

Making the Private Sector Business Case for Partnerships

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1. Introduction

In applying a partnership approach it is essential to get the right partners involved, including those from the private sector. However, increasingly non-private sector organisations are finding engagement with the private sector difficult partly as they don't speak the same language as the private sector.

The business case is a way of packaging the partnership approach and its benefits to the private sector in a way that they can easily be understood and affiliated with. In this way, the probability of getting interest from the private sector for such an approach is likely to be greatly improved.

A route to achieve this is via a framework which outlines the considerations and factors involved in packaging the partnership. The following are the key factors to be considered in developing the optimal business case:

- assessment of the external driving forces on the target partner and the partner's underlying interests that may influence involvement
- the partnership purpose that is most likely to appeal to the partner for instance commercial vs strategic partnership
- the likely costs and benefits for a partner to be involved.

2. Setting the Scene

The concept of a partnership has become an increasingly popular approach to achieving sustainable development goals, evidenced more recently by the launch of UNDP's report, *Unleashing Entrepreneurship*, which details their objective of integrating partnerships with the private sector as part of their core operations. More and more those involved with partnerships are calling on the private sector to be involved, as a source of resources, management expertise and commercial know-how, with a view to promoting free-market principles as a way to generate sustainable growth and benefits for poorer communities.

However, as important as the involvement of the private sector is seen to be by public and civil society agents, the private sector themselves may be apprehensive about such an approach for good reason. Working with others can be complex, require intensive investment of time and resources to manage and result in conflict due to different ideas and approaches. In order to get them on side therefore and recognise the benefits that such an approach may bring, requires effective marketing and communication in a language and format that the private sector are receptive to. To do this unfortunately is not something that many non-private sector organisations are familiar with.

The key characteristics of the private sector are that they need clarity, time lines, a good idea of what commitment would involve, costs and benefits. They are principally resource rich and time poor which means that they have many demands on them for their resources, both commercial and otherwise, and not much time to consider them. Therefore competition is high, and getting it right first time is essential.

One vital and often overlooked tool is the business case outlining costs/ benefits of a project, feasibility in terms of both financial and other resources, 'fit' with core operations and status of the market...essentially the 'whys and what fors' document. This is private sector language.

However, during my professional practice, I found that on applying the partnership principles, there was a distinct gap between the completion of an internal assessment and the engagement with potential partners. How was I to appeal to these partners? Why would they want to get involved? Could they? This is where the business case comes in.

The business case is an important tool. Not only does it enable the facilitation of discussion in a common language, but it also provides focus around which the discussion can proceed. If you don't get it right first time, you may destroy chances of engagement with that potential partner. A business case will minimise the risk of failure. It also enables the initiating partner to put another hat on and really understand what is driving other potential partners, which in the event that the partner does commit, will certainly help with relationship management and conflict resolution as the partnership progresses.

This paper therefore seeks to explore what factors and considerations are pertinent to developing a business case, and how to approach the packaging of information in a private sector friendly format that succeeds in making an impact.

It should be noted that a business case may not be necessary in all cases, but where the initiating partner is seeking involvement with stakeholders for whom there is a weak relationship or the incentives are not obvious, then a business case is certainly recommended.

As examples, I will draw on the experience acquired, as an external broker, through negotiating the creation of a partnership with key stakeholders in the tourism sector. The objective of this partnership was to manage the risk, in particular reputational, of key tour operators and industry bodies by getting them to work collectively to instigate sustainable guidelines and to implement those guidelines through their supply chains.

3. Key Considerations in Developing the Business Case

3.1 Determining the key drivers for involvement

External drivers

For all private sector firms there are numerous external pressures facing them that may influence the extent to which they are able or willing to get involved in a partnership project. Some drivers may be so significant that there is little opportunity for a firm to commit to a partnership; however, some may provide a green light for partnership involvement especially where the proposed project is providing some benefit or support to the firm in the face of that pressure.

In developing the business case, this is an essential first step, and enables the initiating organisation to get a much clearer understanding of the background setting in which they are attempting to operate. It also gives a potential indication of the likelihood of involvement, giving warning signals early on if partnership involvement is not appropriate, thus allowing the initiating organisation to redirect resources elsewhere.

During my partnership work, a key driver for involvement for UK tour operators was the launch of a recent campaign by the NGO Tourism Concern, relating to the poor working conditions of many employees in supply chain operations and the threat of further campaigns to come. As the partnership exploration phase progressed, new factors became evident, not least the occurrence of the Tsunami in Asia, which not only affected the operations of some of the target operators, but also helped to elevate the profile of responsible tourism which enabled a more open approach to engagement on the issue.

The table overleaf outlines examples of external pressures facing business, and how this may affect the viability of a partnership approach.

Types of external driver	Potential impact on business	Partnership approach viability
Existing/ pending regulation	Increased focus on improving/ adapting operations to ensure compliance; can be very costly and require significant resources.	Working in partnership with other firms/ organisations which assist this process should be more cost effective.
Customer demand	Where business's activities are not in line with customer demand, loss of sales could result, loss of brand loyalty.	A high profile partnership which satisfies what customers are demanding could help to increase loyalty, maintain sales.
NGO campaigns against an industry/ company	Reputational issue, consumer boycotts, threat of closure of operations where criticism is targeted. Company forced to invest resources in responding to the claims to minimise criticism	Could affect incentive of company to raise their head in the face of further NGO criticism; although could also encourage company to address issue by getting involved in such activities.
Barriers to operations such as conflict/ community access etc.	Can result in substantial delays/ stoppages in operations and therefore losses. Also threat to staff and operations may result in shutdowns.	Partnership approach may be extremely viable in this situation especially where issues derive from parties with whom the company has no knowledge.

Underlying interests

The underlying interests of a company will influence greatly whether they are willing to commit to a partnership approach. In the tourism partnership, I assumed that the public commitment of the industry body and its members to take actions to become more sustainable was an indication of their interest to work collaboratively to address this theme in order to protect reputation. However, through engagement with several tour operators, it emerged that they were extremely wary of doing any more than the bare minimum as this would attract NGO attention and expose them to criticism and thus threat to reputation. Understanding this was vital to inform the partnership approach being proposed.

Below are some examples of underlying interests and the types of circumstances that may illustrate them.

Types of underlying interests	Examples of presence
Risk mitigation e.g. reputation	If there has been a recent campaign where they have been publicly criticised; if a competitor has been targeted and seen loss of profits/ commercial damage.
Cost effectiveness	If a company has started to outsource; public statements to claim cost cutting strategies
Competitive advantage	A company that tends to be creative and lead the market is likely to be interested in improving their competitive advantage.

Barriers to involvement

There are several barriers that may exist for a private sector firm to get involved in a partnership now or in the future, and understanding what these are and how a partnership approach may help to address these barriers is crucial.

For example, in the tourism partnership, a significant barrier to involvement was the fact that there was no evidence of consumer demand for responsible tourism. Despite several surveys purporting this, consumers are still paying rock bottom prices for non responsible holidays.

Below are examples of barriers that may face firms:

Types of barriers	Potential responses
Lack of availability of resources	A partnership approach will help to pool resources thus alleviating pressure on partner's resources.
Reputation risk (risk of failure of the partnership, or of being involved with a particular partner)	Widen the possibility of risk mitigating exit strategies; offering the opportunity to explore the options prior to committing.
Negative attitude of CEO/ other contact	This is where the business case is most important to highlight the benefits and added value to the firm of involvement.
Lack of consumer demand to justify involvement	May be that raising awareness of the issue/ partnership will help to raise consumer awareness and lead to consumer demand; other stakeholders may already be raising awareness to consumers which will lead to the company losing out if they fail to act.

Audience

It is key to consider throughout the business case process who the audience is that the case is appealing to. Whether this will be the partnership contact or not, as the first contact with the firm, it is important to raise their interest and enthusiasm for the initiative so that they can then 'sell' internally. Whichever role they have in the firm may influence the angle of the proposal e.g. CSR representative vs CEO.

Differences between sub-sector industries, players

In light of the above considerations, it must be noted that businesses from different sub-sectors parts of the same sector, or indeed different companies in the same sector, may have different pressures that they need to respond to and differing underlying interests to tackling these pressures. It is therefore necessary to be flexible to this and tailor the business case according to the specific sub-sector or company that is being targeted.

In the tourist sector for example, there are some tour operators that invest and depend heavily on their brand, which is a significant source of revenue through repeat customers. For these companies, risk mitigation could be a bigger incentive for involvement in a partnership than for those companies for whom low price is a bigger marketing tool.

Timings of the process/ benefits

Private sector are generally short-termist in nature, with individuals and departments striving to achieve medium term KPIs and annual targets to satisfy performance ratings and bonuses. This needs to be taken into consideration when presenting the partnership initiative, with short-term

impacts in terms of both costs and benefits, separated from the longer term benefits for a project of longer duration.

3.2 Partnership Hook

Consolidation of the above information will help to determine the most appropriate partnership type that might appeal to the partner and which therefore will help to provide the angle for the business case. The following list outlines the key reasons for involvement by a private sector firm (adapted from PBAS course):

- **Philanthropic case** e.g. reputation risk mitigation- this is a more difficult case to make as the benefits of involvement/ costs of non-involvement, especially if from a reputational perspective, are extremely difficult to quantify, and therefore to promote. Also, where the partnership may not be part of the core business, or not providing tangible benefits, the sustainability of the partnership may be undermined.
- **Strategic case** e.g. for access to new market (BoP)- although the benefits of involvement may not be so clear, the strategic case is more likely to be aligned with the core business strategy, and provide incentive for involvement. However there are clear risks involved with pursuing some strategies that the partnership may or may not help to address. These need to be understood in order to anticipate potential conflicts of interest.
- **Commercial case** e.g. gaining licence to operate- an often much clearer case for involvement with benefits more tangible and easier to quantify.

For the tourism partnership, the philanthropic motive was applied to the business case due to the reputation risk relating arising from a recent NGO campaign and their public declaration of commitment to a responsible approach. This was strengthened by turning it into a commercial issue by highlighting the threat of losing customers following adverse public criticism, a situation that a tour operator can ill afford with such tight profit margins.

Interestingly, following discussions, the partnership that emerged was one that was more strategic in nature, with a view to raising their profile in terms of the economic benefits of the plethora of taxes paid and therefore alleviate pressure on them to pay higher taxes. This demonstrates the importance of being flexible, where one business case may lead to another different case. However the knowledge of the industry, and their underlying interests acquired through this process enabled this alternative approach to be identified.

Whichever approach is prioritised to appeal to the partner will determine in many cases who to contact in that organisation especially in large corporations in which there are many large departments with different representatives for each. For instance, a philanthropic case for a partnership could lead to engagement with the CSR manager; for strategic motives it could be the business development manager.

3.3 Costs vs benefits

A key question that any private sector firm is likely to ask is what involvement in the partnership approach is likely to cost them, and what the benefits are likely to be. Where these can be quantified, this is likely to strengthen the case, although qualitative costs/ benefits are also valuable.

For the tourism partnership, for which the proposal was to act collectively to develop guidelines and implement monitoring of status of key issues in the supply chain, the resulting cost/ benefit analysis is included below:

Figure 1. Cost/ benefit analysis for a partnership in the tourist sector

	Costs	Benefits
FTO	<ul style="list-style-type: none"> • Time/ resources • External advisory (although this could be covered by key members of the initiative or government departments) 	<ul style="list-style-type: none"> • Collective action will increase profile • Seen by the industry to be taking a leadership position • Helping members who may not wish to be in the spot light on these issues, to manage their response.
Members	<ul style="list-style-type: none"> • Financial cost of action (although different approaches to minimise this e.g. collective funding) • Management time in negotiating collective outcomes 	<ul style="list-style-type: none"> • Costs minimised as a result of collective action • No one member in the firing line- initiative can respond on key issues • Increased awareness of how sustainability risk impacts business • Protection of profits through mitigation of reputational damage • Supply chain performance improvements (associated benefits could include e.g. increased staff productivity and reduced absenteeism) • Meet new requirements of OFR (i.e. non-Financial Risks)

4. Packaging the Proposal

The business case is not only about creating a ‘hook’ but about presenting it. This may require the inclusion of additional pieces of information in order to put the ‘hook’ into context, the benefits of a partnership approach in this instance and your involvement and how it might work.

In packaging all this information together, it is vital to be concise (private sector representatives have very little time to read long documents- the shorter the better), visual and tell a clear story.

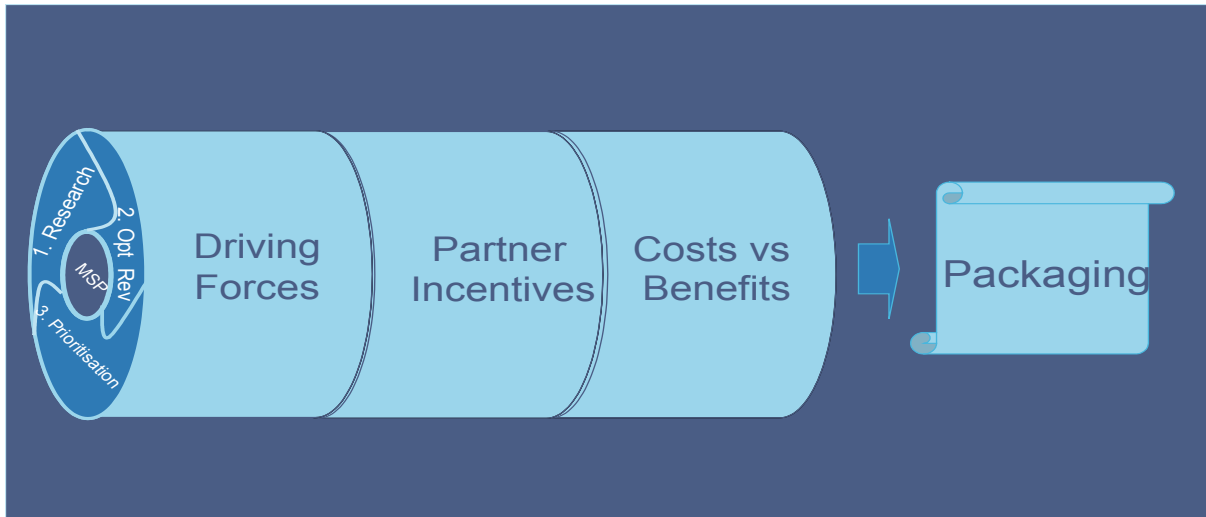
It is key to remember with all of this that you are not trying to be too prescriptive about the partnership, its objectives and approach. The whole purpose of the partnership approach is of course to generate space for creativity from the partners themselves so that they can determine the optimal approach. The purpose of the business case, is to generate initial interest and enthusiasm from the target partners. To do this, however, there is a need to bring some clarity to the table. Only then can you get the commitment which will enable the partnership to progress.

5. Development of a Framework Tool

5.1 The framework

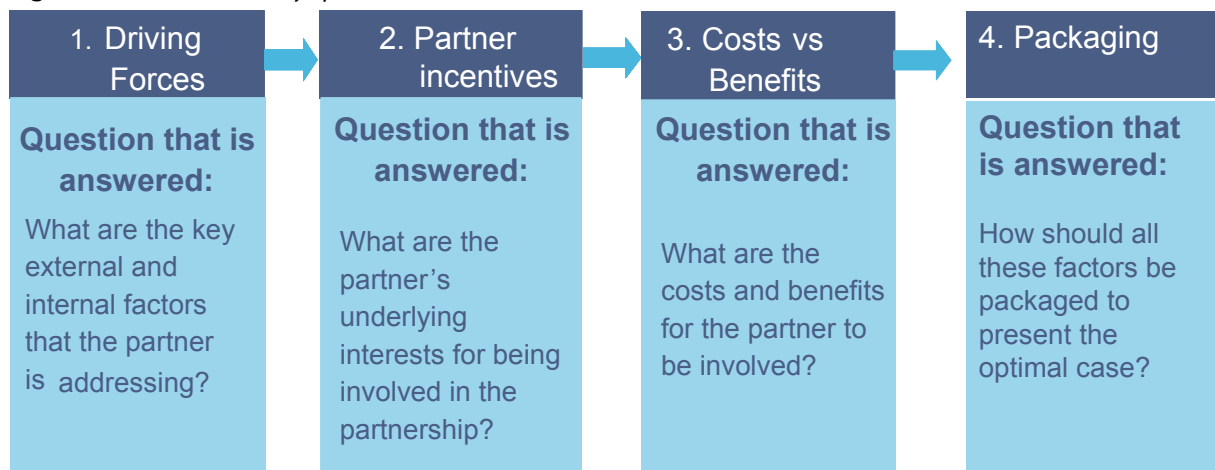
By consolidating all the previous considerations, the following methodological approach emerged which could be used as a tool when building the business case for partner involvement.

Figure 2. Partnership business case framework representation



For each step, there are some key questions that need to be answered if a valuable understanding of the partner and their industry is to be gained, as outlined below:

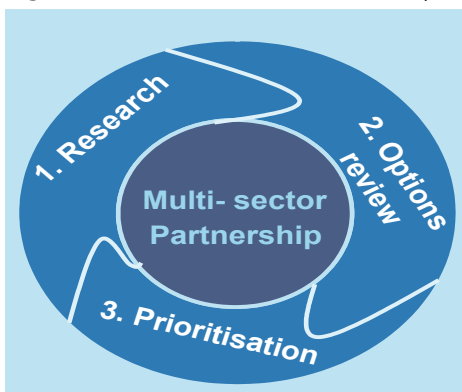
Figure 3. Framework key questions



5.2 Approach using an analysis process

In answering these questions, the following process is recommended in order to retain some focus and ensure the more effective and efficient output. This process is divided into three actions: Research, Options Review and Prioritisation. These operate around the consideration of the multi-sector partnership (MSP) in all instances, helps to define purpose for the review as the Figure 4 shows.

Figure 4. Three actions of the analysis process for each step



Research

The first action for each step involves producing a base understanding of the sector to which the target partner belongs as well as gaining a core understanding of the partner organisation. It is recommended that research should involve desk based research as well as consultation with key internal and external stakeholders to the area of analysis.

Options Review

From this background knowledge, it is essential that we review the options for inclusion in the business case that will maximise influence. This requires the identification of options as well as their evaluation, comparison and practicality.

Prioritisation

Given the numerous pressures on the potential partner, in order to maximise impact of the partnership offering, it is recommended that the options identified above are prioritised in order to facilitate the execution of the subsequent step. The prioritisation will determine the type of information to be gathered/ assessment to be undertaken in the next step in order to develop the business case. Prioritisation does not happen always on the basis of impact and influence of options on the partner, but on the basis of cost to the partner, internal structures and timing, among others. Choosing priorities requires an adequate selection of decision-making criteria, analysis of options in relation to those criteria and the use of in-house expertise and judgement.

5.3 Application of framework

The application of these actions for each of the framework steps involves addressing a series of key considerations. These provide guidance on the key issues that should be answered at each step to build a foundation for the next step in the process. Below I have included suggestions of such considerations that may be relevant for the initiating partner.

Step 1: Driving forces

The variety of pressures that are exerted on a private sector firm are outlined in part 2, and these all need to be considered in order to assess the key driving forces that they are/ need to address, so that the case can be developed with the appropriate angle.

- What are the underlying forces and circumstances influencing the organisation both external and internal?
- What impact are these factors having on the organisation?
- How could the partnership help to manage/ address some of these issues?

The following table outlines some of the key considerations/ queries that need to be posed in determining the key driving forces:

Analysis Actions	Key considerations
Research	<ul style="list-style-type: none"> • What is the current industry climate that the organisation is operating in? • How is this industry climate likely to change in the short/ medium term? • What are the strategies and performance of the partner that may indicate underlying interests? • What is the structure of the organisation (e.g. decentralised vs regionalised vs centralised) and how might this affect local decision making potential? • What macro economic factors (e.g. exchange rates, price of oil etc.) have most influence over the partner that may influence involvement?
Options Review	<ul style="list-style-type: none"> • What do we know about the impact of each driver? • What are the trends that these drivers are following? • How do these factors interlink? What story do they present?
Prioritisation	<ul style="list-style-type: none"> • What is the partner's broad approach to these factors? • Is the partner currently addressing those areas? • Is there an appetite to get involved in the areas where the partner is not operating at present or withdraw from some of the areas that it is operating at present? • What issues should be addressed going forward? • What are the constraints?

Step 2: Partner incentives

The second step of the framework aims to determine what the partner's underlying interests are and therefore which partnership motive should be applied in order to strengthen the case.

Analysis Process	Key considerations
Research	<ul style="list-style-type: none"> • How do the results from step 1 fit into each partnership motive? • What other information/ evidence exists to support each partnership motive?
Options Review	<ul style="list-style-type: none"> • How can the arguments for each partnership motive be strengthened to provide a more strategic/ commercial focus? • Have all the motives been captured? • Can some of the options be combined?
Prioritisation	<ul style="list-style-type: none"> • Which approach is likely to most appeal to the partner? • How many motives should be addressed in the business case? • Which motive has the best 'fit' with the partnership initiative?

Step 3: Cost vs benefits of in involvement


This step attempts to quantify as far as possible the costs and benefits to the partner firm of being involved in the partnership. These are key questions that they would want answered, so being prepared and understanding what barriers might exist to their involvement in terms of financial and other resources is important, and will help in negotiation of better terms for the partnership.

Analysis Process	Key considerations
Research	<ul style="list-style-type: none"> • What are the costs in terms of financial, time- can estimates be made? • What non-quantifiable costs and benefits exist? Can examples be used to provide evidence?
Options Review	<ul style="list-style-type: none"> • How can the costs/ benefits be packaged to be clear? (e.g. in terms of costs to different stakeholders of the company such as staff, customers etc) • What gaps exist in knowledge of costs/ benefits included? • Can some of the costs/ benefits be separated? • Should some of the costs/ benefits be combined? • If there are too many costs, why is this? Does this suggest that a partnership with that firm should not be pursued?
Prioritisation	<ul style="list-style-type: none"> • Which are the greatest costs/ benefits that should be highlighted? • How should these costs/ benefits be presented?

Step 4: Packaging

Once the optimal business case has been determined, it is necessary to consider how best to fit them together to make the biggest impact on the target partner. Other factors need to come into the pitch here, such as why a partnership approach is appropriate, what the initiating organisation might bring, and an indication of logistics/ timings/ milestones.

The key is to make sure that the offering is visual, brief and punchy and tells the right story. Below is an example one page template of how the above information could be packaged:

Making the business case							
Outline of the partnership, purpose and objectives.							
Business case	Costs/ benefits for partner						
Outline of the key issues and reasons why this partnership approach might be away to address these. Make this in diagrammatic form if possible for visual effect.	<table border="1"> <thead> <tr> <th></th> <th>Costs</th> <th>Benefits</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Costs	Benefits			
		Costs	Benefits				
Why a partnership approach	Proposed approach						
Why this partnership might be the best approach, what the initiating partnership might bring etc.	How the partnership might work in terms of logistics, other partners, timelines, milestones.						

6. Conclusions

It is not intended that this be an overwhelming process that detracts from the actual process of engaging and promoting a partnership. More it is intended as a tool to help partners, especially non-private sector, to put themselves in private sector shoes, and understand in a logical way the considerations that they are certain to make prior to embarking on any project, whether it be in partnership or not. In that way, an initiating partner may be able to get faster and more effective engagement that will support the relationship building and smoother running of the partnership.

I think that by adopting this approach will provide non-private sector organisations with the confidence and know-how to approach private sector companies and result in an increase in successful engagement of these companies as partners.

The analysis framework is a means to provide an evidence based approach to the identification of the key priorities for the target partner. The value of the framework is its logical structure to the decision making process, therefore it allows for flexibility so that it can be applied at different levels of depth depending on the resources (e.g. time) available.