

Corporate-NGO Collaboration: Co-creating New Business Models for Developing Markets

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Multinational enterprises (MNEs) face a range of challenges when entering developing countries, including the need to adapt their business models to local markets' cultural, economic, institutional and geographic features. Where they lack the tangible resources or intangible knowledge needed to address these challenges, MNEs may consider collaborating with non-profit nongovernmental organizations (NGOs) to help facilitate new modes of value creation. In such cross-sector partnerships, parties contribute complementary capabilities along each stage of the value chain to develop products or services that neither could produce alone, creating and delivering value in novel ways while minimizing costs and risks. Our conceptualization broadens the business model concept to incorporate cross-sector collaborations, arguing such partnerships can create and deliver both social and economic value, which can be mutually reinforcing. We highlight, in particular, the competencies and resources NGOs can bring to such partnerships, including market expertise, legitimacy with clients/customers, civil society players and governments, and access to local expertise and sourcing and distribution systems. Beyond contributing to particular value chain activities, NGOs and companies can offer missing capabilities to complete each other's business models, or even co-create new and innovative multi-organizational business models. We stress four strategic imperatives for the success of corporate-NGO developing market partnerships – innovative combinations of firm and NGO resources and skills; the importance of trust-building, and of fit between the two organizations' goals; and supporting and understanding the local business infrastructure and environment.

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Introduction

Multinational enterprises (MNEs) face a range of challenges when entering and operating in developing countries. Dominant business model logics from developed countries may need to be adapted and adjusted to the cultural, economic, institutional, geographic and other features of these markets – but multinationals may lack the tangible resources or intangible assets to address these challenges successfully. Collaboration with a non-profit nongovernmental organization (NGO) may provide a partial solution to developing appropriate, bespoke business models for developing countries. In these joint efforts, NGOs and firms contribute complementary capabilities – both intangible assets such as knowledge, reputation, and brand, and tangible resources, such as human capital, production capabilities and market access – along each stage of the value chain and affecting many aspects of the business model. These initiatives enable participating firms to create and deliver value in novel ways, while minimizing costs and risks. We seek to highlight, in particular, the competencies and resources that NGOs can bring to such partnerships, including market expertise (needs identification, knowledge of certain market segments); the value of NGO brands to customers, customer relationships, legitimacy with civil society players and governments; and ownership of – or access to – local distribution systems and local sourcing abilities, which can also enable them to contribute to formulating novel and viable business models.

NGOs – such as Amnesty International, CARE, Greenpeace, Oxfam, Save the Children, World Wide Fund for Nature and hundreds of other smaller examples – that engineer campaigns with the goal of advancing specific causes have become important actors in the global political, social, economic and business environment. Recent statistics indicate a 450 percent increase in the number of international NGOs between 1990 and 2000.¹ The advocacy, operations and service delivery of many NGOs is designed to ameliorate intractable social and environmental problems, working on multiple issues including combating hunger, curtailing human rights abuses, countering environmental degradation and improving health care. NGOs and for-profit corporations are also developing more collaborative relationships of potential mutual benefit. Their relationships with NGOs can provide corporations with access to different resources, competencies and capabilities than are otherwise available internally, or which they might acquire from alliances with other for-profit organizations.² These can enable corporations to overcome business model liabilities in developing countries by helping them to identify market shifts and trends, accelerating market entry, and in some cases, co-developing innovative new business models. [Exhibit 1](#) outlines a handful of the hundreds of innovative partnerships emerging between MNEs and NGOs around the world.

Exhibit 1 **Innovative MNE/NGO partnerships**

In May, 2008, Microsoft Corp (MS) and One Laptop per Child (OLPC) of Cambridge, MA, announced an agreement to make a version of MS Windows available on the low-cost XO laptops the non-profit is distributing around the world. In India, Unilever has teamed up with NGOs to create Shakti, a rural network employing 31,000 women that sells products adapted to customers in more than 100,000 rural villages. Electricité de France (EDF) is bringing electricity to rural areas through a range of partnerships: its Energy Access program involves collaboration with the World Bank, UN agencies, other multilateral and bilateral donors and NGOs to create small, locally-run companies to provide electricity. The potential in such basic infrastructure areas is enormous: two billion people worldwide still have no access to electricity.

This article extends the business model concept in documenting the case of firm-NGO partnerships as a particular response to a fundamental problem MNEs face in developing countries markets: how to adapt existing, or develop new, products and services that are appropriate for the local

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