Overseas Development Institute

# Partnerships for Sustainable Development:
## *Do We Need Partnership Brokers?*

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programme on

Optimising the Development
Performance of Corporate Investment

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For further information on this project, please contact:
Michael Warner
Research Fellow
Poverty and Public Poverty Group
Overseas Development Institute
111 Westminster Bridge Road
London SE1 7JD, UK

Email: m.warner@odi.org.uk
Tel: +44 (0)20 7922 0300
Fax: +44 (0)20 7922 0399

For further on the programme on Optimising the Development Performance of Corporate Investment please see: http://www.odi.org.uk/pppg/activities/country_level/odpci/

# Partnerships for Sustainable Development: *Do We Need Partnership Brokers?*

## Headline Messages

- Unlike contractual relationships or public–private partnerships, partnerships for sustainable development between business, government and civil society, seek not to *shift* responsibility and risk from one party to another, but to *share* risks and *pool* resources and talents.

- In the context of implementing sustainable development and corporate social responsibility (CSR) objectives in poor countries, no company can be all things to all stakeholders. Its success in this area will depend on a business model that exploits its core competencies while partnering with those who bring the necessary complementarities to form more complete solutions. Partnerships for sustainable development are thus no different in principle from conventional business-to-business strategic alliances.

- Given the importance of objectively weighing the merits of a partnership against the alternatives (such as the company outsourcing its social investment programme to an NGO, or relying on the government's redistribution of taxes towards local public services), as well as overcoming difficulties in negotiating the optimal division of roles between parties who may harbour mistrust, it is no surprise that impartial 'brokers' are sometimes pivotal to the early exploration and development of multi-sector partnerships.

- For the most part it is a valid presumption, and indeed critical to the effectiveness and sustainability of many partnership, that partners learn to solve problems jointly and negotiate agreements *without* dependence on a third-party broker. But problems can and do arise, in particular where there are large numbers of partners involved, or where partners have conflicting work cultures and ethics. In these circumstances, third-party brokering at strategic points in the partnering process, such as negotiating a Partnering Agreement, becomes not only defensible, but often decisive.

## Introduction

Strategic alliances between business, government and civil society are a growing feature of both developed and emerging economies. Such multi-sector partnerships are necessary because it is increasingly clear that no one sector in society can solve the complexities of sustainable development on its own.

Partnerships for sustainable development are relatively novel phenomena. Why? Because, unlike contractual relationships or public–private partnerships, they seek not to shift responsibility and risk from one party to another, but to share risks, pool resources and talents and deliver mutual benefits. In the context of implementing sustainable development and corporate social responsibility (CSR) objectives in poor countries, no company can be all things to all stakeholders. Its success in this area will depend on a business model that exploits its core competencies while partnering with those who bring the necessary complementarities to form more complete solutions. Partnerships for sustainable development are thus no different in principle from conventional business-to-business strategic alliances (Warner, 2002).

## Business Strategy in Alien Markets

Business partnerships are often the favoured strategy of companies seeking to penetrate alien markets, i.e. where the business risks and constraints relate to a company's lack of market-specific experience or competencies. In many developing countries, the risks and constraints to doing business are not only commercial but also social and political, the latter characterised by, *inter alia*, chronic poverty, disease, corruption, government mismanagement, violent conflict, human rights violations and new requirements for indigenisation. Without the experience or competencies to manage commercial interests in such an alien environment, conventional business logic would suggest the formation of alliances with those who can strategically fill the gaps.

In their recent (2002) synthesis report on the World Bank's Business Partners for Development (BPD) programme, Price Waterhouse Cooper concluded that partnerships between corporate operators, NGOs, local businesses, governments and multi- and bi-lateral development agencies, can deliver many of the same benefits currently attributed to conventional strategic business alliances, namely:

- **knowledge** to enable companies to do business in alien markets – such as local NGOs contributing information about the development priorities of local communities living in the vicinity of oil production fields, for example so that companies can better manage operational risks;

- **access to specialist capabilities or resources** - for example, the community participatory planning skills of NGOs that improve the effectiveness with which extractive industry and infrastructure companies retain their informal social licence to operate with local communities; or the strategic planning frameworks and expenditure budgets of government agencies that assist in sustaining company-led social investment programmes in the long term;

- a **sharing of the risks and costs of new ventures** - in particular reducing the long-term costs and reputational liabilities of providing local communities with the public services that should properly be the responsibility of governments; and

- a **complementarity of capabilities** - where the core competencies of the company (e.g. distribution network, project management skills, procurement policies) are applied or adapted to enhance the geographic reach, time to benefit, quality and/or sustainability of the activities of its strategic partners, in this case NGOs, government agencies, community groups or international donor agencies.

## Partnership Development and Management

Nevertheless strategic partnerships for sustainable development are no panacea. Early in the process of formulating a partnership arrangement, the value of the partnership must be objectively weighed against the alternatives, such as the company implementing its community programmes on its own, outsourcing to an NGO, or simply relying on the redistribution of tax revenues through the government.

There are also obstacles to overcome in negotiating the optimal division of roles between the parties - parties who at a minimum view the world differently, and on occasions harbour mutual mistrust or even hostility. Further, a partnership, like any new relationship, also needs regular maintenance, for example in re-organising to respond to external commercial realities and political events. Given the context of multi-organisational partnerships, as the complexity of these relationships grows, so too does the importance of effective relationship management.

Given this array of challenges, it is no surprise that partnership 'brokers' are sometimes pivotal to the successful exploration, development and maintenance of multi-sector partnerships.

It would be wrong, however, to assume that the term 'broker' applies only to an independent third party. There are at least two types of partnership brokers. An *External broker* is the most obvious: an independent third party invited to act as an impartial facilitator during part of a partnering process, and who might be involved in exploring the feasibility of adopting a partnership approach, building a robust and efficient partnership agreement, or maintaining the effectiveness of a partnership over time. In practice, however, a 'brokering' role can also be performed by an individual from any of the partner organisations. An extension of the idea of a partnership champion, an *internal broker* may take on the task of preparing their organisation to work in a multi-sector partnership; negotiating their organisation's involvement in a partnership; providing a focus for maintaining a partnership arrangement and/or tracking the costs and benefits; and, on occasions, taking on the temporary role of a facilitator to move the overall process of partnering forward.

## To Broker or not to Broker?

At a recent CSR Conference (Ethical Corporation, 18 April 2003 in London), one of the panel discussions centred on 'partnerships' (see notes on panel discussion: http://www.ethicalcorp.com/content.asp?ContentID=525). Some on the panel argued that independent (external) third-party partnership brokers are not needed, the rationale being that, if the partners cannot work out a way to work together and develop mutual trust on their own, then perhaps the partnership should not be formed in the first place. This view is easier to support when the partnership is a relatively simple 'one company-one NGO' alliance, with the company effectively outsourcing its community or social investment programme and the NGO a willing sub-contractor.

Where external third-party brokering comes into its own is with complex multi-sector or tri-sector partnerships (Tennyson and Wilde, 2000), where these are constructed as a voluntary collaboration to promote sustainable development based on the efficient allocation of complementary resources across business, government and civil society (Business Partners for Development, 2000), in other words where the parties pool their competencies and share the risks.

Within such multi-sector partnerships, particularly in their formulation and early stages, inherent mistrust between the non-traditional partners, conflicting organisational cultures, and the need to achieve optimal complementarity in the division of roles, require not only good skills in stakeholder analysis, consultation and risk assessment on the part of the individual partners themselves, but may require the guiding hand of an impartial third party, skilled in consensual negotiation.

The style of negotiation adopted to formulate and maintain partnerships is critical. Ask anyone in business if they think they can broker a partnership and they will frequently reply in the affirmative. They may point to their long experience in negotiating complex transactions and even in arguing their own remuneration packages. But put them in front of a culturally diverse group of individuals drawn from the business, public and voluntary sectors, with the objective of jointly designing and delivering a complex social investment programme in a poor country or region, and the normal 'hard-ball' negotiation tactics soon fail.

Brokering partnerships between non-traditional parties requires an altogether different method of negotiation. The approach should aim to transform mistrust, and any presumptions that the parties are adversaries, into an open discussion based on mutual trust and outcomes derived through joint problem-solving, transparency and mutual satisfaction. *Box 1* illustrates the difference between these two styles of negotiation.

*Box 1 Types of Negotiation*

'Negotiation was Chris' forte, and the progress of his career had definitely been assisted by his talents in this area. He could play 'hard-ball' with the best of them; overstating his position and then, with a flare for the dramatic, conceding item by item until he arrived at the end game with the very same wins he had privately sought from the outset. Whether the other party left the meeting satisfied was of little concern.

An alternative, and a style he found himself increasingly adopting with local communities and government officials, was to negotiate by proactively trying to satisfy his opponent's hidden interests, not just his own. He found that with a few carefully chosen questions he could quickly reduce the opening statements and, often hostile, demands of his adversaries to their deeper, underlying motivations and interests. From this it was a relatively small step to demonstrate that he or his company was in a position to contribute to meeting these interests, not in the exact way originally conceived, but with an alternative solution that still met with their satisfaction.'

*extract from:* The New Broker (Overseas Development Institute, London 2003)

The benefits of a consensual, *interest-based*, approach to negotiating partnerships are many. It helps develop trust, establishes a culture of joint problem-solving, and builds new channels of communication. Less clear is whether a third-party, external, broker is a prerequisite to success. For example, in some local societies, community stakeholders would rather see a face they recognise, trust and respect (such as the company Community Liaison Officer, NGO village worker, or local government representative) than a stranger carrying no such authority but claiming to be independent. Such circumstances point to the notion of 'internal' brokers: individuals within partner organisations skilled in interest-based negotiation, and able to act as impartial brokers at strategic points in the partnering process.

In summary, in brokering complex multi-sector partnerships a consensual, interest-satisfying, style of negotiation is preferable to an adversarial approach. In addition, regardless of whether the broker is internal or external to the partnership, the key test is whether s/he is acceptable to all, has the necessary negotiation skills, and is trusted to behave impartially.

## Conclusion

To return to the comments from the conference panel on the need for third party brokers. Whether for 'one company–one NGO' partnerships or complex tri-sector partnerships, it is critical to their effectiveness and sustainability that the partners learn to solve problems jointly and to negotiate and augment agreements without dependence on an external third-party broker. But problems can and do arise, in particular where there are large numbers of partners involved, or where partners have conflicting work cultures and ethics. In these circumstances, an invitation to a mutually acceptable third party to broker consensus at strategic points in the partnering process, such as identifying potential partners or negotiating a Partnering Agreement, becomes not only defensible, but often decisive. To illustrate, *Box 2* describes some of the actual steps taken to formulate a multi-sector partnership to manage income restoration following community displacement from coal mining activity in West Bengal, India (Business Partners for Development, 2002). Partnering activities in which an external third-party broker played a role are highlighted**.**

*Box 2 Role of A Partnership Broker – An Example from India*

Third party role highlighted

PARTNERSHIP EXPLORATION PHASE

- Senior Director of the company (Integrated Coal Mining Ltd.) agrees to support a process of partnership formulation
- **Terms of Reference agreed to govern a three-month process of multi-stakeholder dialogue to find suitable partners and negotiate a Partnering Agreement**
- Field visits to mine impact area to review on-going social management programme of company
- **Exploratory stakeholder workshop identifies best-bet partnership social themes and potential partners**
- **Consultation with potential NGO, government and community partners to secure buy-in and define expectations**

PARTNERSHIP BUILDING PHASE

- **Training of partner negotiators in principles of consensual negotiation**
- **Workshop to build trust between partners and negotiate a formal Partnering Agreement**
- Preparation of detailed workplans and Key Performance Indicators
- Preparation of separate contracts to manage resource flows from company to NGOs

PARTNERSHIP MAINTENANCE PHASE

- Continuous dialogue between partners
- **Periodic reviews of progress and SWOT analyses**
- Skills training for NGO partners to be able to deliver on their commitments
- Independent evaluation of partnership outcomes after 1 year

*Source: (Business Partners for Development, 2002)*

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