programs to students in Africa in addition to technology to schools. Their shared value creation comes from a mission of developing technological skills for youth in Africa.<sup>2</sup> Aside from furthering Microsoft's CSR, they are also equipping younger generations with technological literacy, so that they can gain greater job opportunities. On Plan International’s side, they were able to obtain funding to advance their organizations goals and create social impact on a global scale.



## THE HUMANITARIAN OPENSTREETMAPS TEAM X ACCENTURE

NGOs and businesses attempt to utilize co-creative approaches, learning from each other’s strengths and developing a new team to create greater global change. The Humanitarian OpenStreetMaps Team launched a Missing Maps Project with Accenture to support humanitarian work and disaster in unmapped areas.<sup>3</sup> The organization and the company worked together to combine their physical assets (such as their technological tools) in addition to their skill sets to devise a creative and innovative method that had benefits for both of them. Examples of these benefits include providing Accenture employees with technological knowledge as well as expertise in NGO consultancy, and allowing the Humanitarian OpenStreetMaps Team to utilize Accenture’s strategy and implement it within their Missing Maps Project in addition to future projects.



OVERVIEW

# BARRIERS TO ENTRY

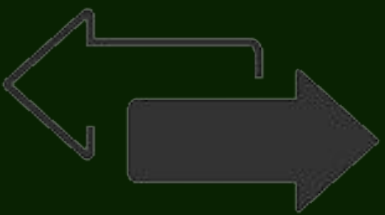
Barriers to entry for partnerships between NGOs and businesses can limit the prevalence of these partnerships. There is a lack of communication within NGOs, namely the lack of transparency within different functions. This makes it difficult to allocate tasks and actually focus on finding potential partners. Moreover, it is difficult for NGOs to find the 'perfect pairing' - a company that not only provides funding but whose capabilities also complement the NGO. This limits many NGOs' willingness to partner with businesses.





CORPORATE ADVANTAGES

# OPPORTUNITIES AND RISKS



## NGOS

### OPPORTUNITIES

- Can increase the impact that NGOs are attempting to create. Businesses can offer unique strategic insight into challenges that NGOs are facing, and help NGOs gain a new perspective.
- Creating solutions to stabilize the NGO's finances. The NGOs will be able to receive the funding they may have found difficult to obtain otherwise, and allocate these funds to expand and create greater global change-making scaling and replication easier. Long-term growth and expansion are also possible through even incremental increases in funding.
- Increasing exposure for the NGOs through 'free' advertisement from the company's media channels can lead to drawing in a greater number of secondary donors in addition to increasing overall awareness and reach about the social cause at hand.

### RISKS

- May not be effective because of impracticality with the partnership goals. Private sector myopia may lead to businesses having goals that can not be achieved as they may neglect to appreciate the long-term benefits of the partnership.<sup>5</sup>
- Lack of alignment between businesses and NGOs. The very corporations that an NGO is partnering with contribute to heightening the issues at hand. For example, if a NGO that has the mission of improving LGBTQ rights and acceptance partners with a company who has been in support of anti-LGBTQ policies, it can seem illegitimate and cause the NGO to receive backlash.
- NGOs may also have limited financial, social, economic, and political power relative to the corporations that they are partnering with. This limits their ability to make decisions on the outcome of partnerships.

## BUSINESSES

### OPPORTUNITIES

- Gain access to new markets through appealing to more customers who care about sustainability in addition to attracting a new talent pool of employees.
- Strengthens a company's value chain as they are creating long-term value for society.
- Build future clients in low and middle-income markets, in addition to building clientele in upper class markets through attracting consumers who care about CSR.

### RISKS

- Lack of autonomous decision-making power; partnership can be ended due to changing internal priorities
- Can damage a company's brand reputation if the values are not clearly aligned.
- Increased scrutiny from the media, higher potential for public discourse.



[SUCCESS FACTORS](#)

# Why Have Partnerships Succeeded: **Louis Vuitton & UNICEF**

## FACTOR 1 - LEVERAGE CORE COMPETENCIES

## FACTOR 2 - CO-CREATIVE APPROACHES

One of the most fundamental factors that have led to the success of business and NGO partnerships, is leveraging and learning from the core competencies of each partner. In relation to each other, each partner contributes special assets and unique skills to the project that can produce results typically unachievable by their individual means. Businesses generally have more tangible assets such as access to capital or business models designed around producing valuable goods and services. On the other hand, NGOs generally have more grassroots experiences in operating on initiatives and can have closer access to target populations and markets.

The current partnership between Louis Vuitton, and the United Nations Children’s Funds (UNICEF) demonstrates a partnership in which both partners utilize their core competencies to increase their social impact. The partnership began in 2016 and its purpose is to raise funds for UNICEF and help support vulnerable children globally. Louis Vuitton has leveraged their global network of stores, employees, and consumers to create and capture value from, for UNICEF. The corporation created the #MAKEAPROMISE initiative in which they sell silver locket bracelets and teddy bears to represent a commitment to helping children. The locket is priced at \$465 USD and the teddy bear at \$955 from both of which \$100 is given to UNICEF from each sale. The initiative enables Louis Vuitton to capture more value as their brand recognition for being socially responsible increases. Additionally, Louis Vuitton’s brand benefits from being associated with a reputable non-profit organization.

The partnership has raised over \$10 million for UNICEF so far. UNICEF is able to boost the capabilities of their core competencies with the capital raised from Louis Vuitton. Unlike Louis Vuitton, UNICEF has the expertise and infrastructure to deliver social impact to their target demographics. UNICEF has been able to utilize the capital raised to further their aid to children in Bangladesh, Jordan, Malawi, Mozambique, Nepal, Syria, Zimbabwe, etc.

Co-creative approaches offer partners the opportunity to learn from each other and build on complementary assets, bridging the barriers that traditionally exist between NGOs and companies. Through the partnership, UNICEF is able to learn from Louis Vuitton’s marketing and branding efforts and ability to capture value from consumers. Louis Vuitton is able to gain insights on how to operate social initiatives. The company has also engaged in a boots-on-the-ground aspect in their partnership, where Louis Vuitton employees have been given the opportunity to volunteer on-site with UNICEF. Outsourcing corporate volunteers for NGO initiatives has direct incentives for businesses as “49% of Millennials”<sup>18</sup> say they would leave their current employer within two years if they continued to fixate substantially more on profit than the greater good.



**77%** of consumers motivated to purchase from companies committed to ESG growth<sup>6</sup>

**73%** of investors involve a company’s efforts to improve ESG in their investment decisions<sup>6</sup>



SUCCESS FACTORS

# Why Have Partnerships Succeeded: Swiss Re & Oxfam

FACTOR 3 -  
ALIGNMENT OF  
VALUES

FACTOR 4 -  
PURSUING  
SYSTEMIC  
CHANGE

The alignment of values between the NGOs and for-profit businesses is another metric for success. The capabilities of the partnership increase when the values and goals of both parties are more aligned. In Louis Vuitton & UNICEF’s case, the operational strategy they used was the business donating a percentage of their revenue to the NGO. A deeper strategy that intertwines the operations of both parties more is the businesses providing their goods and services to the communities the NGOs serve. This strategy requires a stronger partnership and is possible when the goals and values of both parties are similar and can complement each other.

The partnership between Swiss Re, a global insurance company, and Oxfam, an NGO dedicated to mitigating global poverty, demonstrates this strategy in play. Both organization’s values revolve around providing financial aid to communities and have interests in climate change risk. With such, The NGO Oxfam approached Swiss Re in 2007 to help develop an insurance product for Ethiopian farmers to have in place for their crops, when no other product was available to them. Oxfam played a key role in being the logistical and communicative bridge between the local communities and the work of the organizations. Oxfam utilized their connection to the local community to conduct consultations about what the Ethiopian farmers' needs are. Based on this, Oxfam and Swiss Re collaborated to create a new market for crop insurance by implementing an innovative work-for-insurance plan for Ethiopian farmers, known as the R4 Rural Resilience Initiative.

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A year into their partnership, they had made insurance available to 200 families in an Ethiopian village. As the organizations’ partnership pursued creating systemic change on a common social issue, the partnership had long-term growth opportunities to provide value to communities. As such, over the past decade the scale and impact of the partnership has grown substantially. New private sector and NGO players have been added and numerous countries have been expanded to, such as “Kenya, Malawi, Senegal, Zambia and Zimbabwe”<sup>7</sup>. With such, over 87,000 farmers have been provided with insurance opportunities and \$1.5 million of insurance payouts were made in 2018. A partnership that focuses on systemic change enables itself to grow in a market over time and expand the shared value it provides. Doors can also be opened for other players to enter as shown with the Swiss Re partnership when they created a new market segment.



FINDING A SUITABLE CORPORATION

NGO corporate partnerships are a useful tool to achieve a set of goals though there will never be a perfect partnership. This is because of several reasons, mainly because NGOs and corporations are too different in nature. Whilst corporations are profit maximizing regardless of external costs, NGOs try to amend these external costs. Additionally, 93% of corporations use these partnerships to improve their brand image whilst 96% of NGOs use these partnerships to gain capital funding.

Before looking into potential corporate partners there are a few things to consider:

In figure 1, a table briefly describes the potential partnerships that NGOs can engage in. Being able to work hand-in-hand is key: the most effective partnerships combine a series of mutually beneficial factors. Looking for corporations that have skills and resources that NGOs could leverage to further develop their ventures can be extremely beneficial

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Case study: Habitat for Humanity partners with construction corporations that help them to build homes alongside raising capital. NGO corporate partnerships are not what they used to be, whilst the key driver for both parties remains intact (funding for NGOs, and CSR for corporations), now more than ever these partnerships actually collaborate to solve problems: such as the example above.

From all the possible partnerships, if possible, IB partnerships should be an NGOs first choice. This is because by nature these generate greater results as they are significantly more intricate than other forms of partnerships.

More specifically, by including disadvantaged people in a company's value chain, whilst keeping the corporation commercially viable, the partnership can yield fantastic results (e.g. increasing equity). Needless to say, to execute these partnerships a lot of overlap from the corporation and NGO is needed such as in the case of Habitat for Humanity.

It is best to work with a corporation that is geographically similar to the NGO as this will maximize work efficiency. This is more important for partnerships lower down on figure 1 as collaboration is more important for those partnerships. Though sometimes partnering with corporations outside of the NGOs geography may be the better option regardless of the geographical issues: in these cases building a connection virtually seems to be the best option currently during COVID.

FIGURE 1

Partnership	Description
Philanthropic partnerships	This corporate NGO partnership is the most simple type. In this partnership the corporation gives financial support to the NGO.
Opportunistic partnerships	In this partnership the NGO may receive financial or non-financial support from a corporation which seeks to reach certain objectives
Strategic partnerships	Strategic partnerships utilizing compatible resources to tackle issues
Systemic partnerships	Systemic partnerships aim to resolve issues with help of system transformation.
Inclusive business partnerships	Inclusive Business (IB) partnerships are by far the most effective and complex. These partnerships are consist of a business model that integrates low income workers into value chains, in hopes of creating mutual benefit

Potential Level of Impact

Complexity of Execution



FINDING A SUITABLE CORPORATION

# What are your goals?

Finding the most suitable partnership is challenging thus following there is an outline on how to find the right partner.

As an NGO, before looking into any corporations, NGOs must determine what they want to gain out of their partnership as this will heavily influence what partnership they will be looking for and thus also what corporations they should target. The table below is in order of priority.

Strengths and weaknesses	Looking at the strengths and weaknesses of the NGO and corporation could help each party mitigate their weaknesses and leverage their strengths to help their partner: these are especially effective when the strengths and weaknesses are inverse for the corporation and NGO.
List goals	With a list of goals you will be better equipped to select the most suitable partnership from figure 1 as well as the best possible corporation.
What is there to gain?	Before accepting a partnership both parties must understand the potential gain written outside of their contracts, which will depend on every case.
Geography	Working with a partner in a similar geography is not key, though it can be very helpful especially in more interactive partnerships such as IB partnerships as this minimizes travels.

# What are you looking for?

As briefly mentioned before, in order to find the best matching corporation, an NGO must first determine what it wants to gain out of partnership as different goals will change the most ideal partnership and what corporations can offer them their needs.

Whilst IB partnerships seem to be the best partnership overall, it may be difficult for some NGOs to undergo this partnership. Specifically, niche NGOs, NGOs that tackle issues that very little corporations want to, and NGOs that cannot find a corporation that matches their ideology. For these NGOs partnering in other forms such as philanthropic partnerships may be the most viable option since philanthropic partnerships consist of pure donations.

# Potential partners

After finding key potential partners, NGOs should start reaching out to them, in hopes of creating a relationship with them. Reaching out to them enables NGOs to see if a set corporation matches their ideology and if they are up to the task of being partners. This process should be similar to interviewing new potential employees.

# Ensuring a successful kickoff

Once a suitable candidate for the partnership has been established there are some key factors that can influence the prosperity of the partnership. Following, the bullet points below includes some of the general success guidance points for all types of partnerships.

- Utilize the strengths of the partner: fully grasp what your partner has to offer (best achieved not only through extensive research but through developing a relationship between the NGO and corporation) and make sure to leverage as many strengths as possible.
- Keep up to date with your partner: this can ensure better communication, which is especially important in IB partnerships. Developing the relationship can also secure longevity.
- Quarterly or monthly reviews can help you understand whether your goals are being met. Furthermore setting intermediate goals will help the partnership stay on track; using KPIs is a great method to set these goals.
- Ensure both parties understand and agree to the terms of the partnership, and will do their very best to fulfill these.
- Mix certain departments from the corporation with your NGO - this is particularly useful in developing a more mutual partnership and will allow the NGO and corporation to grow more of one another. Furthermore, this allows for more collaboration which is particularly important in IB partnerships.





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