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Creating and Measuring Shared Economic and Social Value in Developing Countries Through Cross-Sector Partnerships

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CREATING AND MEASURING SHARED ECONOMIC AND SOCIAL VALUE IN DEVELOPING COUNTRIES THROUGH CROSS-SECTOR PARTNERSHIPS

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Abstract

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This dissertation consists of three manuscripts that examine the collaboration of non-profit, non-governmental organizations (NGOs) and social enterprises with multi-national enterprises (MNEs) in developing countries. The first manuscript examines the new breed of NGOs that have a market-based focus rather than an aid-based, CSR focus. Drawing from preliminary interviews with businesses, non-profit organizations, and social enterprises in Kenya, the study theorizes a model of the processes behind this change. The second manuscript addresses how partnerships with NGOs can facilitate market entry for MNEs. Using a case study of American Standard and their involvement with International Development Enterprises (iDE) and other NGOs, the study demonstrates the contributions and challenges of cross-sector partnerships in each phase of American Standard's market entry into Bangladesh and sub-Saharan Africa. The final paper examines the measurement and reporting practices for corporate social initiatives. Using content analysis of sustainability reports, an assessment of sustainability reporting and measurement processes was conducted to identify best practices and challenges in the measurement of corporate social initiatives. The manuscript examines the alignment of corporate performance indicators with the United Nation's Sustainable Development Goals and offers a framework to aid researchers and managers in the development of performance measures. These three manuscripts highlight the important motivators underlying the rise in MNE-NGO collaboration and offer insight in the creation of shared economic and social value in developing country environments.

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Chapter 1

Introduction

As multi-national enterprises (MNEs) seek to enter into developing and emerging markets with challenging institutional environments, their success is often contingent upon the network of relationships they are able to develop in order to navigate the various social, political, and economic complexities in these settings ((Johanson & Vahne, 2009). These markets are often characterized by underdeveloped institutions, poor infrastructure, and increasing demands for corporate social involvement (Hadjikhani, Elg, & Ghauri, 2012). These challenges may be mitigated by partnerships between MNEs and non-governmental organizations (NGOs) that have the potential to help facilitate MNE entry into these markets and to help MNEs to acquire the organizational learning and legitimacy necessary to survive in these environments. At the same time, these alliances can help NGOs to expand their social outreach and community impact. Consequently, there has been a proliferation of cross-sector partnerships over the last decade (Pedersen, 2013) where MNEs and NGOs form alliances in an effort to create economic and social value in developing country communities; and both MNEs and NGOs report that they plan to increase the number of partnerships in the coming years (Pedersen, 2013).

NGOs are considered part of the larger "civil society" which Brown, Khagram, Moore, and Frumkin (2000) define as "an area of association and action independent of the state and the market in which citizens can organize to pursue social values and public purposes which are important to them, both individually and collectively" (p. 280). By nearly all accounts, NGOs have become increasingly powerful today (Doh & Teegen, 2003). Over the last 50 years, NGOs have been credited with many positive developments such as civil and human rights, emergency aid, women's rights, awareness of diseases such as AIDS, and environmental protection (Attali, 2005). The subordination of civil and political rights in many developing countries has sometimes allowed multinational corporations to historically take advantage of lax environmental, tax, and labor standards in developing countries (Van Tuijl, 2000). Consequently, international NGOs have stepped in and work closely with local community organizations and governments to build their capacity for the delivery of services and the provision and enforcement of civic, political, social, and economic rights (Van Tuijl, 2000). NGOs and MNEs have both discovered that it is much better to engage proactively and constructively than in an adversarial relationship (Doh & Teegen, 2003).

Problem Statement

While the UN has boasted of the success of these partnerships, some critics contend that these ventures contribute very little to development, and are little more than platforms for public-relations and marketing schemes by profit-hungry corporations looking for fortunes at the bottom of the pyramid (Reed & Reed, 2009; Utting & Zammit, 2009). Alternatively, others contend that the boom in MNE-NGO partnerships is at least partially due to a growing recognition and acceptance of the fact that it is not evil for corporations to make a profit as they make investments to improve social environments (cf., Porter & Kramer, 2011).

In spite of the growing number of partnerships, there is evidence that many of these alliances suffer from "partnership fatigue" and only a small proportion achieve the desired economic or social benefit. For example, Rein and Scott (2009) studied six partnerships in southern Africa and found that it was difficult to assess the real benefits to the target groups because the partnerships lacked effective monitoring and evaluation procedures as well as consistent governance and accountability structures. Similarly, Jamali and Keshishian (2008) found that none of the five partnerships they examined in Lebanon were able to evolve past the philanthropic stage to a more strategic level, as intended, because of the low centrality and specificity of the corporate social responsibility (CSR) activities and the “subsequent minimal engagement in the partnership given its modest strategic value for the firm” (p. 291). Thus, while there is anecdotal evidence of successful MNE-NGO partnerships, researchers have confirmed that the proliferation of MNE-NGO partnerships have largely failed to achieve the promised benefit of sustained economic and social value. This is largely due to weak governance, accountability, and measurement processes within these partnerships (Rein & Scott, 2009). This research investigates how partnerships can be a strategic resource by examining the trend toward market-focused partnerships, providing an in-depth investigation of how market-based partnerships can facilitate the internationalization process, and exploring the measurement practices within partnerships.

Research Purpose and Significance. Prior research has recounted several examples of partnership projects and initiatives and has identified many of the benefits and challenges associated with these alliances (Anand & Khanna, 2000; Arino & de La Torre, 1998; Perez-Aleman & Sandilands, 2008,) as well as the factors necessary for successful partnerships (Doh & Teegen, 2003; Jamali & Keshishian, 2008). Researchers such as Prahalad (2006) and Porter and Kramer (2006, 2011), who have demonstrated that there are “fortunes at the bottom of the pyramid,” and who urge organizations to simultaneously create shared economic and social value, have convinced both MNEs and NGOs of the wisdom of creating shared value through partnerships. However, few researchers have addressed the actual processes and mechanisms through which this is done. This research addresses this gap and contributes to the study of MNE-NGO partnerships by seeking to achieve three objectives: 1) investigate how the recent trend toward market-based NGOs has affected the nature of MNE-NGO relationships and how they might be utilized to achieve higher levels of economic and social benefit, 2) demonstrate how MNE-NGO partnerships can facilitate the internationalization process, and 3) explore the measurement practices of partnerships and offer a conceptual model to increase the effectiveness of measurement within partnerships. This is accomplished by three manuscripts that use a variety of methodological approaches.

Research Manuscripts

This research examines MNE shared valued initiatives and partnerships with NGOs and social enterprises in three separate manuscripts that will be submitted for publication. The first paper is a conceptual article that addresses the new breed of NGOs that have a market-based focus rather than an aid-based CSR focus. Drawing from preliminary interviews and a review of the literature, it investigates the factors that are driving this change, what NGOs and MNEs are facing in accommodating this new focus, and the associated challenges. The study looks at the factors that are necessary for effective market-based partnerships and concludes that reconciling their identities within these partnerships may be the largest challenge for NGOs and MNEs in future years.

The second paper investigates how partnerships with NGOs can facilitate MNE market entry. Using a case study of American Standard and their involvement with International Development Enterprises (iDE) and Water for People, it outlines the partnerships contributions and challenges in each phase of the internationalization process. These partnerships have facilitated the development and marketing of a new toilet pan in Bangladesh and sub-Saharan Africa and have created the foundation for a new business unit for LIXZIL, the parent company for American Standard.

The final paper investigates how social impact is measured. Although much has been written about creating shared value and the importance of monitoring, evaluating, and measuring results, few studies have addressed the issue of how to social initiatives are measured by corporations. Content analysis is used to examine the sustainability reports of corporations that are leaders in the area of social and environmental reporting and shared value initiatives. Using the stated goals for 2020 and beyond as a proxy for corporate involvement, this study surveys the reporting practices, performance indicators and metrics utilized by leading corporations and assesses the alignment of corporate goals with the United Nations Sustainable Development Goals. The study compares theory with practice and suggests a framework for incorporating best practices in the measurement of social initiatives.

Chapter 2

The New Breed of Business-NGO partnerships: Market-Based Vs. CSR-Based

Considerable attention has been given to the possible synergies that exist when private corporations work with non-profit, non-governmental organizations (NGOs) in emerging market environments. Indeed, business-NGO partnerships have become a popular means of engagement for multinational enterprises (MNEs) as well as small and medium enterprises (SMEs). Spurred by calls from the United Nations for businesses to become “partners in development,” there has been a dramatic increase in the number of business-NGO partnerships over the last decade (Doh & Teegen, 2003; Pedersen, 2013). The study presents a key challenge that contemporary NGOs are facing in their role in the improvement of social conditions in emerging market countries, namely, increasing their market focus as organizations. This change can alter their role *vis a vis* their MNE partners, with unclear lines of responsibility and ensuing conflict.

To explain the rise of this phenomenon, this paper offers some insights from the implementation and expansion of MNE-NGO partnerships using the market-based approach. The study discusses the factors which have motivated NGOs to turn toward a market focus, and the pitfalls they face in these organizational transformations. After a brief delineation of these points, this study highlights some of the major strategic insights NGOs have begun to adopt from their move to market-based approaches and the implications for MNE-NGO partnerships. It is, therefore, interesting to explore the increasing critical scrutiny of this evolution. Finally, this paper reviews how this continuing move places NGOs in a place requiring clear protection of their identity and the importance for MNEs to actively aid in managing identities in these MNE-NGO partnerships.

Background

The typical business-NGO partnerships provide a venue for both corporations to execute CSR activities and NGOs to gain a source of funding to carry out their mission. However, the nature of the business-NGO engagement has recently begun to change to more of a market focus, where NGOs and businesses collaborate to create economic and social value, rather than the typical CSR-focus where partnerships facilitate corporate social responsibility initiatives. One of the main drivers of this movement is a new breed of NGOs who insist on market-based approaches to address social needs in impoverished emerging countries. For instance, the largest NGO globally, BRAC, depends for only 20% of its budget on donations, using creative initiatives, such as microfinance, for the bulk of its revenues (The Global Journal, 2013). This trend represents the evolving values and strategies of NGOs as they look for more effective ways to achieve social transformations.

iDE, a participant in the study here, is an example of an NGO with international outreach that "creates income and livelihood opportunities for poor rural households" (iDE, 2017). This market-based movement offers a rebuttal to critics who charge that the proliferation of NGOs and philanthropy programs have done little to change the plight of the poor in emerging market countries (Goldberg, 2009). It may also pacify Milton Friedman adherents who argue that businesses are only being socially responsible when they make profits for their shareholders (Friedman, 1970).

The concept of business-NGO partnerships that create economic as well as social value is not new. Prahalad and Hart (2001) provided examples and advice on how multinational corporations could reap "fortunes at the bottom of the pyramid" by developing low cost products and services to meet the needs of the poor. Porter and Kramer (2006, 2011) have also been avid proponents of companies using competitive advantage to create shared economic and social value and provide tools to assist businesses in this effort through FGS, its consultancy group. What is relatively new is the number of NGOs and funding organizations that have changed their approach away from donor-funded CSR projects to market-driven strategies that bring hope for sustainable social and economic impact in the communities in which they work. These organizations are also actively recruiting business partners and appear to be powerful and effective collaborators in helping partnerships to achieve the appropriate balance of economic and social benefit.

Similar to NGO partnerships, MNEs are also partnering with social entrepreneurs and social enterprises, who create new hybrid firms that are legally chartered for both missions. For example, Sanergy, an organization that provides portable toilets in the slums of Kenya and converts the waste into organic fertilizer, is registered both as an NGO and a for-profit organization, which allows them to take advantage of funding opportunities from investors and donor grants (Okeefe, 2015).

Market vs. CSR Focus

NGOs and partnerships with a market-based focus take a business model approach to their work. Drawing from a recorded discussion with Erik Simanis, Head of the Frontier Markets Initiative at Cornell University, and Anna Gerrard, Technical Advisor at the NGO Sightsavers, the rising legitimacy of adopting a market focus was clear.

Simanis suggested that a market focus requires a change in mindset in how the recipients of services are viewed (Business Fights Poverty, 2015). A central feature in this change in mindset is the approach of NGOs to their service delivery. Specifically, recipients must be considered more as “consumers” of goods and services, not just beneficiaries. The “CSR” or donor approach provides services for free – and can thus dictate the type of product or service they give. With a market approach, NGOs and businesses must learn to recognize that "consumers" may want something different. Importantly, with the consumer in control, there are significant changes in how NGO personnel must interact with the consumer. In a market approach, goods and services are sold to consumers so NGO employees become aware of, and must be concerned with, prices and margins to insure that the initiative has a profit and a sustainable business model. Similarly, when using a market-based approach, businesses must also respond differently. From a CSR standpoint, recipients are viewed as beneficiaries rather than consumers, and the focus is on the company's reputation and the social impact of the money spent rather than what needs to be done to make a profit.

A review of the literature and interviews with business and NGO partners provided insights into the benefits, risks and challenges of using a market-based versus a CSR-based approach to business-NGO partnerships. The next section identifies the drivers for this change in focus. It then examines market approaches used by seven NGOs and propose a model of key factors required for successful NGO-MNE partnerships.

Drivers for Market-Based Approaches to Partnerships

Market-based approaches to partnerships focus on creating a sustainable benefit to society by marketing affordable or subsidized products or services within poor or marginalized communities. Organizations must create and enable demand by removing barriers that prevent the access of good and services (Captiva Africa, 2016). This may involve microfinance schemes or franchise and agency models that locate the products or services close to the consumers and help achieve scale. Four global trends that have intensified the demand for market-based approaches to development are: 1) the need for MNEs to seek growth opportunities in emerging market countries, 2) the rise in power and influence of NGOs, 3) the competition for donor funding among NGOs, and 4) the search for more effective development strategies.

MNE Expansion into Emerging Market Countries. With the current pace of globalization, continued international expansion is often critical to the health and survival of multinational enterprises (MNEs), and the best potential for long-term growth resides in emerging markets (Schuster & Holtbrügge, 2012). However, securing entry and gaining legitimacy in new countries is a key stumbling block to that ambition (Zaheer, 1995). A report released by Citi Private Bank predicts that the top five countries for economic growth between 2010 and 2050 are Nigeria, India, Iraq, Bangladesh and Vietnam (Pechtimaldjian, 2012). These emerging markets are often characterized by unstable market conditions, a high level of influence by the state, and increasing demands for corporate social responsibility (Hadjikhani et al., 2012).

Consequently, Hadjikhani et al. (2012) suggest that the three pillars in these business environments—business, social, and political relationships—present special challenges to MNEs because of the extensive differences among countries and the less-developed institutional regulations. Research indicates that in these environments, business performance is highly dependent on successfully managing the relationships among these different actors in their business networks (Elg, Deligonul, Ghauri, Danis & Tarnovskaya, 2012). Because NGOs are familiar and resident within the local institutional context, they can provide MNEs with networks, guide them in the social and political environments, and facilitate organizational learning in the local community. Consequently, corporations are increasingly seeking to partner with NGOs and social enterprises in these environments.

The Rise in Power and Influence of NGOs. The influence of NGOs in business, governments and society is undeniable. They are largely responsible for the civil rights movement in the U.S., environmental reform in many industries, and human rights reform across the globe (Oetzel & Doh, 2009). The power of NGOs has been strengthened by coalitions of international NGOs and local organizations who collaborate and advocate for solutions to meta-problems that affect people in almost every country (Attali, 2005). What once was a two-way relationship in which governments regulate and influence the affairs of business, has now become a three-way negotiation relationship in which NGOs "function as both a distinctive force influencing business and corporate policy directly, and a moderator or intermediary through which the business-government dynamic is shaped, altered, and at times, amplified or distorted" (Doh & Teegen, 2003, p. 2). Similar to corporate mergers and diversification, NGOs have also expanded their power by joining forces and taking on issues of much broader significance (Van Tuijl, 2000).

ActionAid, for example, which began as a single-focus charity involved in the education of children in India and Kenya, has recently joined networks with other NGOs and government officials to enhance their knowledge on tax policies and practice, and to strengthen their advocacy efforts at national and regional levels (ActionAid, 2013). In an article entitled: "Tax Incentives: The Race to the Bottom," (ActionAid, 2012), an ActionAid finance officer reported on a Tax Justice Network meeting among government officials and civil society representatives from several African countries. The meeting emphasized the fact that while tax incentives attract economic development, tax revenue is the largest source of income for governments, and multinational corporations are potentially using incentives and tax avoidance strategies to drain nations of revenue needed to fund public services. Consequently, the attendees were urged to organize and mobilize to get their governments to move faster on reviewing and reforming tax incentive policies (ActionAid, 2012).

Similarly, the Tax Justice Network in the Netherlands reported a significant milestone when parliament adopted a motion calling for action to end tax avoidance by multinational companies via the Netherlands, where more than 23,000 mailbox companies are registered to take advantage of the country's huge network of bilateral tax treaties (ActionAid, 2013). Clearly, along with the fact that NGOs can provide substantive resources for firms to aid in new market entries, MNEs ignore the growing influence of NGOs to their own detriment.

The Competition for Donor Funding. One of the reasons behind the internationalization of NGOs has been to better compete for donor funding (Aldashev & Verdier, 2009; Dichter, 1999). Competition for donor funding can be fierce. One NGO executive indicated his embarrassment when a corporate vice president remarked in an interview, "I thought competition in business was bad, that's nothing compared to the competition among NGOs." Other research has elaborated at length on how the competitive nature of inter-NGO relationships has affected behaviors such as information sharing (Wakolbinger, Fabian & Kettinger, 2014).

Just as competition has driven corporations to look for innovative ways to survive competitive threats, market-based approaches supplement donor funding and can ensure that projects are self-sustaining and can still survive when other funding sources dry up.

The Search for More Effective Development Approaches. Development experts have a long-standing debate on what are the most effective ways to help raise income and subsistence levels for the poorest populations of the world. Years of foreign aid has seemingly made but a small impact on the recipient countries and some even advocate doing away with foreign aid altogether (Bhatia, 2015). Critics contend that many aid programs are self-serving and not designed to reduce poverty; they reduce the accountability of governments, and they often come with demands that equate to undemocratic policy changes (Bhatia, 2015). For example, CARE announced that it would no longer accept food aid from the United States because it often increased the wealth of the donating farmers and crowded out small-scale farmers in the poor, recipient countries (Harrell, 2007).

Critics also suggest that measures such as opening up trade borders and eliminating tax havens for corporations would be more effective than many aid programs. Development experts have suggested that bottom-up, market-based approaches that allow residents of poor countries to participate in the free-market economy would be more effective in achieving sustainable economic and social growth (Barbier, 1987). In fact, multilateral aid organizations such as the World Bank, USAID, and UKAid, as well as major foundations such as the Gates Foundation, give preference to sustainable development and partnership models (Topal, 2014). These organizations promote the involvement of private business and provide incentives by offering proof of concept grants and seed money for market-based partnership innovations. Consequently, a new wave of NGOs and social enterprises, seeking to create economic and social value, are joining forces with businesses seeking to enter new markets.

The next section looks at the mechanics of how market-based partnerships work and shares some of the insights and challenges elicited from top executives and administrators, based on interviews with business and NGO partners as well as case studies provided in the literature.

Methodology

In order to answer the research question of how market-based NGOs differ from traditional NGOs and the implications for MNE-NGO partnerships, an extensive literature review of market-based partnerships was conducted and seven NGOs with market-approaches were examined in further detail. Water for People and iDE are two market-based international NGOs working in the water and sanitation sector. These organizations were selected because they have partnered with corporations such as American Standard and Koehler in the introduction of products into BOP markets. Other NGOs with market-based approaches were investigated including Sightsavers, an international NGO located in the United Kingdom that works to prevent and treat avoidable blindness; Population Services International (PSI), which works in more than 50 countries to ensure access to health products and services; BRAC, the largest NGO in the world in terms of employees and people helped; Kiva, a microfinance platform; and Acumen, an impact investment organization which invests in social entrepreneurs.

Reports, articles, videos, conference presentations, organizational policies and academic publications related to these organizations and other market-based partnerships were examined. Telephone interviews were conducted with representatives from iDE and Water for People. This review was supplemented by on-site interviews with NGOs, businesses and aid organizations in Kenya to better understand the nature of partnerships in developing countries. A total of 12 interviews were conducted. The Appendix lists the names and the titles of the individuals interviewed. Data was collected over a two-year period from 2015 to 2017.

Interviews were transcribed and coded to determine success factors and challenges faced by market-based NGOs and partnerships. This review uncovered the monumental change in the relationship and management of these partnerships based on the new NGO emphasis on a market focus. Four themes repeatedly emerged from the literature and the interviews as critical components for successful market-based partnerships: entrepreneurial mindset; a bottom-up, consumer focus; strategic fit; and a low-cost, high volume business model. The following section gives an overview of the seven NGOs investigated and their market-based approaches. Then, it discusses the critical success factors for market-based partnerships with MNEs and the challenges posed by these partnerships.

Market-Based NGOs

The market approaches and partnership patterns of the seven NGOs examined in this study are summarized below.

PSI

PSI's mission is to ensure universal health coverage that allows all people to obtain the health products and services they need without experiencing financial hardship. Their approach is to develop markets by simultaneously increasing supply and demand (PSI, 2016). Using social franchising, similar to corporate franchising of a restaurant, a health care provider or business person can open a clinic or health care center to provide health care services and products to clients at affordable prices. Individual or organizational investors may give or loan money to a health care franchise. PSI provides training, an enhanced reputation from brand affiliation, lower costs for products due to bulk purchasing, and quality control. In early 2017, PSI operated 33 health franchises in 30 countries in Asia, Africa and Latin America (PSI, 2016).

In 2015, the 'Familia' Social Franchise in Tanzania had 262 facilities operating under the franchise. According to Ms. Fauziyat Abood, "all offer comprehensive family planning services, 80 offer Integrated Management of Childhood Illness (IMCI), and 48 are participating in Malaria Rapid Diagnostic Tests pilot being partnered by PSI and the government" (Tambwe, 2015). An evaluation of the franchise in 14 regions resulted in favorable comments from the community (Tambwe, 2015).

PSI has several corporate partnerships such as the Healthy Communities program where it partners with the pharmaceutical company Pfizer “to develop sustainable and scalable models of hypertension management in high-burden countries” (PSI Impact, 2017). The program is designed to support the UN Sustainable Development Goals and has an initial goal of screening 500,000 people and training 400 healthcare workers in private health facilities in Myanmar and Vietnam (PSI Impact, 2017).

Sightsavers

Sightsavers seeks to develop scalable, cost-effective approaches to eye care and education of visually impaired children. It has a robust research strategy to keep up with the existing body of evidence and to generate new evidence to address global knowledge gaps (Sightsavers, 2016). The organization uses a portfolio approach to its programming and partners with Cornell University’s Frontier Markets Initiative to address eye care in India. Consumers there are reluctant to wear glasses because of a strong stigma associated with wearing eye glasses. Parents were concerned that their daughters may not get married because of the “blemish” of wearing glasses and drivers felt they would lose customers if they wore glasses. “Viewing the issue through a business lens enables us to expand our thinking beyond the current and future constraints of public health and create consumer demand-focused and scalable models,” commented Anna Gerrard, Technical Advisor for market-based and private sector programs at Sightsavers. Gerrard admits that this approach is new and challenging for NGOs, “success has not been proven at scale and best practices are limited.”

BRAC

BRAC started its flagship social enterprise, Aarong, in 1978 as a retail distribution for hand-spun silk products among consumers in urban markets with high demand and the willingness to pay. Today, the organization operates 16 profitable social enterprises in the health, agriculture, livestock, fisheries, education, green energy and retail sectors. These social enterprises provide economic contributions to the community and enable BRAC to fulfill its mission with a reduced dependency on donor funding. Fifty percent of the surplus goes back into the enterprise and the other 50% is used to support BRAC's development programs. BRAC also operates an investment unit, which consists of investments and financial products designed to support social causes such as low-income housing, microfinance, small enterprise loans and information technology.

BRAC utilizes business partnerships to maximize its impact and to extend its reach. Its Livelihood Enhancement through Agricultural Development (LEAD) Project in Tanzania has helped to raise the income of approximately 105,000 small farmers since 2013. The program was funded by the UK government (UKAid) and supported by private companies. YARA and SeedCo provided seeds and fertilizer to the famers and agronomists from both companies trained LEAD staff who, in turn, trained the farmers. Eight other private companies and a research institution also helped to support the efforts of the LEAD program (BRAC, 2017). In addition to partnering with private corporations, BRAC is in a strategic partnership with several government agencies.

iDE

iDE is a market-based development NGO with headquarters in the U.S. and has operations in 11 countries. Their work is focused on "building market systems that increase incomes through scaling transformative products, services and technologies" in agriculture, water and sanitation, and finance (iDE, 2017). Using a methodology called Human-Centered Design to develop products that are "feasible, viable, and desirable," iDE helped to facilitate the market entry of the SaTo toilet pan in Bangladesh and African markets (Y. Wei, personal communication, November 11, 2015).

In collaboration with the Gates Foundation's Water, Sanitation and Hygiene Strategy, iDE organized and led a team of engineers from American Standard to the Rajshahi region of Bangladesh where they conducted a market assessment prior to developing the SaTo toilet pan. The team observed the use of existing non-hygienic latrines, talked to latrine users, and "visited manufacturing facilities to understand existing capabilities and cost structures in order to develop a solution that could be economically mass-produced in Southeast Asia" (American Standard, 2014). "They [iDE] were really helpful in the logistical piece. Who do you need to talk to first? How do you actually work on the ground in this area? They were extremely helpful. We would not have been able to do it without their help," explained Jim McHale, Vice President of Engineering and Research & Development for American Standard (personal communication, November 19, 2015).

The SaTo toilet pan was constructed by injection molded plastic and was created specifically for the needs of Bangladesh—it was low cost, it did not require a major behavior change, and it was designed to solve the problems associated with existing latrines. It could be easily installed in existing latrines and it uses a mechanical and water seal to block the sights and smells in the latrine as well as reduce the transmission of disease by flies. While existing latrine components were made of concrete and ceramic, the original plastic SaTo pan could be affordably massed produced locally for about $1.50 per unit (Business Fights Poverty, 2014). "Thanks to our partnership, we suddenly saw plastic as a very interesting material for scalable, sustainable products for improved sanitation," noted Conor Riggs, Technical Director for iDE Bangladesh (iDE, 2014).

Water for People

Water for People is a market-based international NGO operating in nine countries in Africa, Asia, and Latin America with a mission of making drinking water and sanitation services and products accessible to all. Steve Sugden, Senior Project Manager for Sanitation, was introduced to American Standard's SaTo pan at the "Reinvent the Toilet" event. The organization initially purchased 200 of the pans to test them in Malawi. American Standard later donated 8,000 pans to the NGO for distribution in Malawi and Uganda. Water for People was happy to work with American Standard. "This is what we would be doing anyway," said Steve Sugden, Sr. Project Manager at Water for People in Malawi. "It's such a good product. The SaTo pan is the only product on the market, I think, that allows you to upgrade a pit latrine," remarked Sugden. "People find it very desirable. It's also very affordable. It's a very rare product and we are very enthusiastic about it." (personal communication, November 27, 2015)

Water for People and American Standard had a clash of ideologies because market-based NGOs are opposed to giving products away for free and American Standard ran a CSR campaign based on their promise to donate one SaTo pan for every Champion toilet sold in North America. The campaign resulted in over 500,000 free pans distributed by NGOs. Water for People, as well as iDE, had concerns that the distribution of the free pans by NGOs would distort the market. According to Sugden:

> It's directly against sanitation marketing. If you want to ruin the market, give something away . . . It is like a paradigm shift in the way the sector has traditionally worked and it will take time for everyone to get up to speed with that process. We know from past experience the way it distorts the market. It creates dependency by people expecting things for free from NGOs. You will never create anything sustainable by giving them away for free. (personal communication, November 27, 2015)

American Standard was able to resolve this issue by distributing the free toilet pans in different locations. Water for People maintains partnerships with several major corporations such as Coca-Cola and Colgate-Palmolive. They also have a commitment to follow-up on projects for a period of 10 years to evaluate their sustainability (S. Sugden, personal communication, November 27, 2015).

Acumen

Acumen boasts that it is “changing the way the world tackles poverty.” It does so by raising charitable contributions to invest in social entrepreneurs who can bring sustainable solutions to combat poverty (Acumen, 2017). Acumen’s investments come in the form of debt or equity and includes training and business support. According to Loise Nduati, Senior Business Associate in Acumen’s Nairobi office, the social impact of these enterprises is of greater interest to Acumen than the financial return. Acumen partners these small social entrepreneurs with corporations like SAP, who provided a Social Entrepreneur Fellowship for 10 of Acumen’s investees. These entrepreneurs spent 10 days in Silicon Valley learning how technology can strengthen their business, visiting other tech companies in the region, and talking with CEOs about how they built their businesses. When they returned to their homes, they worked on individual projects with 30- 60- and 90-day check-ins. Acumen developed training for middle managers, provided technical assistance, and offered training in human resource management based on the feedback from the participants in the fellowship (L. Nduati, personal communications, February 18, 2016).

Acumen began its Technical Assistance Initiative with Dow Chemical as part of the Clinton Global Initiative. The program provided technical assistance grants, matched the social enterprises with corporations that had employee skillsets that were needed by their organizations, and conducted annual summits in Nairobi, Kenya that brought together corporate CEOs and the social entrepreneurs. Other corporations such as Unilever, Coca-Cola, EY, and Barclays soon joined the conversations and partnerships. Priyanka Bhasin, Strategic Partnerships Senior Associate at Acumen explained:

> Corporations came to the Summits and said, ‘This is a fantastic way for us to engage in these markets without having to spend 10 to 15 years by ourselves trying to learn all the lessons that you entrepreneurs have already learned.’ And not only that, they were thinking— ‘okay, social enterprise, you have a need to do things at scale, we have scale. We have a need to get more in touch with the consumer in these markets, let’s partner. What are some initiatives we can initiate together to leverage one another’s strength?’ So that’s what the summits have been designed to do. (personal communication, February 26, 2016)

Acumen made an investment into a Kenyan cook stove company called BURN to bring their new low-cost, energy-efficient wood-burning stove to smallholder and plantation workers in Unilever’s tea estates in Kenya and Tanzania. Unilever partnered with BURN to reach tea farmers with messages on how to cook nutritious meals while promoting their brand. “Unilever is at the forefront of this kind of philosophy, changing the way business is done,” added Bhasin. “Working with social enterprises is not this side project, it’s not just philanthropy, it is core to their business and figuring out how do they source their ingredients by 2020 and how they can raise the support for communities around the world.” Unilever, Acumen and the Clinton Giustra Enterprise Partnerships are committing $10 million over five years to invest in enterprises that will strengthen Unilever’s supply chain as well as strengthen the communities where both Unilever and Acumen operate (P. Bhasin, personal communication, February 25, 2016).

Kiva

Kiva is an NGO with headquarters in San Francisco, California which seeks to help alleviate poverty by providing a platform for individuals to loan money to entrepreneurs and students in 83 countries around the world. Kiva works through field partners such as microfinance institutions, schools, NGOs or social enterprises, who then screen borrowers, post loan requests, disperse loans and collect repayments (Kiva, 2017). Newton Nthiga, Portfolio

Manager in Kiva's Nairobi office, indicated that they support social enterprises such as PowerGen, which installs micro solar grids in rural communities that are away from other power sources. PowerGen collects fees from those that are willing to connect to the solar grid and repays Kiva over a period of nine years (N. Nthiga, personal communication, January 12, 2016).

Kiva also provides loans to low-income college students in Kenya that have scored high on the national exams. Students must secure a job within one year of graduation and are given five to six years after graduation to begin repaying the loan.

Kiva boasts that its lenders crowdfund an average of $2.8 million in loans each week and that it has helped over 2.4 million borrowers since 2005, 459,659 of which were farmers. "We look at several metrics, for example, we look at the demographics, the average loan size and the poverty level of the borrowers and how they compare with the average income of the population," explained Nthiga (personal communication, January 12, 2016). Kiva receives funds from corporate donors such as HP, MetLife, and Google. Some corporations align their giving with employee engagement programs and give employees and customers and opportunity to choose the type of borrowers they wish to support (Kiva, 2017).

The organizations investigated for this study are summarized in Table 1 below.

Table 1. Summary of NGOs with Market-Based Approaches

Organization	Mission/Impact areas	Market Approach	Example	Sample Impact measures	Partnerships Examples
PSI Founded: 1970 Headquarters: U.S. Employees: 429 2015 Revenue: $636 M In 65 Countries in Africa, Americas, Asia and Eastern Europe	- Universal Health Coverage	- Social franchising of health care centers. - Total market approach where the poorest receive free or subsidized products and others purchase through the commercial sector	262 facilities operating under Familia franchise in Tanzania.	The 'disability-adjusted life year (DALY) averted' is the core performance metric. The DALY averted represents the number of years of healthy life saved by each unit of product deliver or service provided	Merck, Pfizer, P&G, Unilever, 95% of funding from governments, inter-national organizations and foundations
BRAC Founded: 1972 Headquarters: Netherlands, Bangladesh Employees 111,000 2015 Revenue: $727 M In 10 countries across Africa and Asia	- Long-term sustainable poverty reduction - social-economic development of the poor.	- BRAC Bank Ltd. - Aarong Craft Center - BRAC Printers -Dairy & Food Project - BRAC Tea Estates - poultry farms, feed mills, seed mills, prawn hatcheries	Livelihood Enhancement Project in Tanzania raised the income of 105,000 small farmers since 2013.	- Uses cost benefit analysis - Percent of income change - crop yields	Australian Aid UKAid Columbia University Gates Foundation Canadian Govt. Tomm's
iDE Founded: 1982 Headquarters: U.S. Employees: 944 2015 Revenue: $26 M In 11 countries in Asia Africa, and Central America	- Create income and livelihood opportunities for poor rural households - Market-based solutions in water agriculture, sanitation, hygiene and finance	- provide simple, affordable technology, training and life-changing products. - extend credit to make products affordable	Sold improved toilets and water filters to over 4 million individuals.	- No. of households reached - Average increase in household income & savings achieved - Ratio of money spent by iDE relative to aggregate increased income generated or saved. - Promised ROI of 10:1	American Standard Koehler National companies
Acumen Founded: 2001 Headquarters: U.S. Employees: 71 2015 Revenue: $26.8 M Offices in Mumbai, Nairobi, Accra, and Karachi	- Invest in entrepreneurs who can make a sustainable impact in reducing poverty - Focus areas: energy, housing, agriculture, health, safe water and education	- provide grants, training and opportunities to social entrepreneurs - match entrepreneurs with MNEs in partnerships that create shared value	Investments in Sahayog improved 23,000 small dairy farmers' business by more than 20% by offering microfinance to purchase cattle, training and paraveterinary services.	-Lean data using mobile technology for quick, inexpensive collection of data. Captures enterprise and producer level data to inform business decisions and to monitor and analyze of processes	Unilever Dow Coca-Cola Google SAP Goldman Sachs Cisco

Table 1. Summary of NGOs with Market-Based Approaches (continued)

Organization	Mission/Impact areas	Market Approach	Example	Sample Impact Measures	Partnerships Examples
Water for People Founded: 1991 Headquarters: U.S. Employees: 40 2015 Revenue: $12.4 M Operates in 11 countries in Asia, Africa and Latin America	- Provide sustainable access to safe water and sanitation	- Co-financing – requires local governments and communities to invest in projects - encourage neighboring communities & govern-ments to replicate models - build capacity of sanitation entrepreneurs to create demand	14 community water committees established borehole banks from the tariffs sets to cover the operation and maintenance of water points. A portion of the funds are used for microloans for local businesses.	Collects data through mobile technology. -tracks conditions of water points -capacity building efforts - % increase in service levels - % of households with useable latrines - % user satisfaction - jobs created	One Drop Foundation Coca-Cola Colgate-Palmolive Hilton Foundation Kimberly-Clark (social media campaign)
Kiva Founded: Headquarters: U.S. Employees: 119 2015 Revenue: M Operates in 82 countries	- Connect people through lending to alleviate poverty. - Focus areas: water and sanitation, clean energy, health, agriculture, education, and mobile technology	- Crowdfunding platform which works through field partners to provide loans to individuals	Kiva works with field partners to provide loans to refugees. Because these loans are risky and costly, Kiva assumes the risk of default.	- Number of borrowers and lenders - Loan repayment rate	MasterCard Hewlett Packard PayPal PepsiCo Skoll Foundation Deutsche Bank
Sightsavers Founded: 1950 Headquarters: England Employees: 422 2015 Revenue: £198.3M Operates in 30 countries in Africa, Asia and the Caribbean	- Work to eliminate avoidable blindness - Help people with visual impairments to live independently - Focus areas: eye health, education, social inclusion, neglected tropical diseases	- Market eyeglasses as a fashion enhancement to reduce the stigma associated with wearing glasses.	Partners perform millions of eye exams each year and refer people for treatment to prevent blindness or restore sight. Community volunteers help distribute medications.	- Number of people protected against river blindness - number of sight-restoring cataract operations - number of people treated with trachoma antibiotic's - number of eyes examined	Unilever UKAid Conrad Hilton European Union Gates Foundation Standard Chartered

Market-Based Approaches to Alleviate Poverty

The seven organizations used different, but related, strategies to tackle poverty in the regions where they operate. Five of the seven of the organizations have their origin in the United States and primarily work in the less developed countries in Asia, Africa, and Central and Latin America. Water for People, PSI, and Sightsavers restrict their focus to a primary sector of water and sanitation or health, while the other four organizations operate in a variety of sectors including education, agriculture, energy, water and sanitation, and health. The organizations studied use three main approaches in their efforts to alleviate poverty: 1) building markets to improve access to products and services 2) creating employment and income opportunities, and 3) helping social enterprises achieve scale.

Building Markets to Improve Access to Products and Services

iDE, Water for People, PSI, Sightsavers and BRAC were all engaged in market building activities. BRAC created a retail outlet to market the work of local artisans. iDE, for example, is partnering with Koehler to provide access to water filters and worked with American Standard to design and market the SaTo toilet pan to upgrade latrines. iDE specializes in sustainable sanitation marketing for rural regions and seeks to create demand primarily by community group presentations and demonstrations as well as engagement with the local government. Recent increases in literacy, electricity and cell phone coverage in rural areas of Bangladesh have allowed iDE to present messages using posters, cable and television networks. iDE also increases demand by linking customers to the private sector to make it easy for consumers to have access to sanitation products (iDE Tactic Report, 2016). They found that the small rural latrine producers who build and install latrines were isolated from the supporting services. “iDE jump-started these small producers by providing training, marketing support, entrepreneurial skills, but most importantly, the link to RFL" (Business Fights Poverty, 2014). RFL is the manufacturer for American Standard's SaTo toilet pan and now serves as a hub to connect small producers and provides them with quality control and product innovation. iDE works with latrine producers to provide a variety of sanitation products including an expanded sanitation system that incorporates the SaTo pan and provides a higher level of a hygienic toilet.

The informal nature of the markets in developing countries can present challenges to both consumers and producers (London, Anupindi, & Sheth, 2010). Often the poorest consumers face social and economic isolated and have limited access to markets (Mair & Marti, 2006). Market-based NGOs can help to fill institutional voids that restrict market access for certain groups. For example, women in Bangladesh have limited access to markets because of local political and religious norms (Mair & Marti, 2006). According to Steve Sugden of Water for People, "NGOs would be sort of a catalyst to get the market working as opposed to being an actual part of the supply chain" (personal communication, November 27, 2015).

Creating Employment and Income Opportunities

Kiva, as well as BRAC, used strategies to create employment and income opportunities. The loans facilitated by Kiva are mainly designed to help borrowers start and grow businesses or increase their education, and thus increase their income potential. Microcredit institutions have been criticized because many of the loans were designed to increase the number of consumers rather than producers (McKague & Oliver, 2012). Kiva lenders, however, are focused on producers. BRAC provides job skills training programs and employs over 110,000 people throughout its various industries. Since agriculture and food systems employ the majority of people in developing countries (World Bank, 2017), many of the efforts to increase livelihoods are directed towards smallholder farmers. Kiva, for example, provided loans to over 2.4 million borrowers, nearly 25% of which were farmers.

Helping Social Enterprises Achieve Scale

Acumen makes investments in early-stage companies with the potential to make significant impact by "providing reliable and affordable access to agricultural inputs, quality education, clean energy, healthcare services, formal housing, and safe drinking water to low-income customers" (Acumen, 2017). Acumen is one of a growing number of organizations and foundations looking for innovative ways to alleviate poverty through impact investing (Bouri, 2013). With the increased interest in impact investment has also come a renewed attentiveness to the measurement of social impact. Acumen has been at the forefront of this movement, which seeks to measure social and environmental impact with a similar rigor to that of financial impacts.

Social entrepreneurs are combining capitalism with innovative solutions to solve some of the pressing world problems, and organizations like Acumen are designed to help these enterprises grow and achieve scale. Murphy and Sachs (2013) note that "an explosion of creativity in social entrepreneurship has unfolded against the backdrop of a crisis in global capitalism" and suggests that social entrepreneurs are showing new ways of doing business by using profit to fund purpose and delivering individualized products that marry need with want.

The Role of Donors. While each of these organizations use market-based approaches to ensure the sustainability of their programs and minimize their reliance on donor funding, it does not negate the need for donors. "You will always need the donor side, the market model is not a replacement for donors," warns Erik Simanis, Head of the Frontier Markets Initiative at Cornell

University (Business Fights Poverty, 2015). With the exception of BRAC, all of these organizations still rely on donor funding for the major portion of their operating revenue.

Judith Rodin of the Rockefeller Foundation explains that charitable contributions will have a greater impact when they are combined with the resources of private business and a market orientation (Kozlowski, 2012):

> We recognized, if you put a price tag on all the social and environmental needs around the world, it is in the trillions. All of the philanthropy in the world is only $590 billion. So, the needs far exceed the resources. . . The one place where there is hundreds of trillions of dollars is in the private capital markets. So we, and others, began to wonder are there ways to crowd in private funding to some of these incredible needs.

The development of American Standard's SaTo pan for Bangladesh and the expansion into African markets was partially funded by Gates Foundation grants (J. McHale, personal communication, November 19, 2015). The Gates Foundation also suggested that American Standard partner with the market-based NGO, iDE, for the product design and testing.

Performance Indicators and Metrics. Market approaches will require a different set of performance indicators and metrics. The donor or CSR approach was to consider the maximum impact for the dollar spent. With a market approach, one must be concerned with what needs to be done in order to make a profit. For this reason, NGOs with market approaches are advised to run it like an innovation strategy. "It should be pulled out of the core activities and protected by management in the early stages. If it goes to scale it should be pulled into a social arm of the organization. You can then redefine the metrics and measures. In a separate arm you can give it room to grow," advises Erik Simanis of Cornell University (Business Fights Poverty, 2015).

Strategic Partnerships

The market-based strategies to tackle poverty used by the organizations studied—building markets, creating employment and income opportunities, and helping to achieve scale—

are all core competencies of private corporations and it only makes sense for these organizations to seek corporate partners to aid in their mission. These partnerships can help NGOs expand their social outreach and community impact while helping the MNE gain experiential knowledge and the legitimacy necessary for market entry and survival in these environments.

Acumen presents four partnership models that are used to match their social entrepreneurs with multinational enterprises. Partnership is defined as “a legally recognized relationship and/or a sustained collaboration between two or more parties with a shared vision and an equal level of commitment” (Acumen, 2016, p.10). While Acumen’s framework is intended for partnering the social entrepreneurs they invest in with global corporations, the framework is also applicable for NGO and MNE partnerships. These four partnership models are discussed below (Acumen, 2016).

Skills Partnerships. “Skills partnerships involve one party sharing their skills and expertise with the other, either through structured pro-bono or low-bono engagement, through skills-based volunteering, or through informal mentoring, coaching or advising” (Acumen, 2016, p. 11). Acumen often uses skills-based partnerships to mentor its investees. German managers from Dow Chemical, for example, serve as mentors to management team of Sanergy, who provides portable toilets in Kenya and converts the waste to fertilizer (Torres-Rahman, 2015).

Channel Partnerships. In channel partnerships, global corporations use their supply chains to help entrepreneurs or small producers to bring their products and services to the large supply and distribution networks of global corporations. The corporations, in turn, are able to strengthen their supply chains or sales. Alternatively, the entrepreneur may provide the supply chain for the MNEs products or services, serving as the “on-ground” presence and the “last mile” distribution channel for small-scale producers or consumers that may not have access to normal retail outlets. Water for People and iDE initially served as channel partners for American Standard to reach rural consumers with the new SaTo toilet pan.

Venture Partnerships. “Venture partnerships combine the risk tolerance of social enterprises with the resources of global corporations to develop new products and services and even entirely new business models through investments, joint ventures, and acquisitions” (Acumen, 2016, p. 12). The MNE may take an equity stake in a social enterprise that closely aligns with their strategic mission in order to extend their product line or to reduce the risk to the MNEs supply chain. Alternatively, a social enterprise or NGO may invest financial or human resources jointly with the MNE to develop a new product or brand.

Knowledge Partnerships. Knowledge partnerships are an “emerging form of collaboration where the MNE and the NGO or social enterprise partner in order to “gather, share, or analyze data and market information in an area of overlapping interests that either one or both sides need, or to conduct research and development together” (Acumen, 2016, p. 12). Knowledge partnerships may emerge when the MNE, partner organization, or both, who recognize they have information “blind spots” that neither can resolve alone. The MNE may need the help of the NGO or social enterprise to gather data to help with innovations for low-income or rural consumers. Conversely, the partner organization may need the resources of the MNE to preform key research that may help them to scale up their operations, expand their product or service or become more sustainable. Knowledge partnerships can lead to the development of new products and may evolve from or into one of the partnership models discussed above.

Multi-organizational, Multi-sector Partnerships and Coalitions. In addition to direct partnerships with businesses, both NGO and businesses may participate in multi-organizational, multi-sector partnerships or coalitions that pool the resources and talents of several private, non-profit, and government organizations. Water and Sanitation for the Urban Poor (WSUP) is an organization formed out of a multi-sector partnership between leading names in both the for-profit and not-for-profit sectors, such as Unilever, Care, and WaterAid to extend access to clean water and sanitation services to poor urban communities in financially and environmentally sustainable ways. In 2013, WSUP formed a social business called Clean Team to install portable toilet systems, starting in Ghana (Acumen, 2016, p. 28).

Making Market-Based Partnerships Work in Emerging Markets

This review has resulted in the identification of four critical components that are necessary for successful market-based partnerships. These critical success factors are depicted in Figure 1 and discussed below.

Critical Success Factors for Market-Based Partnerships

Entrepreneurial Mindset. Anna Gerrard with Sightsavers, explained that although NGOs are generally risk-averse, the market-based approaches require an entrepreneurial spirit. Partners must define success before delivering the model, and must be able to articulate to consumers the value proposition. Moreover, she suggested that the partnership not use the charity logo because people do not want to pay for products or services that they think should be given for free. Instead, "these programs should be protected and moved out of the mainstream. They should later be pulled into the social enterprise arm" so that they have room to grow (Business Fights Poverty, 2015).

Porter and Kramer (2011) point out that creating shared value supersede CSR initiatives and requires that management teams think differently about their social investments. CSR is

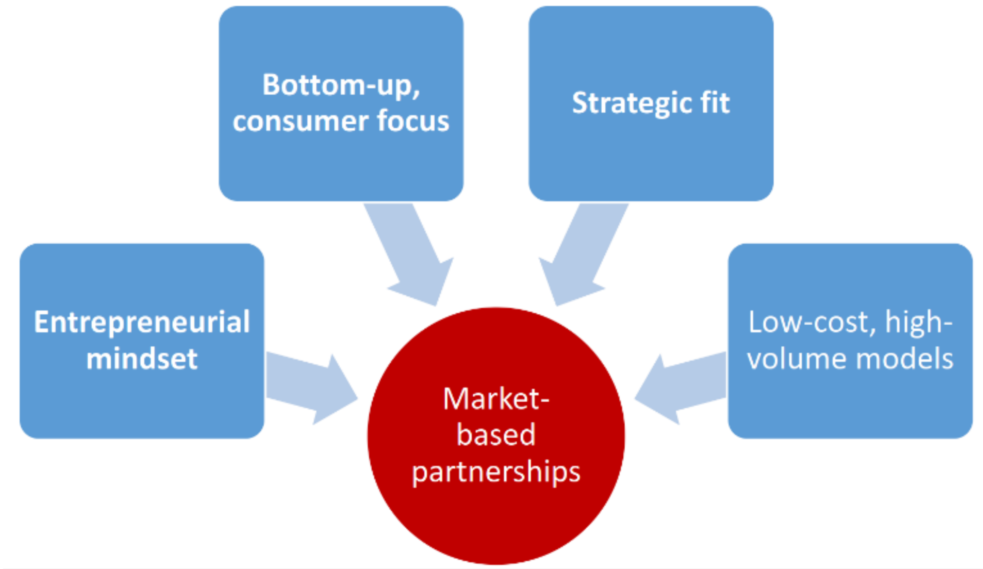

Figure 1. Four Necessary Features for Effective Market-Based Partnerships

largely concerned with corporate reputation. Creating shared value, on the other hand, is integral to competing, profit maximization, and economic and social benefit relative to cost (Porter & Kramer, 2011). As American Standard learned with the launch of the SaTo pan, some CSR initiatives such as the Flush for Good campaign, which donated free toilet pans, are not compatible with market-based approaches in some BOP markets. In fact, according to Steve Sugden, giving things away for free is now even discouraged by some governments such as in Malawi. "This is a case of role reversal, commented Yi Wei of iDE, "Here you have a corporation wanting to give things away for free and an NGO saying, 'No, sell it.'" This dilemma also illustrates the need for corporations to elicit the involvement of their NGO partners in the planning stage of the initiatives.

Bottom-up, Consumer Focus. It is essential that partners spend time in the field with the consumers that they intend to target. For instance, Cargill had a rough start to its sunflower seed business in India; through a better understanding of local practices and the company's subsequent investments in farmer education and tools, farmers were able to significantly improve their productivity (Prahalad & Hart, 2001). Likewise, philanthropic organizations often devise solutions that they feel will work in new markets, and fail to take into account the cultural institutions, needs and practices that affect the behavior of consumers. Emmanuel Kweyu, deputy director for iLab Africa, recounted how donor agencies seek to push innovative healthcare solutions, such as personal medicine, in parts of Africa that are not yet ready for such interventions. Specifically, personal medicine uses embedded diagnostic devices in order to tailor medical care on an individual basis. “While this may be of interest to European researchers who have aging populations, the needs in Africa are more basic. We have a very youthful population and need to emphasize immunizations, preventative care and proper nutrition.” Solutions need to be tailored for the people that will use them and contribute to their economic and social well-being.

Strategic Fit. The strategic mission of the partners must be aligned and the partnership projects must be compatible with the competencies of each of the partners. The nature and impact of the partnerships will be influenced by several factors such as the size, strategy, reputation, product type, partnership motivation, type of collaboration and experience. Research shows, for instance, that companies tend to work better with pragmatic or operational NGOs rather than advocacy NGOs (Pedersen & Neergaard, 2009; Teegen, Doh, & Vachani, 2004). Market factors, such as the degree of market and technological turbulence, competition, and uncertainty also affect the nature of the partnership.

Low-Cost, High-Volume Business Models. Paul Polak, the founder of the market-based NGO iDE, suggested that the three keys to profitable businesses serving the poor are: 1) earn profit with low margins and high volume, 2) design for radical affordability, and 3) implement profitable last-mile supply chains. “A key recurring issue was how to achieve scale. I believe that earning a decent profit is the most important determinant of scale. Running the numbers regularly from the very beginning, and changing quickly as new information comes in, is the most important contributor to profitability" (Polak, 2014).

Problems and Challenges with Market-Based Approaches

While market-based approaches hold the promise of more effective solutions to tackling major global problems, they do pose significant challenges and risks to this new breed of NGOs. In the pursuit of market approaches, NGOs may face the threat of mission drift, generate confusion over their mission and role on the part of their beneficiaries or consumers, and experience incongruence in reconciling their identity as a provider of social services and a profit seeker.

Mission Drift. NGOs often address needs that are outside of market-based economics. Consequently, the market-based focus has the potential to steer NGOs towards the money and away from the needs of the most vulnerable. Ilon (1998,) argued that the market-based focus presented a threat to sustainability as "the need for market share and visibility may leave NGOs vulnerable to outside influences" (p. 42). Similarly, partnerships with businesses concerned with the economic value, may lead NGOs to drift from their mission and pursue profits to the detriment of social impact. The same may be true when NGOs work with major funders; they are likely to make small compromises in service delivery in order to appease donors.

Role Confusion. By taking on market roles, NGO may cause their beneficiaries or consumers to be confused about the mission of the NGO. Is the NGO a non-profit social agency or a profit-making venture? Water for People prefers that its name not be associated with product promotions. "Anything that has an NGO label on it, people expect it for free," explain Steve Sugden (personal communication, November 27, 2015). Similarly, NGOs can begin to look like competitors rather than partners to their MNE collaborators. For example, iDE is assisting Koehler to market a water filter and American Standard to market a toilet pan while at the same time marketing a water filter and toilet system that they produced. According to Yi Wei, iDE's goal is to improve sanitation and provide safe drinking water and if there are other products out there that do that more effectively, they are happy to promote those products.

Identity Confusion. Importantly, NGOs are experiencing considerable ambivalence about the proper implementation of a market focus. Relatedly, a rising number of critics question both the internal market focus as well as cooperation with what some consider suspect multinationals. For instance, in their book, *Protest, Inc: The Corporatization of Activism*, Dauvergne and LeBaron decry partnerships—of previously activist NGOs with big-name corporations like McDonald's, Nike, and Wal-Mart—accusing the NGOs of conforming with, rather than challenging, capitalism, ultimately looking, thinking, and acting like corporations. Time will tell whether such critiques are warranted since there is little literature on the dynamics of partnerships between market-based NGOs and MNEs.

Discussion and Conclusion

As depicted in Figure 2, this study has identified the drivers for a new breed of NGOs that are turning to market-based rather than donor- or CSR-based methods to tackle pressing social issues. The seven organizations used three main market approaches to address poverty in the regions in which they worked: 1) building markets to improve access to products and services 2) creating employment and income opportunities, and 3) helping social enterprises achieve scale. Strategic partnerships with business collaborators are central to each one of these approaches; consequently, we outlined five types of partnerships, adopted from Acumen's

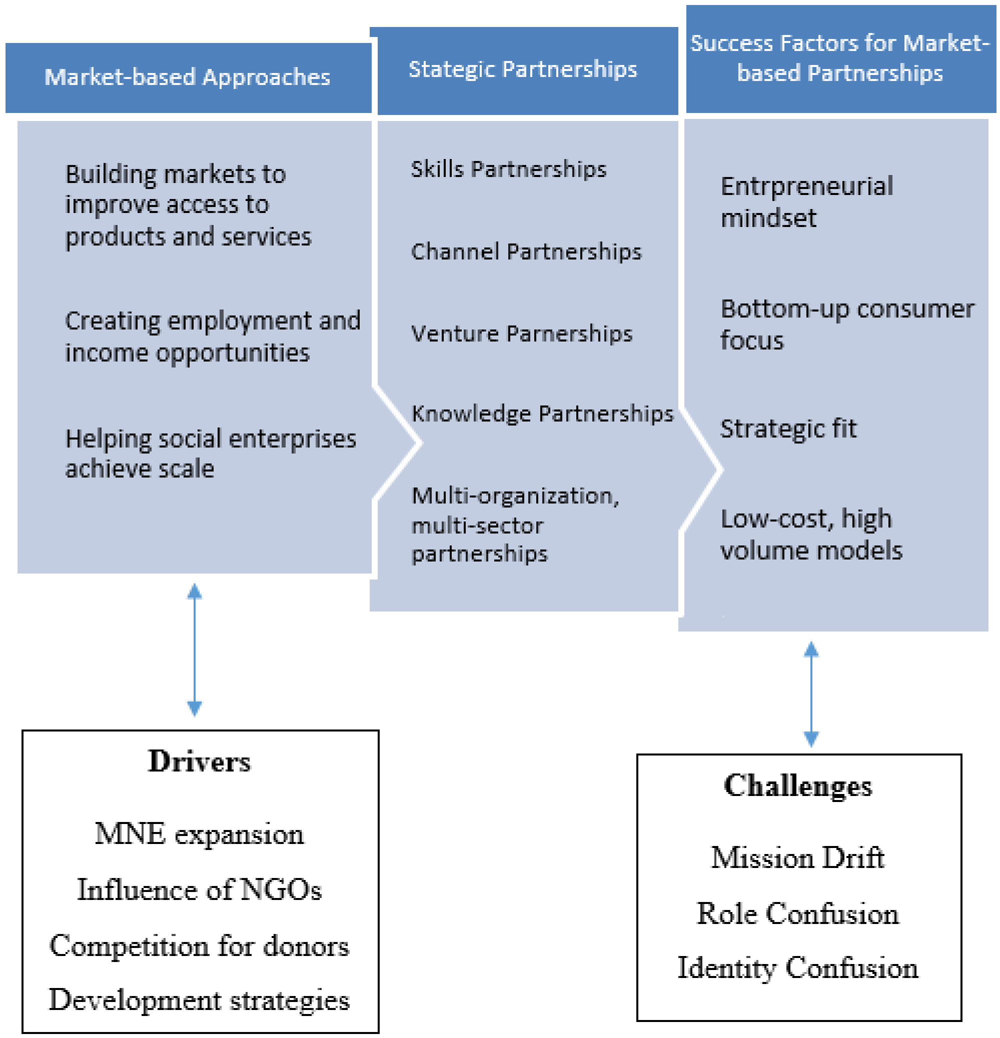

Figure 2. Market-based Business-NGO Partnerships

experience with matching social enterprises with multinational corporations, and identified critical success factors for making market-based partnerships work. Finally, we presented the challenges that these market-based partnerships may pose for NGOs using market approaches—mission drift, role confusion, and identity confusion.

As Crowe (2004) notes:

> NGOs are beginning to think more strategically about how to engage with companies. In some, there is a sense that if you are helping a company be more commercially successful, that devalues what you are doing. But a new breed of NGOs is emerging which want to help companies to make money because they realize that has to happen or companies are not going to be interested. (p. 3)

Partnerships with these market-based NGOs and social enterprises are helping businesses enter new markets and realize economic and social value for the partners as well as the communities in which they operate. Market-based partnerships differ from the traditional CSR partnerships and require the NGO partners to alter their orientation, e.g., to view beneficiaries as consumers rather than donor recipients. Since this phenomenon is relatively new, few studies exist on how to implement and measure these market-based partnerships designed to create shared economic and social value. The work of Porter and Kramer (2011) on creating shared value has begun to help organizations think differently about combining economic and social benefits and holds promise for further study on this topic. But as NGOs attempt to navigate in this new perspective, they face potential conflicts and confrontations with their existing partners and peer organizations. A key issue is understanding their role and identity in this new landscape.

Implications for Future MNE-NGO Partnerships

In this paper, we outlined the factors driving NGOs to reconceptualize their missions, and their continuing sophistication in identifying features of this market-focus approach. MNEs are likely to require a similar re-evaluation of their partnerships as simple philanthropy-CSR outlets toward a true partnership, which evaluates and divvies up responsibilities, as well as risks, appropriately across partners. With this allocation process, firms and organizations may have to revisit the distribution of revenues accordingly. Simply, NGOs are fast finding that they are courting whole new fields of competition.

The first major competitors are their conventional MNE partners who seek to use scale and volume to serve BOP firms consistent with the call by Prahalad (2006). In the end, the main check on these firms is that they are subject to the scrutiny of stockholders, who tend to demand that firms keep up with their peers in profit levels. Thus, like their NGO counterparts, MNEs must face the difficulties inherent in pursuing organizational transformation that allows for different time horizons or multiple goals. Indeed, the strategy wisdom of many BOP initiatives was rapidly questioned by other researchers (Karnani, 2005). In response, many new and socially active for-profit firms have also questioned their business models, forming new hybrid forms of organizations. For instance, in just the last five years, 30 of the 50 US states have legalized a new corporate form named the "benefit corporation," which refers to companies that incorporate explicit social welfare objectives in their mission statement. These new firms not only have the advantage of being true for-profit firms, but as new corporate forms, they do not face the need to transform themselves, rather they are formed from initiation to address a social end of their choice, with both resources and wide discretion in addressing their goals. Such firms are not yet subject to the audits of various monitors such as Charity Watch, but rather the CEO and top management team are empowered to innovate and experiment from the foundation of the mixed model.

Given these intimidating competitive players, NGOs must determine their unique value added. For many, it will be their experiential knowledge, substantial human capital (in number of employees alone), and to some extent, trusted brand recognition for entering potentially resistant markets (Laidler-Kylander, Quelch, & Simonin, 2007). NGOs need to be very clear about how they collect their value. Increasingly, the market focus means the NGO will be a value chain member aiding in design or distribution, while MNEs are tasked with a production and logistics focus. The current reformulation of the profit-capital/philanthropic business model to a more blurred vision in which both sides of the hyphen are seeking to complicate their mission and model is very risky for all involved. Meanwhile, the mixed business model of benefit corporations that can keep the two imperatives under one unitary leadership, may be a decided advantage over seeking to accomplish this goal under the artificial entity of a partnership which is itself answerable to two other leaderships.

On the other hand, NGO-MNE partnerships can embrace the hyphen for its ability to keep pure the missions of the two organizations. Profit-capital thinking and motivation encompass critical features of efficiency that are not natural to the philanthropy mindset. Similarly, philanthropic thinking embraces more variables in its objective function, often accepting varying time horizons. Most critics put the two at loggerheads due to motivation, but that is not the real conflict, it is the protection of identities while reconsidering how the different partners can best exploit each member’s strengths.

Chapter 3

MNE-NGO Partnerships that Facilitate the Internationalization Process

With the current pace of globalization, continued international expansion is often critical to the health and survival of multinational enterprises (MNEs). Much of the opportunity for expansion is taking place in emerging and developing countries (Lehrer & Delaunay, 2009), but securing entry and gaining legitimacy in these new countries is a key stumbling block in that ambition (Zaheer, 1995). These emerging and developing markets, which include countries in Asia, Africa and Latin America, account for over 60% of the world's population (Cavusgil, Ghauri, & Akcal, 2012) and are projected to be among the fastest-growing economies in the world (World Bank, 2016). However, they are often characterized by unstable market conditions, a high level of influence by the state, and increasing demands for corporate social responsibility (Hadjikhani et al., 2012). In these environments, MNEs have to contend with governments whose roles are rapidly changing, as well as with social and natural environmental issues—interests that are increasingly represented by a growing number of stakeholder groups such as international non-governmental organizations (NGOs) (Janssen, 2007). Research indicates that business performance in these environments is highly dependent on successfully managing the relationships among the different actors in their business networks (Elg, Deligonul, Danis, Ghauri & Tarnovskaya, 2012).

Partnerships with host-country firms that have an advantage in understanding the institutional environment and interacting with the host-country government may serve as a safeguard for MNEs against entry hazards and barriers in some developing country markets (Henisz, 2000). As contractual hazards increase, however, the partner in the joint venture may manipulate political or economic systems for their own advantage at the expense of the MNE, “thereby diminishing the hazard-mitigating benefit of forming a joint venture” (Henisz, 2000: 334). Consequently, alliances with non-profit, non-governmental agencies (NGOs) may help reduce the vulnerabilities associated with foreign market entry and provide an alternative to joint ventures for MNEs (Vachani & Smith, 2008). For example, pharmaceutical firms such as Pfizer and GlaxoSmithKline were reluctant to reduce prices for their AIDS drugs in South Africa for fear they would be targets for illegal resale in European markets. The firms responded to the threat by using NGOs such as Doctors Without Borders to deliver medications (Vachani & Smith, 2008).

Over the last decade, the number of partnerships with NGOs has been expanding at an increasing rate, fueled in part by the United Nation’s challenge to businesses and NGOs to become “partners in development” in addressing the needs of developing countries (Reed & Reed, 2009; Utting & Zammit, 2006). The rise in MNE-NGO partnerships parallels the increased emphasis in social entrepreneurship ventures and shared value initiatives where individuals, public, and private organizations mobilize resources and seek innovative market solutions to create shared economic and social value for the partners and the communities in which they operate. While the number of MNE-NGO partnerships are increasing, most missions have been relegated to the implementation of CSR projects; consequently, their potential to serve as strategic resources for new market entry has not been fully explored by strategic management scholars. In this study, I use a case study of the toilet maker American Standard whose involvement with NGOs in Bangladesh and Sub-Saharan Africa demonstrate how NGOs can play a crucial part of the network of business relationships necessary for market entry in developing countries, and further, how such partnerships can add value in each phase of the internationalization process.

Prominent strategic management scholars such as Prahalad and Hart (2001) and Porter and Kramer (2006, 2011) have demonstrated that there are “fortunes at the bottom of the pyramid” and persuaded both MNEs and NGOs of the wisdom of creating shared value through partnerships. Indeed, prior research recounts several examples of partnership projects and initiatives, and has identified many of the benefits and challenges associated with these alliances (Anand & Khanna, 2000; Arino & de La Torre, 1998; Perez-Aleman & Sandilands, 2008,) as well as the factors necessary for successful partnerships (Doh & Teegen, 2003; Jamali & Keshishian, 2008). Prominent examples include Hewlett-Packard working with NGOs to establish “i-communities” in rural India (Dunn & Yamashita, 2003) and Starbucks teaming up with Conservation International to develop a new sustainable product line while also providing training and loans for small farmers (Perez-Aleman & Sandilands, 2008). Prior research also journals the occurrence of adversarial relationships between MNEs and NGOs, as well as lessons learned from failed partnerships (Jamali & Keshishian, 2009; Utting & Zammit, 2006). Researchers such as London, Anupindi and Sheth (2010) have cautioned that there needs to be a greater assessment of the proposition of mutual value.

Notably, few researchers have addressed how MNEs actually enter BOP markets and the actual processes and mechanisms through which MNE-NGO partnerships are implemented (Schuster & Holtbrugge, 2012). This research addresses this process gap and extends current theory in this area of MNE-NGO partnerships by integrating research on its potential beneficial role in the MNE internationalization process. Drawing on internationalization models using a network approach to market entry (Jansson, 2007; Johanson & Vahlne, 2009), I present a model illustrating how MNE-NGO partnerships are uniquely situated to help MNEs navigate the often-turbulent waters of internationalization in emerging countries. In particular, because NGOs are familiar and resident within the local institutional context, they can provide MNEs with highly relevant networks, guide them in the social and political environments, and facilitate organizational learning in the local community. Additionally, I outline the risks of such relationships and offer recommendations to minimize the negative consequences of such ventures.

In the following sections, I first provide background from the literatures on MNE internationalization models and NGO activities and roles. Next, I describe features of MNE-NGO partnerships and integrate these characteristics with internationalization process models. Specifically, these insights identify types of NGOs and partnerships in regard to their suitability in facilitating new market entry. Using these insights and the example of American Standard's market entry into Bangladesh and Sub-Saharan Africa, I present an integrated model as a foundation for further research, offering characteristics of partnership formation, structure and outcomes as a framework for facilitating new market entry.

The Internationalization Process of MNEs

A central theme in international strategic management research concerns representing the steps associated with internationalization through various process models. The Uppsala model outlined by Johanson and Vahlne (1977), has been among the most influential (Malhotra & Hinings, 2010). The model describes an incremental process of commitment to the new market starting with exports, followed by sales subsidiaries, and finally manufacturing facilities in the new market.

While several studies have found support for the incremental model, other studies argue for significant adjustments. Malhotra and Hinings (2010), for instance, compared the internationalization process by organization types, and found that various types of organizations respond differently to aspects of the internationalization process: e.g., the focus of entry, degree of presence, and the physical presence in the new market all influence the manner in which the process proceeds. Further studies indicate factors such as resource recoverability, the degree of customization of the output, labor and capital intensity, and market uncertainty directly affect the manner in which the internationalization process proceeds (Bowen, Siehl, & Schneider, 1989; Erramilli & Rao, 1993; Malhotra & Hinings, 2010; Sharma & Johanson, 1987).

Although internationalization may progress differently based on the factors noted above, most models incorporate a three- or four-stage process which includes 1) exploration, 2) entry and set-up, 3) organizational learning and resource building, and 4) sustaining a mature operation or breakout to new markets (Malhotra & Hinings, 2010). In the exploration stage, the firm identifies market opportunities and makes an assessment of the economic, political, and institutional environment. After considering competitive factors and the level of risk, a firm selects the specific market to invest in, and the best mode of entry. In the entry and set-up stage, the firm's service or product is first launched. In the third stage, much of the organizational learning occurs through interactions with partners and initial customers, and the firm solidifies their position in the market. In the fourth stage, the company is a mature player in the market and seeks to maintain and strengthen its position, possibly deciding to expand into other markets.

Network Dynamics in Internationalization

A key emphasis, though, in understanding the internationalization process is the recognition that because an MNE lacks experiential knowledge and relationships in the local context, it can suffer from a "liability of foreignness" (Zaheer, 1995). Coviello (2006) demonstrated that "insidership" within business networks established prior to entry facilitated the internationalization process in a new market. As explained by Johanson and Vahlne (2009), the internationalization process encompasses a “multilateral network development process” in which a firm’s success depends on being established in relevant networks as an “insider” in order to avoid the “liability of outsidership and foreignness, and foreignness presumably complicates the process of becoming an insider” (p. 1415).

An insider opportunity may be initiated by contacts with potential customers, suppliers, and other organizations within the foreign market. Learning and commitment building then takes place in these relationships, which then provides the soil for identifying and exploiting further opportunities. Johanson and Vahlne (2009) argue that internationalization in effect resembles entrepreneurship; a strong commitment to formulating a network of insiders allows firms to expand their knowledge in order to create and develop opportunities. This accumulation of knowledge, trust, and commitment from relationships is in fact considered more important than overcoming conventional barriers to entry or bridging “psychic” distance associated with “differences in language, culture, political systems, level of education, or level of industrial development” (Johanson & Vahlne, 1977, p. 24).

Knowledge of the business, social, and political environments in the local context should also be developed to successfully compete in a new market (Eriksson, Johanson, Majkgard, & Sharma, 1997; Hadjikhani et al., 2012). In regard to emerging markets, governments are generally much more significant actors in developing versus developed countries (Yaziji & Doh, 2009). Similarly, NGOs have also become progressively more influential in both the social and political environments of emerging countries (Doh & Teegen, 2003). Evidence indicates, therefore, that MNEs must not only contend with building relationships with other firms, but increasingly with governments, and even NGOs, for successful market entry (de Lemos, 2013; Doh & Teegen, 2003; Van Tuijl, 2000).

The Rise of International NGOs

Before considering the growth of NGOs and their influence, it is necessary to define the context in which NGOs operate. The United Nations (2003), describes an NGO as:

> . . . any non-profit, voluntary citizens' group which is organized on a local, national or international level. Task-oriented and driven by people with a common interest, NGOs perform a variety of services and humanitarian functions, bring citizen's concerns to governments, monitor policies and encourage political participation at the community level. They provide analysis and expertise, serve as early warning mechanisms and help monitor and implement international agreements. (as cited in Guay, Doh, & Sinclair, 2004, p. 126)

NGOs are considered part of the larger "civil society" which Brown and colleagues (2000) define as "an area of association and action independent of the state and the market in which citizens can organize to pursue social values and public purposes which are important to them, both individually and collectively," e.g., organizations ranging from social clubs and churches to trade associations and civil rights lobbies (p. 280). Christensen (2006) later classified NGO activities into the categories of policy creation and modification, monitoring, enforcement and implementation, service provision, and capacity-building,

NGOs are growing in both size and number (Doh & Teegen, 2003). World Vision International, for instance, one of the largest international NGOs, had revenues of over $1 billion in 2015, and employed over 40,000 people (World Vision International, 2016). The emergence of these new international NGOs (INGOs) parallels the emergence of "globalized" businesses (Huggett, 2012). Many NGOs started out with loose associations with other organizations, but transformed into INGOs by strengthening their networks and developing global coherence. Unlike resource-rich multinational enterprises, who can often make direct financial investments to enter new markets, resource-constrained NGOs mainly expand into new markets by establishing partnerships and networks with other NGOs, businesses, and donor agencies in the new market (Van Tuijl, 2000). Consequently, one of the core competencies of international

NGOs is an ability to network with other organizations to impact change in the communities and governments in which they work. This ability has facilitated the attainment of political and social capital by NGOs and bolstered their influence in the last few decades.

Types of NGOs

Various typologies have been advanced to classify the more than 25,000 NGOs (Union of International Associations, 2009) with an international scope of operations. The most common typologies are based on the aims and orientation to business (O'Connor & Shummate, 2011). "Activist NGOs" seek to challenge or modify corporate action, and are often involved in antagonistic relationships with firms (Den Hond & De Bakker, 2007; Doh & Guay, 2004; Soule, 2009). "Member-oriented NGOs" seek to cater to the needs and desires of its members, such as the YMCA focus on youth. "Purpose-oriented" NGOs tend to focus on a specific social causes and include environmental and human rights organizations oriented towards social or environmental goals (Googins & Rochlin, 2000). Purpose-oriented NGOs, in turn, may have an advocacy or operational focus. "Advocacy NGOs" act on behalf of those that lack effective institutional voice through channels such as lobbying, serving in advisory roles, conducting research, sponsoring conferences, and monitoring or exposing the actions of others. Some of these advocacy NGOs have emerged as a result of market and/or regulatory failure (Yaziji & Doh, 2009). While a few of these advocacy NGOs have gained the spotlight for their adversarial roles—and even violent demonstrations—most are not adversarial, but rather trusted and respected advisors who foster mutually beneficial collaborations (Teegen et al, 2004). Advocacy NGOs such as Conservation International, for instance, have helped to shape how businesses and governments address issues and formulate policy. Operational NGOs provide goods and services to clients with unmet needs, and have been at the forefront in creating value by filling voids created by market and political failures or other global problems (Teegen et al., 2004). Purpose-oriented NGOs may often perform both an advocacy and operational focus and thus often partner with MNEs in achieving social goals. Examples include World Vision, World Wildlife Fund, and Doctors without Borders.

MNE-NGO Partnerships

MNE-NGO partnerships, like other business alliances, are grounded in the resource-based view of organizational strategy in which partners combine complementary resources to enhance the strengths and attenuate the weakness of the individual partners (Ramanujam and Varadarajan, 1989). A partnership as defined here is a collaboration to “pursue common goals, while leveraging joint resources and capitalizing on the respective competences and strengths of both partners” (Jamali & Keshishian, 2009, p. 27). The terms “partnership,” “collaboration,” and “alliance” are used interchangeably in this study.

While the UN has boasted of the success of these ventures, some critics contend that these partnerships contribute very little to development, and are little more than platforms for public-relations and marketing schemes by profit-hungry corporations looking for fortunes at the bottom of the pyramid (Reed & Reed, 2009; Utting & Zammit, 2009). Alternatively, others assert that the boom in MNE-NGO partnerships is at least partially due to a growing recognition and acceptance of the fact that it is not evil for corporations to make a profit as they make investments to improve social environments (cf., Porter & Kramer, 2011). Additionally, philanthropic organizations often seek the involvement of corporations in development efforts. In fact, multilateral aid organizations such as the World Bank, USAID, and UKAid, as well as major foundations such as the Gates Foundation, give preference to sustainable development and partnership models. These organizations promote the involvement of private business and provide incentives by offering proof of concept grants and seed money for market-based partnership innovations. In fact, the development of American Standard's SaTo pan was partially funded by a Gates Foundation grant.

Types of Partnerships

Austin (2000) suggests that collaborations between non-profit organizations and corporations could be defined by three stages: philanthropic, transactional, and integrative. In the philanthropic stage, the relationship is mainly characterized by a donor and recipient. This characterizes many MNE-NGO relationships today, but many are migrating to the next stage. In the transactional stage, there is a resource exchange by both parties that is focused on specific activities (Sinclair & Galaskiewicz, 1996), for instance, cause-related marketing and contractual service arrangements. Some collaborations move to the integrative stage where "the partner's missions, people, and activities begin to merge into more collective action and organizational integration. This alliance type approximates a joint venture and represents the highest strategic level of collaboration" (Austin, 2000, p. 71).

Newly-formed partnerships often begin with philanthropy or an employee volunteer program. By leveraging company assets and increasing the strategic intent of these programs, MNEs increase the economic and social impact of these types of collaborations (Hill & Mahmud, 2007). For example, MNEs could contribute to training institutions that could improve the availability of trained workers or enhance the quality of local research and development. Similarly, employee volunteer programs with cross-cultural assignments can serve to improve the global competencies of managers while providing technical expertise to improve social conditions (Caligiuri & Santo, 2001; Tung, 1998).

While integrative-type partnerships—with higher levels of engagement, importance, strategic intent, and resource commitment—are most conducive to facilitating market entry, partnerships at the lower levels may also be valuable in the internationalization process. These collaborations offer lower levels of risk to the partners, serve to build trust among partners, and help MNEs become aware of opportunities in the prospective market. As the collaboration gains partner-specific experience and the partners build a relationship of trust and competence, more integrative type partnerships with higher strategic intent and resource commitment often develop. These integrative partnerships have the potential for creating greater economic and social value by lowering transaction costs, inspiring innovative products and services, and co-creating new business models. While American Standard maintained partnerships at all three stages among several NGOs, this study focuses on their integrative partnerships.

Methodology

Since the purpose of this study is to demonstrate how MNE-NGO partnerships can help to facilitate new market entry for MNEs, I use a single case study of American Standard and their partnerships with two NGOs—iDE and Water for People. A single case study methodology is appropriate for this study because it allows for an in-depth investigation of thought processes, decisions, actions and consequences related to market entry. The American Standard partnerships provide the ideal study for this research because NGO partners have been involved with the introduction of the SaTo toilet pan in Bangladesh and were actively engaged in all phases of the internationalization process—from the product design, manufacture, and marketing to the end user assessment. The success of this product launch has inspired a new business unit within LIXIL, the global building products company headquartered in Japan, which acquired American Standard in 2013.

Data Collection Techniques

Case study research requires that data collection and analysis be conducted in a manner to insure construct validity, internal validity, external validity and reliability. This is accomplished by using multiple types and sources of data collection, demonstrating that certain conditions lead to other conditions, conducting within-case comparisons using a variety of sources and literature reviews, and making sure that procedures are well documented and able to be duplicated with similar results (Soy, 1997). To this end, the following data collection procedures were utilized.

Interviews. All interviews were recorded and transcribed. Interviews were conducted with directors of each of the organizations involved. In most cases multiple interviews were required with the same person as new information was gathered and new questions emerged. Interviews were conducted over the telephone or using Skype. Some information was gathered through email conversations. The Appendix lists the names and titles of the individuals interviewed.

Documentation Review. Documents include annual reports, analysts' reports, meeting minutes and/or video, organizational documents (agendas, reports, news releases) and other academic studies. Results of consumer surveys conducted by NGOs (Water for People and iDE) to assess consumers' acceptance and use of the toilet pan were also reviewed.

Data Analysis

The data was transcribed, tabulated, and sorted so that it can be viewed in different ways in order to discern theoretical patterns. A deliberate attempt was made to look for conflicting data and to disconfirm apparent conclusions, requiring additional probing and multiple short interviews to clarify data. Triangulation of the data is also important, which was achieved by using different data sources as well as different perspectives (Yin, 1994). Drafts of the report, as well as the final study, were reviewed by representatives of the organizations supplying the data.

In the next section, I review the stages of the internationalization process and outline the contributions MNE-NGO partnerships seem to offer in improving the process. The case study of the alliance between American Standard and their two NGO partners, iDE and Water for People, provide concrete examples of some of the contributions and challenges of MNE-NGO partnerships in each stage of the internationalization process.

Partnership Contributions and Challenges in the Internationalization Process

While MNE-NGO partnerships are uniquely capable of adding value to the MNE at every stage of the internationalization process, the nature and impact of MNE-NGO partnerships will be influenced by several factors. Prominent factors include: 1) the characteristics of the MNE such as size, strategy, reputation, product type, partnership motivation and experience; 2) characteristics of the NGO such as type (local or international, member-driven or purpose-driven), size, reputation, partnership motivation and experience; 3) market factors, such as the degree of market and technological turbulence, competition, and uncertainty; and 4) the overall nature of the partnership, such as type of collaboration, strategic fit, and partnership experience. Research shows, for instance, that companies tend to work better with pragmatic or operational NGOs (Pedersen et al., 2009; Teegen et al., 2004).

American Standard partnered with iDE to introduce the SaTo toilet pan in Bangladesh and to explore markets in Africa. Water for People assisted American Standard in the product launch in the African countries. Key characteristics of American Standard and their two NGO partners, iDE and Water for People, are given in Table 2.

Table 2. Partnership Characteristics

American Standard	iDE	Water for People
Size: $1 billion in revenue (2013); 4,000 employees[1]	Size: $21.6 million in income (2014)[3]. Established in 1982.	Size: 12.4 million in revenue for 2016[5]. Established in 1991.
Reputation: Leader in toilet and bathroom fixtures in U.S., Canada, and Mexico. Purchased by LIXIL, a major manufacturing group based in Japan with a presence in 30 countries, for $542 million.[2]	Reputation: Headquarter in Denver, CO with affiliates in the UK and Canada. Named #30 in Top 100 NGOs by Global Journal in 2013.[4]	Reputation: Headquarter in Denver, CO and operating in 9 countries in Africa, India, and South America. Water for People has a 4-star rating from Charity Navigator and has received recent awards from the Schwab Foundation and the Skill Foundation for their social entrepreneur innovations.
Product Type: residential and commercial toilets and bathroom and kitchen fixtures	Product/Service type: Products and services to improve incomes and conditions of poor in developing countries. Irrigation technologies, latrines, water filters	Product/Service Type: Water and sanitation infrastructure development to deliver sustainable water and sanitation solutions
Strategy: Offers a wide variety of bathroom fixtures ranging from luxury fixtures to low-priced fixtures. Looking to expand technology to other markets	Strategy: Use human-centered design to produce market-based products people want to buy and producers want to sell. Low-cost, scalable models financed through micro loans	Strategy: Building strong relationships among the private sector, civil society, and government to sustain water and sanitation solutions for the long-term. Extend sustainable services while providing a model for greater replication
Partnership Motivation: Market Expansion	Partnership Motivation: Poverty alleviation; improved sanitation	Partnership motivation: Sustainable water and sanitation solutions
Partnership Experience: None with current NGOs	Partnership Experience: None with American Standard. Substantial experience with other corporations	Partnership Experience. None with American Standard. Substantial experience with other corporations, governments, and civil society

[1]Provided by Jim McHale, Vice President and General Manager, LIXIL SATO Business Unit
[2]LexusNexis Company profiles
[3]iDE 2014 Annual Report
[4] http://www.ideorg.org/OurResults/Awards.aspx

The strategic fit between the MNE and the NGO is especially important. NGOs in developing countries often provide services to the base of the pyramid (BOP) consumers, who represent the world's poorest population. Consequently, products and services that help to fulfill the mission of the NGO and improve the lives of BOP consumers can be particularly beneficial in facilitating corporate market entry. Once MNEs gain an understanding of these markets, they can also begin to target products and services to the growing group of middle-class consumers in these economies. Africa, for example, has one of the largest BOP populations, but they also have the world's fastest growing middle-class (Burrows, 2015); and the McKinsey Global Institute projects that consumer spending in Africa will increase from $860 million in 2008 to $2 trillion by 2025 (Barton & Leke, 2016).

There appeared to be a good strategic fit between American Standard and iDE. iDE is an international NGO with over 35 years' experience in developing marketable solutions in some of the poorest parts of the world and had worked in the Bangladesh market for about 30 years.

> iDE would bring local expertise of rural supply chains and last-mile distribution in Bangladesh, as well as a host of sanitation market development experience gained from projects in other countries. American Standard would bring 140 years of state-of-the-art product design, computerized fluid dynamic engineering and modeling, as well as global sourcing, manufacturing and state-of-the-art product testing. (Koch, 2014).

Partnership contributions and challenges in each of the four stages of the internationalization process are summarized in Figure 3 and discussed below. Examples from the NGO partnerships with American Standard illustrate the application of these concepts.

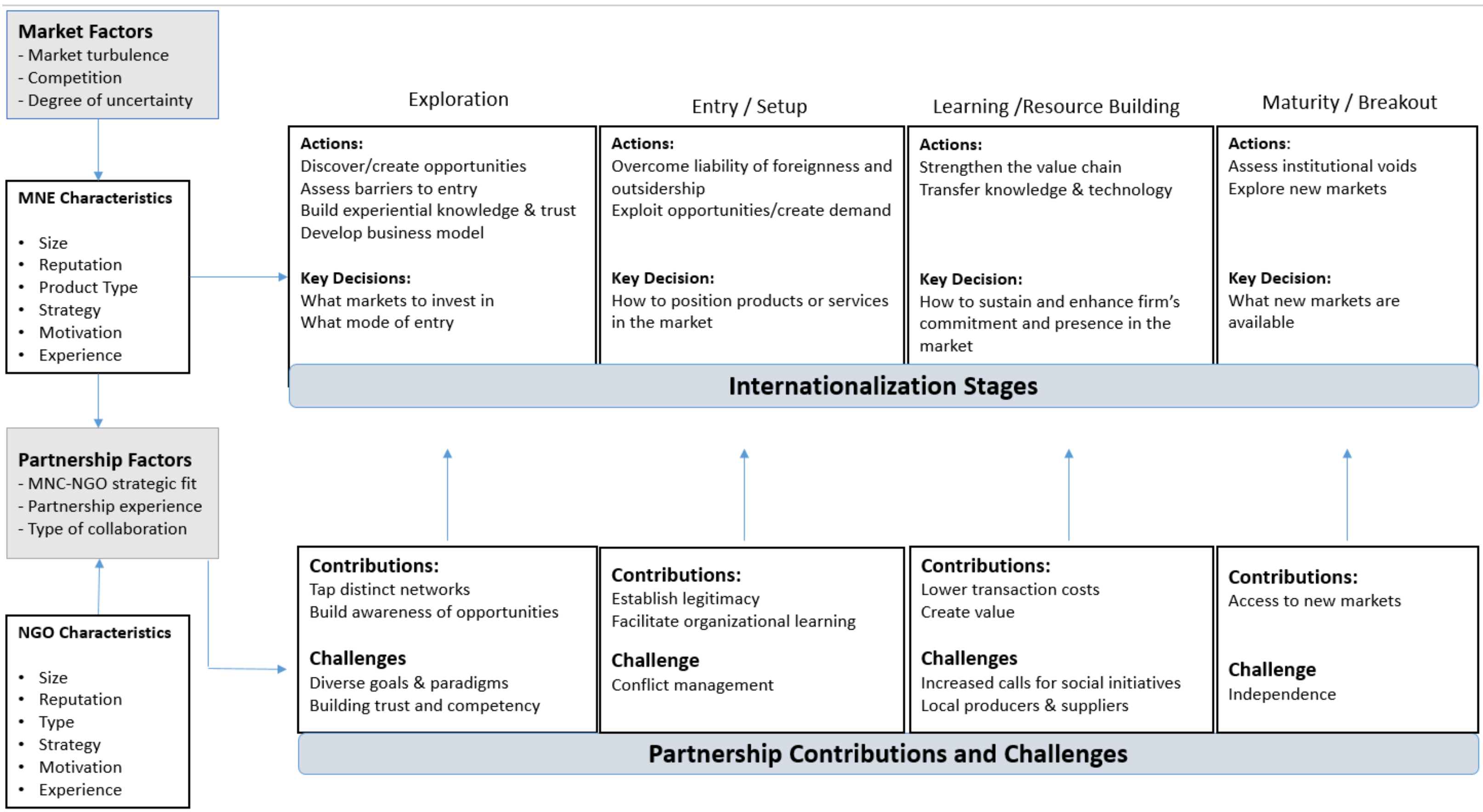

Figure 3. Partnership Contributions and Challenges in the Internationalization Process

Exploration Stage—Learning the Institutional Environment

Because of the independent nature of NGOs, the complementary resources that they add to the partnership are not likely to remain accessible to the same degree as mergers and other traditional forms of alliances. Accordingly, MNE-NGO partnerships are particularly positioned to add their greatest value in the early stages of the internationalization process (Janssen, 2007). This was the case with the American Standard-iDE partnership. iDE was especially instrumental in helping American Standard in the Exploration and the Entry stages of the internationalization process. During the Exploration Stage, iDE helped American Standard to discover and create opportunities, assess barriers to entry, build experiential knowledge and trust, and develop the business model.

Discover and Create Opportunities

Project Initiation. After becoming involved in CSR projects centered around water conservation in the U.S., Dr. Jim McHale, then Vice President of Engineering and Research and Development for American Standard, became more aware of the global sanitation crisis and felt that CSR projects addressing sanitation could distinguish American Standard from its competitors who were also mainly involved in water conservation projects. A quote from Bill Gates noting that there were no “smart people” working on toilets (referring to the lack of toilets in many developing countries) got the attention of American Standard’s CEO, Jay Gould, and provided the impetus that Dr. McHale needed to get involved in the world sanitation crisis and to participate in the “Reinvent the Toilet” competition sponsored by the Gates Foundation. This competition led to a grant to produce a sanitary toilet pan. The Foundation suggested that a pilot be conducted in Bangladesh and that American Standard enlist the help of iDE.

The partnership resulted in the design and manufacture of the affordable SaTo pour-flush sanitary toilet pan in Bangladesh, which helps to eliminate odor and improve conditions in latrines with minimal water use.

The Role of Donors. Foundations, philanthropists, impact investment organizations and aid organizations such as the United States Agency for International Development (USAID) are increasingly enlisting the help of private corporations to help solve social problems in developing countries and incentivizing business involvement by providing grants. Consequently, donors can play a moderating role in business-NGO partnerships in that they mitigate the risk of BOP initiatives and have been a catalyst in the growth of MNE-NGO partnerships. American Standard was awarded a proof of concept grant for approximately $180,000 to develop a prototype of the SaTo pan for Bangladesh. After a successful product launch in Bangladesh, American Standard was awarded a similar grant to introduce the toilet pan in African markets. iDE’s work in the partnership was funded separately by the Swiss Agency for Development and Cooperation and the Water and Sanitation Program of the World Bank through their SanMark Project, which focuses on marketing products to improve sanitation in rural areas (R. Chowdhury interview)

According to iDE's Yi Wei, Director of Global WASH Initiatives, donors are increasingly funding projects by private corporations because they are looking for ways to make a sustainable impact. Judith Rodin of the Rockefeller Foundation explains that charitable contributions will have a greater impact when they are combined with the resources of private business and a market orientation (Kozlowski, 2012):

> We recognized, if you put a price tag on all the social and environmental needs around the world, it is in the trillions. All of the philanthropy in the world is only $590 billion. So, the needs far exceed the resources. . . The one place where there is hundreds of trillions of dollars is in the private capital markets. So we, and

> others, began to wonder are there ways to crowd in private funding to some of these incredible needs."

While most MNE market entries may not be facilitated by donors, the Gates Foundation grant to American Standard did, in fact, serve its intended purpose—promoting partnerships with the private sector to create sustained solutions for the global sanitation crisis.

Assess Barriers to Entry

Given that developing country environments are often turbulent and lack the infrastructure and institutional supports to sustain thriving businesses, incremental project-based initiatives, such as American Standard's toilet pan project, may be the preferred mode of entry by multinational firms (Malhotra & Hinings, 2010). In 2010, only 56% of the population in Bangladesh had adequate sanitation facilities (World Health Organization, 2015), so the need for improved sanitation was great. A field study led by iDE provided inputs for the design of the toilet pan and enabled American Standard to assess demand and market obstacles. The American Standard-iDE team met with the local government personnel in charge of water and sanitation prior to conducting interviews for the field study in order to apprise them of what they were doing and to secure their blessing. The team also visited plastic manufacturers "to understand existing capabilities and cost structures in order to develop a solution that could be economically mass-produced in Southeast Asia" (American Standard, 2014).

Build Experiential Knowledge and Trust

Andersen (1993) suggested that behaviorally-oriented internationalization models promote a gradual entry process due to a lack of experiential knowledge and uncertainty associated with the decision to internationalize. While *objective knowledge*, (i.e. attainable market research) is available to other firms, *experiential knowledge* is accumulated by subjective experience in a foreign market and not available to everyone. Experiential knowledge reduces uncertainty and leads to the development of business opportunities (Johanson & Vahlne, 1977). Eriksson et al. (1997) postulated that experiential knowledge comprises three components: internationalization, business, and institutional knowledge. The first encompasses a firm's available capabilities and resources to engage in international operations, while business and institutional knowledge relate directly to the new market environment. Specifically, business knowledge includes an awareness of customers, competitors, and market conditions in particular markets, while institutional knowledge covers familiarity with the government, institutional framework, rules, norms and values within the culture. In sum, the process view of internationalization prominently features the need for gathering knowledge to enter the market. As illustrated below, iDE was able to provide the crucial business and institutional knowledge that American Standard needed to assess its entry into the Bangladesh market. The partnership experience gained during this Exploration Stage, helped the partners gain an appreciation of each other's competencies and was critical in building mutual trust in the relationship.

Jim McHale and Daigo Ishiyama, a product development engineer from American Standard, spent three weeks in Bangladesh with a team from iDE to conduct the field study. Using a methodology iDE defines as human-centered design, the team observed the use of existing non-hygienic latrines and talked to latrine users in an effort "to develop solutions that are feasible, viable, and desirable" (Business Fights Poverty, 2014). After the field study, the American Standard team developed two prototypes to be tested in field trials by iDE, and returned a month later to interview the users. "They [iDE] were really helpful in the logistical piece. Who do you need to talk to first? How do you actually work on the ground in this area? They were extremely helpful. We would not have been able to do it without their help," explained McHale.

Develop the Business Model

The original SaTo pan received "extremely positive feedback" during the initial field trials (American Standard, 2014). The product design was the critical component that was largely responsible for the success of this venture. As researchers have confirmed, business models for BOP markets must be tailored for the specific context. (c.f. Anderson et al. 2010; London and Hart, 2004; Prahalad, 2005). The SaTo pan was created specifically for the needs of Bangladesh—it was low cost, it did not require a major behavior change, and it was designed to solve the problems associated with existing latrines. It could be easily installed in existing latrines and it uses a mechanical and water seal to block the sights and smells in the latrine as well as reduce the transmission of disease by flies.

iDE's contacts also aided in identifying several potential manufacturers. Jim McHale recounts the experience:

> In the first visit to do field research, we investigated what companies were there that might be able to help us. We visited a few different plastic suppliers in March 2012. One company really stood out, RFL. They were certainly the biggest and most professional and most open to working with us. When we thought we had a product that would be successful, we went back to them and started talking to them about making tooling to produce the pan. It's made by injection molded plastic, a very common technology. It wasn't really a very difficult business case. The first set of tools cost less than $20,000 so it wasn't a huge investment. We knew we could recoup the cost of $20,000. So we came up with a business arrangement with RFL. We paid for the tooling and we asked them to pay us a small royalty of something like $0.10 a pan on every one they sold and then they handled the distribution around the country.

While existing latrine components were made of concrete and ceramic, the original plastic SaTo pan could be affordably mass produced locally for about $1.50 per unit (Business Fights Poverty, 2014) and the initial arrangement with RFL for the wholesale distribution throughout Bangladesh did not require a physical presence from American Standard.

The SaTo toilet pan allowed existing latrines to be upgraded and became the first of a series of products that would create both social and economic value in the markets served. SaTo, which means "safe toilet," is the brand name of the toilet pan as well as subsequent products for BOP markets. With an estimated 1.77 billion people around the world using pit latrines (Graham & Polizzotto, 2013), the SaTo pan has the potential to make a substantial impact.

Proposition 1*: MNEs with NGO partnerships inside of a target country benefit from the experiential knowledge of the NGO, and thus are more likely to pursue market entry within a country than MNEs without such partnerships.*

Entry and Set-up Stage

During the Entry and Set-up Stage the MNE begins product sales in the new market. The NGO partner can aid the MNE in overcoming the liability of foreignness and outsidership, and help to create demand for the new product.

Overcome the Liability of Foreignness and Outsidership

When entering new markets, foreign firms may incur costs due to a lack of location-specific knowledge that are not incurred by national firms. This disadvantage of foreign firms is referred to as the *liability of foreignness*. Foreign firms are less integrated into the local information networks; have less access to political, financial, and market resources; and have higher coordination costs (Zaheer, 1995). Social capital derived from an MNE-NGO partnership can help to decrease the MNE's vulnerability to the liability of foreignness (Rottig, 2007; Zaheer & Mosakowski, 1997) and help them become insiders in essential business networks.

Other factors, such as the mode of entry, also contribute to how much a liability of foreignness will affect overall entry costs and the ensuing value of having an MNE-NGO partnership. For instance, American Standard's project-based approach, facilitated by iDE, was much less susceptible to the liability of foreignness disadvantages than, for example, a firm which decides to enter the market through wholly-owned greenfield operations. Similarly, target markets can affect the liability of foreignness. Some firms are motivated by market seeking and focus on the market as a whole, while other firms such as service organizations (e.g., banks, accounting, and advertising firms) often enter the market by following a client or partner (Erramilli & Rao, 1993; Malhotra & Hinings, 2010). Building strong networks in the local market will be much more critical to firms such as American Standard that focus on the entire market; and consequently, MNE-NGO partnerships have the potential of creating greater value to these firms.

Another important part of overcoming the liability of foreignness includes gaining social legitimacy in the market. In particular, social legitimacy refers to the "appropriateness and desirability of a firm's existence and behavior to local and international stakeholders" which may include consumers, suppliers, governments, advocacy groups (Dacin, Oliver, & Roy, 2007). Marano and Tashman (2012) suggest that threats to legitimacy may often be the result of the institutional distance of the firm's home country, as well as negative spillovers from the actions of competitors, foreign subunits of the firm, or the past actions of the organization itself. When an MNE is aligned with an NGO with strong local credentials, the NGO partner can help the MNE gain social legitimacy in the local market (Marano & Tashman, 2012). Such was the case with iDE and American Standard. iDE was familiar with the local institutional norms and helped American Standard to navigate the political and social environments, gain legitimacy and add additional partners to its vital business network. iDE's experience with the local supply chain and government contacts helped American Standard to expedite their entry into the Bangladesh market.

Exploit Opportunities and Create Demand

One of the key challenges in BOP markets is the informal nature of the markets (London, Anupindi, & Sheth, 2010). These markets are often characterized by social and economic isolation of the poorest consumers in both rural and urban areas (Mair & Marti, 2006). In Bangladesh, several methods were used to reach consumers and create demand for the SaTo pan. American Standard launched a promotional campaign in the U.S. called "Flush for Good" in which one SaTo pan was to be donated for every Champion toilet sold in North America. The campaign served to raise the awareness of the worldwide sanitation crisis as well as introduce the pan in developing countries. Over 500,000 pans were distributed by NGOs such as WaterAid and BRAC. In addition to the pans donated by American Standard, RFL promoted the pans by television commercials and distributed them through dealers and sales outlets used for their other products. The success of the marketing campaign in Bangladesh was partly due to television commercials by RFL that promoted the SaTo pan (McHale, 2015).

iDE specializes in sustainable sanitation marketing for rural regions and seeks to create demand primarily by community group presentations and demonstrations as well as engagement with the local government. Recent increases in literacy, electricity and cell phone coverage in rural areas of Bangladesh have allowed iDE to present messages using posters, cable and television networks. iDE also increases demand by linking customers to the private sector to make it easy for consumers to have access to sanitation products (iDE Tactic Report, 2016). They found that the small rural latrine producers who build and install latrines were isolated from the supporting services. "iDE jump-started these small producers by providing training, marketing support, entrepreneurial skills, but most importantly, the link to RFL. RFL now serves as a hub. It connects small producers, and provides them with quality control and product innovation" (Business Fights Poverty, 2014). iDE works with latrine producers to provide a variety of sanitation products including an expanded sanitation system that incorporates the SaTo pan and provides a higher level of a hygienic toilet.

By all accounts, the SaTo pan had a very successful market entry. As iDE's Raisa Chowdhury, Manager for Program Support, put it: "The pan is popular. . . it is a very good pan because it was designed based on the problems with the current pans. Because it eliminates some of the problems that the current pans have, it's very famous among people--very, very, famous."

Proposition 2: *MNEs with NGO partnerships inside of a target country gain legitimacy in the local institutional environment and experience a higher speed of market entry/set up than MNEs without such partnerships.*

Learning/Resource Building Stage

In the Learning/Resource Building stage of internationalization, successful operations typically experience rapid growth, and organizational learning is critical. This learning takes place from a variety of sources including lead customers, management, and a variety of partners with differentiated knowledge bases (Zucchella & Kabbara, 2012). While firm capabilities that are independent of the institutional context are indeed transferable, often the institutional distance between the home and the host developing market quickly pinpoints clear limits on the transferability of existing capabilities (Anand & Delios, 1997). Experience in other developing markets may also be limited in its transferability, given the considerable heterogeneity across countries (Anand & Delios, 1997). Consequently, the critical activities necessary to meet the demands of growth generally require learning from the firm's business network and obtaining the resources to supply the proper mix of knowledge and skills.

Along with growth, often comes increasing demands to contribute more to social initiatives in the developing country community. In spite of the MNEs' best efforts to contribute to the development of the local community, those efforts will still not be perceived as enough by some critics. As a result, the NGO partner or community may make unrealistic demands on the MNE to increase their commitment to social initiatives (Dahan, Doh, & Teegen, 2010). American Standard reported experiencing precisely this dilemma in some of the areas where they worked (McHale, 2015). Due to such misunderstandings, expectations of the partnership must be regularly managed and communicated in the partnership agreement.

Strengthen the Value Chain

MNE-NGO partnerships with higher levels of strategic engagement and partnership expertise can significantly influence the firm's outcomes at this stage. Such partnerships can make contributions to R&D, marketing, distribution and business development (Dahan, et al., 2010). In the various developing countries, some customization of the output is usually necessary. Country-specific advantages or indigenous resources of NGOs may sometimes be combined with a company's strengths to result in cost-efficient operations and innovations to fit the cultural context. These collaboratively-created innovations may have the advantage of being first in the market and may make it more difficult for competitors to replicate.

It is also during the learning/resource building stage that MNEs discover that their presence may have an adverse influence on local business owners and/or cause resentment on the part of local suppliers. NGO relationships can be critical in negotiating a resolution of such tensions. The SaTo pan was the first hygienic latrine pan introduced in Bangladesh and according to McHale, they are a "much higher quality than the competitive pan; they're smoother and look much nicer. It completely blocks the smell; and what people sometimes say is most important, they can no longer see the pile of crap at the bottom of the pit." American Standard is not aware of the pan's effect on competitive products nor aware of any copycat products yet. Although they have applied for patent protection, the process is lengthy and enforcement is usually lax in developing markets (Park, 2008). Critics would argue, however, that copycat products that improve sanitation in developing countries would be advantageous (Resnik, 2001).

Shortly after the launch of the SaTo pan, dealers and latrine producers faced a shortage in supply. The latrine producers were the small-scale entrepreneurs who purchased the pans and other latrine components from dealers and installed latrines for individual families. Jess MacArthur, technical advisor for iDE Bangladesh, indicated that due to the agreement between American Standard and RFL, “institutional orders by NGOs were preferred over commercial orders by dealers or by the market. So it has caused a big rift in the supply chain and a challenge to get actual commercial orders to create a more sustainable, more robust supply.” Because iDE’s focus is to create a sustainable market for hygienic sanitation products, they felt that the distribution of pans by international NGOs caused market distortions and made it difficult for the small-scale latrine producers to use the pans. Raisa Chowdhury explained:

> We do not want to stop NGOs from giving it away. That’s a very good channel to reach those very poor households or disabled households or disadvantaged households. But if they go through the existing market channels, what happens is that it is sustainable in the longer run. But when they are bypassing market channels it creates a problem for the latrine producers as well. They are not getting the priority or they are not getting the adequate supply of the inputs through the existing market channels.

When latrine producers were unable to obtain the SaTo pan, they would often install the unimproved traditional latrine without the hygienic pan. This issue became a major source of contention between American Standard and iDE and later contributed to the dissolution of the partnership.

Transfer of Knowledge and Technology

An important part of a marketing plan is gathering data on sales and usage trends. This is another area of challenge presented by the informal market environment in developing countries, and NGO partners were also able to assist with this task. This information will help with the knowledge and technology transfer to other areas and products. The SaTo pan was designed to be the lowest rung on the sanitation ladder for a hygienic toilet. Based on consumer feedback and the needs of the market, American Standard has made different versions of the toilet pan. The SaTo series is tailored to meet the needs of different areas and includes a seat version for those who prefer a seat rather than a squat toilet. The company is developing a number of new products "to fit different markets, infrastructure and income levels in developing nations" (LIXIL, 2016, p. 2). Two such innovations include a Micro Flush Toilet System, which reuses sewage water carry away waste, and a Green Toilet System, which processes human excrement into fertilizer. In addition to working with international NGOs, American Standard has teamed up with other organizations such as government agencies, non-profits, and other companies to form the Toilet Board Coalition, a global alliance to develop sustainable solutions to tackle the global sanitation crisis (LIXIL, 2016).

Proposition 3*: Collaboratively-created innovations by the MNE and NGO partners are more likely to result in sustained economic and social value in developing countries than innovations introduced without collaboration with NGO partners.*

Maturity and Breakout Stage

In this final stage of the internationalization process, firms become more independent from their initial partners and must determine the future direction of operations. This may include expanding into new international markets which may be facilitated by current business networks. Dahan et al. (2010) point out that business models that are collaboratively produced by

MNE-NGO partnerships are often project-based initiatives rather than enterprises that require fundamental transformational changes at the corporate level. As such, the initiatives may have a shorter lifespan. Some initiatives, however, may set the stage for longer-term, expanded commitments in the developing market as well as further expansion into other markets. This was the case for American Standard. The success of the SaTo pan led to the formation of a new business unit dedicated to expanding the SaTo series of products and to marketing other products that create social and economic value.

Assess Instructional Voids

In developing countries such as Bangladesh, there are often missing or weak market institutions, referred to as institutional voids, that serve to constrain modern market activity and limit participation and access to markets for certain groups (Khanna & Palepu, 1997; North, 1991). These include formal institutions such as constitutions, laws, property rights and governmental regulations as well as informal institutions such as customs, traditions, and religious norms (Mair, Marti, & Ventresca., 2012). These institutions, also referred to as “rules of the game,” (North, 1991) are rooted in cultural, political and religious systems. While such voids can occur in developed markets, researchers have focused on how these voids are created and their consequences in developing markets. For example, Mair et al. (2012,) reports that although the Constitution in Bangladesh gives women equal rights with men, “local community, political and religious spheres act to limit women’s autonomy and erode the ability of poor women to participate in markets” (p. 27). NGOs act as intermediaries to insure more inclusive access to markets. iDE, for instance, reaches out to rural households that might not otherwise become aware of the SaTo pan. In addition to organizing community-led events that foster awareness of sanitation practices and products, iDE and other NGOs might facilitate financing schemes for purchases and advocate for these groups among local and national governments in an effort to build more inclusive markets. Companies like American Standard, who offer products to BOP consumers, stand to benefit as markets are opened up to these often excluded consumers.

Exploring New Markets

As American Standard began to explore expansion into markets in Africa, they once again used iDE’s on-ground experience to conduct field trials. Necessary modifications to the pan were then identified through this relationship. Latrines in Africa were usually built on wood or mud slabs due to the high cost of concrete. The pan was also redesigned to operate with less water, which is a much scarcer resource in Africa than in Bangladesh, and other modifications were made based on user feedback. American Standard’s efforts to expand the SaTo pan into Africa were supported by another grant from the Gates Foundation.

American Standard also initiated a partnership with Water for People, a water and sanitation NGO operating in nine countries in Africa, India and South America. Steve Sugden, Senior Project Manager for Sanitation at Water for People, was introduced to the SaTo pan at the “Reinvent the Toilet” event. The organization initially purchased 200 of the pans to test them in Malawi. American Standard later donated 8,000 pans to the NGO for distribution in Malawi and Uganda. Water for People was happy to work with American Standard. “This is what we would be doing anyway,” said Steve Sugden of WFP, whose mission is to find marketable sanitation solutions. “It’s such a good product. The SaTo pan is the only product on the market, I think, that allows you to upgrade a pit latrine, remarked Sugden, “People find it very desirable. They can see it straight away. It’s also very affordable. People do not find it expensive. It’s a very rare product and we are very enthusiastic about it.”

Water for People located distributors for the pan and asked American Standard to provide funds for a marketing campaign to increase the awareness of the pan to consumers. Sugden noted that many of the sanitation products relied on word-of-mouth to create market awareness and indicated that a marketing campaign, such as a television commercial, would create demand. Such advertising would also address the issue of price gouging by independent sellers by making potential consumers aware of the retail price.

The pans are manufactured by Crestanks, a plastic manufacture in Kampala, Uganda. Once the SaTo pan became widely known and accepted, Water for People intended to withdraw from the market and let the private sector manage the supply and distribution of the pans throughout the country. “The NGOs would be sort of a catalyst to get the market working as opposed to being an actual part of the supply chain,” noted Sugden. Water for People was interested in introducing the pan in other markets in which they operate such as Malawi and Rwanda.

Similar to iDE, Water for People had concerns that the distribution of the free pans by NGOs would distort the market. According to Sugden:

> It’s directly against sanitation marketing. If you want to ruin the market, give something away . . . It is like a paradigm shift in the way the sector has traditionally worked and it will take time for everyone to get up to speed with that process. We know from past experience the way it distorts the market. It creates dependency by people expecting things for free from NGOs. You will never create anything sustainable by giving them away for free.

By 2016, American Standard’s Flush for Good campaign, had resulted in the donation of over 1.2 million SaTo toilet pans to developing countries by NGOs such as WaterAid, Save the Children, and BRAC. Market-based NGOs, such as iDE and Water for People, represent a new breed of NGOs focused on creating a sustainable market for water and sanitation products.

American Standard is also working with the NGO UNICEF to introduce the pans in Kenya. Field trials were carried out in 2014 and 2015 in Kenya and in Rwanda in 2016 (UNICEF, 2016). “We are deeply committed to improving sanitation and hygiene conditions globally by increasing access to these innovative products in developing countries,” said Jim McHale, vice president and general manager of LIXIL’s new SATO business unit (LIXIL, 2016). American Standard has a goal of reaching 20 million people with hygienic sanitation products by 2020 (LIXIL, 2017).

Proposition 4: *Partnerships with international NGOs with a local presence in the target market will be more instrumental in facilitating the expansion of MNEs into multiple markets than partnerships with local, non-international NGOs.*

Proposition 5*: Integrative MNE-NGO partnerships, in which the mission and activities of the partners allow for strategic collaboration and integration, will have a more significant impact on the MNEs’ market entry and performance than partnerships based on transactional or project-based initiatives.*

Discussion and Conclusion

This study examined the creation, implementation, and market expansion of a product designed for BOP consumers by American Standard and its NGO partners and provided the theoretical reasons that MNE-NGO partnerships can be profitable in the different stages of the internationalization process. While it focuses on the processes and mechanisms of MNE market entry, it also considers how shared value is captured by NGO partners, the supply chain, and the BOP consumer. However, successful alliances do not just happen. The research literature on collaborative agreements presents several models and suggestions for improving the quality and impact of collaborative ventures. Jamali and Keshishian (2009) provide a summary of numerous critical considerations, including: a self-assessment in the initiation stage, a careful deliberation of partner choice, a connection with the organizations’ mission, an alignment of values, a clear assignment of management responsibility, a commitment of resources, open and constructive communication, inter-personal relationships between the CEOs of partner firms, an appreciation and positive inclination to learning, and lastly, the regular tracking of progress based on agreed-upon criteria. Two related considerations that seem especially salient for MNE-NGO alliances seeking to evolve toward strategic alliances necessary to facilitate entry into developing and emerging markets include: 1) partnership motivation and 2) strategic importance and fit.

The motivation for the MNE-NGO partnership is the cornerstone upon which the partnership is built (Lorenzen, 2012). Austin (2007) identifies four often overlapping motivation categories for companies to participate in cross-sector partnerships: compliance driven, risk-driven, values-driven, and business-opportunity-driven motivations. Compliance-driven motivation is concerned with the legal requirements of the organization and company officials are likely to be interested in politics and legislation that would adversely affect the organization or industry. A risk-driven motivation would be concerned with averting negative consequences in the external environment and would emphasize protection of the company's reputation and employee loyalty. A company with a values-driven motivation would emphasize core beliefs and managers would be concerned with validating institutional integrity. Organizations that are motivated by business opportunity would focus on capturing economic gains and would take actions to enhance product differentiation, market expansion, employee enrichment, supply development and production efficiencies in order to achieve competitive advantage (Austin, 2007; Lorenzen, 2012). Austin (2007) suggests that a values-driven and a business-opportunity-driven motivation would be a critical condition for a successful partnership. Because the sincerity of the CSR efforts of MNE are often questioned, it is important that motivation for engagement with the NGO and the host country is values-driven as well as business opportunity-driven. Those that are motivated only by economic self-interest, or by compliance or risk minimization, will likely meet with resistance and mistrust from the community and the NGO partner.

American Standard seems to have both the requisite values and business opportunity motives. Jim McHale notes that the social impact has been the most significant factor in their success so far. "Eight hundred thousand SaTo pans means that the company made $80,000, which is much less than what was spent. It's more about the social impact; we have already impacted about 4 million people. It would be harder to make the business case for the investment if it didn't have such a social impact." The company expects to be completely profitable by 2020 as the products and market coverage continue to increase.

Moving from CSR to Creating Shared Value. Porter and Kramer (2011) point out that creating shared value supersedes CSR initiatives and requires that management teams think differently about their social investments. CSR is largely concerned with corporate reputation; creating shared value, on the other hand, is integral to competing, profit maximization, and economic and social benefit relative to cost (Porter & Kramer, 2011). As American Standard learned with the launch of the SaTo pan, some CSR initiatives such as the Flush for Good campaign which donated free toilet pans, are not compatible with market-based approaches in some BOP markets. In fact, according to Steve Sugden, giving things away for free is now even discouraged by some governments such as in Malawi. "This is a case of role reversal, commented Yi Wei of iDE, "here you have a corporation wanting to give things away for free and an NGO saying, 'no, sell it'." This dilemma also illustrates the need for corporations to elicit the involvement of their NGO partners at all phases of the entry process—including the planning and exploration phase.

Strategic Importance and Fit. Unless the partnership is important to the core business strategy, it will not progress to a strategic alliance. Jamali & Keshishian (2009) examined five business-NGO partnerships in the context of corporate social responsibility in Lebanon and found that most were not able to move past the initial philanthropic stage. In all five cases, partners embraced the partnering arrangement with the intent to capitalize on the complementary resources offered by each partner. An evaluation of the partnerships, however, showed that "the partnerships crafted were mostly symbolic and instrumental rather than substantive and integrative" (Jamali & Keshishian, 2009, p. 291). If the business motivation for the partnership is not at least to some extent strategically beneficial, the necessary engagement and investment in time and resources will not be committed to sustain a meaningful partnership. Additionally, there must be a good fit between the strategic goals of the partnership and the MNE (Perez-Aleman & Sandilands, 2008).

Strategic fit goes beyond the end goal. It also relates to how organizations choose to meet that goal. Corporations must decide how to address institutional voids that impedes certain groups from participating freely in market activity—e.g., do we work around them and reap the low hanging fruit, or build platforms to increase participation? Perhaps many corporations, who have to weigh the social and economic value, would probably choose the former; and NGOs like iDE and Water for People, who are more concerned with social value, the latter. This dichotomy shows the limits of shared value. Corporations such as LIXIL, American Standard's parent company, can and will do much to improve sanitation around the world by focusing on products that meet the needs of BOP consumers. NGOs like iDE and Water for People will still be needed to serve as intermediaries to help build inclusive markets so that the poorest of the poor, those that need it most, will have sustained access to those products (Mair et. al, 2012).

This does not mean that MNEs and NGOs with different ideologies are not suitable partners. It means that the attention needs to be given to those differences in the early stages of the partnerships so that expectations can be effectively managed.

Although the business of sanitation in developing countries was a new venture for the toilet maker American Standard, aligning themselves with NGOs with experience in the sanitation business gave them the confidence to enter the market in a quick and impactful manner. At the same time, the NGOs were able to accelerate their influence in the affected regions as a result of their alliance with American Standard. By early 2017, more than one million pans, in different variations based on local needs, were in use in over 14 countries, including Philippines, India, Uganda, Kenya and Haiti (LIXIL, 2017).

Implications for Practice and Future Research

Some of the details of the internationalization process for American Standard in some difficult markets provided illustrative templates of the MNE-NGO dynamic in action. Strategic partnerships with NGOs can help MNEs become an integral part of the relevant business networks in new markets. Insidership in such networks will help the MNE develop knowledge, build trust, and create the learning necessary to discover and exploit opportunities. These strategic partnerships also allow the MNE to leverage the social and political capital of their NGO partners to establish legitimacy in the new market.

While this research was informed by a single case study, an investigation of multiple partnerships is necessary to adequately explore the potential of such partnerships to influence the internationalization process. Further research can explore the different paths organizations take in the evolution to more strategic partnerships. Longitudinal case studies of small, medium-size, and large organizations are needed to determine how these paths differ based on the types of partnerships and various cultural and institutional settings. Such research will not only contribute to our theoretical knowledge of partnerships and internationalization, but will help organizations form meaningful collaborations that result in significant social and economic value.

Chapter 4

Measuring Shared Social Value

Globalization, which has been marked by increased trade and foreign direct investment, has reshaped the world in many ways—from the speed and media by which we communicate to the way corporations are managed—and it has prompted both large and small businesses to join the race for international expansion and has altered our perceptions of the role of corporations. Corporations are expected to do more than return an economic profit and satisfy the needs of their stakeholders. They are increasingly being called upon to go beyond philanthropic sponsorships, volunteer programs and community corporate social responsibility projects to play a larger role as global citizens to help solve large-scale global problems.

The good news is that thousands of corporations have been answering this call and have pledged their commitment to United Nations organizations to be a part of the global solution. Over 12,000 corporations have signed on to the United Nations Global Compact pledging to support its 10 principals with respect to human rights, labor, environment and anti-corruption and committing to public accountability, transparency, and annual communication of progress (United Nations, 2017). Corporations are also pledging their support to the UN's 2030 Sustainable Development Goals (SDGs) announced in 2015. These 17 goals, also called Global Goals, represent a "universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity" (UNDP, 2017). Since 2012, there has been an unprecedented level of involvement by private corporations in advancing the goals of the United Nations (UNDP, 2017).

Pressure has also mounted from governments, investors, stakeholders and activist groups for corporations to be more transparent and to report their non-financial activities. This increased involvement as global corporate citizens coincides with the growing movement of corporations seeking to create shared economic and social value and the increase in social and sustainability reporting by corporations. The emphasis on creating shared value has been promulgated by Porter and Kramer (2006, 2011) and their consulting firm FSG. More and more corporations are embracing the concept of shared value and are searching for guidance on how to make the business case for such initiatives and how to measure the economic and social impact of these investments (Porter, Hills, Pfitzer, Patscheke, & Hawkins, 2011). Standard business performance indicators do not account for the outcome and impacts from shared value initiatives; consequently, new measurement models are needed (Porter et al., 2011; Tideman, Arts, & Zandee, 2013). Companies like Unilever and Nestle are leading the field in developing measurement solutions for shared value initiatives.

Although the relationship between corporate social responsibility (CSR) and financial performance has received much research attention, measures of social value are generally underdeveloped and there is a dearth of research that addresses the need of managers to understand the impact of their social investments (Ebrahim & Rangan, 2014). This study addresses that need by exploring the performance indicators and metrics used by corporations to measure their social performance and impact. It compares measurement theory with current practice and makes recommendations for increasing the effectiveness of social performance metrics. Additionally, this study examines the alignment of corporate social performance indicators with the UN Sustainable Development Goals.

Pursuit of the Sustainable Development Goals offers corporations a unique opportunity to create shared value in the communities in which they operate and to expand into new markets. The Business Commission on the SDGs, comprised of 35 business, academic, and civil society leaders including the CEOs of Unilever, Mars, and JP Morgan Chase, identified the 60 fastest growing market opportunities associated with the SDGs and estimated that $12 trillion of market activity can be realized by 2030 by achieving the SDGs. Fifteen of these opportunities take place in four economic systems—food and agriculture, cities, energy and materials, and health and well-being—and will account for 50% of the growth (Business & Sustainable Development Commission, 2017). The Commission also predicts that first movers “who have already aligned their resource use and workforce management with the Global Goals will have a 5 to 15-year advantage on the sustainable playing field” (Business & Sustainable Development Commission, 2017, p. 17). Several of the companies researched in this study have, in fact, communicated the alignment of their sustainability commitments with the SDGs.

This study examines the most recent sustainability reports of corporations that seek to create shared value and are recognized for being good corporate citizens. Using long-term sustainability goals as a proxy for social involvement, it analyzes the corporate sustainability commitments and measures for the year 2020 and beyond. This research reviews the types of metrics—activities, outputs and impacts—and investigates the measurement challenges experienced by these organizations. By reviewing the sustainability goals by industry sector, the study determines the strategic priorities and alignment with the SDGs for the eight industry groups. Specifically, the study advances our understanding of the measurement of corporate social initiatives by answering the following research questions:

1. What are the strategic sustainability priorities and trends across industry sectors?
2. What are the long-term commitments of corporations to sustainable development and what are the performance indicators used to measure these commitments?
3. To what extent do the corporate sustainability commitments support the UN’s Sustainable Development Goals?

4. What are the major challenges for corporations in measuring social value?
5. What are some of the ways corporations are overcoming the obstacles to measuring social value?

In the next section we further review the topics of CSR reporting, shared value initiatives, the SDGs and the measurement of social initiatives. We then present the qualitative methodology used for this research, our analysis and findings. We conclude with a discussion of implications for corporate managers and recommendations for a research agenda for this important topic.

Literature Review

Sustainable Development and Corporate Social Responsibility Reporting

Corporations and researchers use several different terms to refer to environmental and social reporting. ESG, sustainability, CSR, corporate citizenship, social reporting, and many others (Maas & Liket, 2011) all refer to corporate disclosure of "an action that appears to further some social good, beyond the interest of the corporation and that which is required by law" (McWilliams & Siegel, 2001, p. 117). Sustainability commitments go beyond a firm's shareholder profit-seeking objectives and addresses the concerns of a wider group of stakeholders—stakeholders who may ultimately determine a firm's success or failure in a particular market (Buchholz & Rosenthal, 2005; Freeman, 1984). This sentiment builds on stakeholder theory (Freeman, 1984), the most widely used theoretical framework for CSR research (Searcy, 2012). Stakeholder theory argues that corporations have obligations to individuals and groups both inside and outside of the organization, which include employees, shareholders, customers, suppliers, and the wider community in which they operate (Freeman, 1984).

An increase in sustainability and social reporting stems from pressure from regulatory agencies and activist groups as well as the need to show stakeholders that the organization is a good corporate citizen, which, in turn, should help the corporation reap the benefits of an improved corporate reputation and keep the activists at bay. To facilitate this increased reporting, several reporting platforms have been developed over the last few decades such as the Global Reporting Initiative (GRI) and the investment group, KLD. Reporting platforms play a large part in shaping what is reported and drive isomorphic reporting practices among firms. For example, The GRI-4 standards specify stakeholder engagement, CEO involvement and specific disclosures regarding environmental impacts, labor practices, human rights, community involvement, and product responsibility. This public information can serve as standards for comparisons among other firms, and industry coalitions are often formed to establish uniform standards. Coca-Cola, Pepsi, and Dr. Pepper, for example, have all agreed to a 20% reduction of calories in their soft drinks by 2020.

The United Nations Global Compact, initiated in 1999, is “a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption. As the world’s largest, global corporate citizenship initiative, the Global Compact is concerned with exhibiting and building the social legitimacy of business and markets” (UNEP, 2009).

Creating Shared Value

The concept of shared value challenges the way we think about profits, philanthropy, sustainability and development. The work of Porter and Kramer (2011) on creating shared value has begun to help organizations think differently about combining economic and social benefits and holds promise for further study on this topic. While Porter and Kramer (2006, 2011) and their management consulting firm FSG have popularized the concept, the tenets of shared value have existed for decades. Prahalad and Hart (1999) discussed the role of multinationals in sustainable development at the bottom of the pyramid.

Porter and Kramer (2011) define the concept of shared value as “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates” (p. 2). They suggest that shared value initiatives are created in three ways: 1) reconceiving products and markets to meet societal needs such as improved nutrition, education, health, and general well-being; 2) redefining productivity in the supply chain such as investing in training and resources for small farmers to create high-quality suppliers and enhance sustainability; and 3) enabling the development of fair and open markets by partnering with governments, academic institutions, NGOs, and other public and private organizations to form clusters to address market needs such as infrastructure and technical capabilities (Porter & Kramer, 2011).

Porter and Kramer (2011) make a distinction between CSR and shared value initiatives. CSR initiatives are designed mainly to enhance the reputation of companies and are, therefore, a necessary expense. Shared value initiatives, on the other hand, expands the total pool of economic and social value by meeting societal needs. In the literature, however, some initiatives that are labeled CSR do, in fact, meet Porter and Kramer’s definition of shared value. Furthermore, a large portion of the research dealing with measurement practices refer to the measurement of CSR initiatives or corporate social performance (CSP). Consequently, this study does not make a distinction between the terms CSR and shared value initiatives. It does, however, focus on initiatives that could be considered shared value by Porter and Kramer’s definition.

The Challenge of Measurement

In theory, shared value initiatives "will be data driven, clearly linked to defined outcomes, well connected to the goals of all stakeholders, and tracked with clear metrics" (Porter & Kramer, 2011, p. 76). However, implementing and measuring shared value initiatives is a difficult task and organizations and partnerships are looking for guidance in this area (Rahbek, 2013). As discussed, organizations that use measures and metrics on an ongoing basis to understand how their products and services affect the intended beneficiaries are expected to achieve a high level of social value.

Research by Citi Foundation, Tufts University and Monitor Institute (2014) suggests that the measurement of social initiatives is both crucial and difficult. The lack of standard performance indicators makes comparisons difficult. Often, when objective quantitative data is used, it is not because it is the most effective measure, but because it is the easiest to determine with the data available. Consequently, corporations measure inputs and activities such as the amount spent on community endeavors, the number of employee volunteer hours, or the total number of people trained or involved in a particular initiative or activity without any meaningful assessment of the effectiveness or impact of the activity/initiative. Corporate managers decry the lack of effective measures and have identified measurement as one of the major challenges in social reporting (Searcy, 2012).

Business and the SDGs

The 17 Sustainable Development Goals build on the United Nations Millennium Development Goals of 2000-2015. One of the lessons learned from the Millennium Development Goals is that private sector involvement is critical for the achievement of targets such as those dealing with employment, the environment, and the delivery of key services (Atal, 2015).

Consequently, The UN Global Compact, the world's largest sustainability initiative with more than 12,000 corporate participants, solicited private sector involvement during the planning and development of the SDGs. Input from technology companies was sought to develop tools to help monitor the progress. The SDGs offer an inclusive agenda and provide indicators and targets for countries and corporations to adopt based on their priorities. The 17 goals involve new areas such as climate change, economic inequality, innovation, sustainable production and consumption, and peace and justice (UNPD, 2017).

Involvement in the development space is not a core competency of most corporations; consequently, they must rely on partnerships with governments and the public sector to achieve sustained impact. With proper alignment, this involvement has the potential to help corporations move into developing markets and companies can benefit from the emphasis on infrastructure and technology proposed by these goals. Emphasis on environmental sustainability, technology, and skills development will reap direct benefits to multinational corporations. Since these benefits vary by industry sector, the focus for involvement in the SDGs will also vary by industry.

In summary, while previous studies have elaborated on sustainability reporting, there is still much unknown about corporate commitments to sustainability, how they relate to overall corporate strategy, and how corporations measure their shared value and their contributions to sustainable development. This study draws on corporate sustainability commitments for 2020 and beyond to investigate these issues. Publicly-stated sustainability goals will serve as an important driver for corporate sustainability activity over the next decade and these goals are used as an analytic anchor to study performance indicators and measurement in social reporting.

Methodology

This study uses content analysis to examine the measurement and reporting practices for corporate social initiatives. Content analysis is a "research technique for making replicable and valid inferences from data according to their context" (Krippendorff, 1980, p. 21) and is often used in assessing corporate sustainability disclosures (Campopiano & Massis. 2015; Milne & Adler, 1999). This method allows researchers to gather otherwise unavailable information, and generally affords greater reliability and replication of results (Campopiano & Massis, 2015; Potter & Levin-Donnerstein, 1999). Thematic content analysis, which utilizes pre-determined coding categories, was used to explore topics related to their long-term goals and commitments and sustainability measurement and reporting practices. Specifically, information collected for each company included: goals and performance indicators for 2020 and beyond, headquarters location, revenue, operating profit, charitable contributions (cash and non-cash), employee volunteer hours, reporting framework used, strategic priorities for sustainability, social and environmental standards used, SDG involvement, membership in United Nations Global Compact, other memberships, partnerships and measurement examples. Some reports did not contain all of the information.

The aim of the study is to assess the strategic sustainability priorities, measurement practices, and the alignment with the global goals; consequently, the quantity and quality of environmental and social performance indicators and long-term sustainability commitments for 2020 and beyond were of primary interest for this research. Company websites and other public documents were used to obtain information that was not contained in the sustainability reports. In cases where long-term goals were not stated in the report or on the website (about five), the lead researcher used current year performance metrics as a proxy for sustainability commitments.

The companies selected for this study were companies on Fortune's 2016 Change the World Index and the Dow Jones Sustainability Index (DJSI) Industry Group Leaders. The Change the World Index consists of 50 Companies with annual revenues of $1 billion or more which "have had a positive social impact through activities that are part of their core business strategy" (Fortune, 2017). This list was chosen because the criteria for inclusion on the list—social and economic impact—are closely aligned with the goals of this study. Other lists, such as Ranker Top Socially Responsible Companies, are often based on reputation and are "highly influenced by the corporation's size, age, and access to the mass media, as well as by the experience of the respondent in the business" (Abbott & Monsen 1979, p. 503). The Fortune companies were evaluated and ranked by 1) measurable social impact, 2) economic benefit of the social initiative, and 3) the degree of innovation (Fry & Leaf, 2017). The DJSI Industry Group Leaders represent the highest scoring firm for each of the 24 industry groups comprising the DJSI. The list represents leading sustainability-driven companies throughout the world based on RobecoSAM's analysis of financially relevant environmental, social and governance (ESG) factors and S&P DJI index methodology. Three companies (Unilever, Nestle, and DSM) were on both lists.

The GRI database or the company website was used to locate the most recent sustainability report for the 71 companies on the two lists. An English sustainability report could not be located for five of the companies on the Change the World list, so the final sample consisted of 66 companies. The most current report included 27 reports for 2016, 28 reports for 2015, and 3 reports for 2014.

Data Analysis

GRI Reporting Framework. The companies are grouped by industry sectors based on the Global Industry Classification Standard (GICS) with related secondary classifications grouped together. Research has shown that company reporting practices may vary by industry (Alonso-Almeida, Llach, & Marimon, 2014). All except three companies in the financial sector used the GRI reporting framework (95%); all of the DJSI group leaders used the GRI reporting framework (Table 3). Twenty-three, or 35%, of the companies are headquartered in the U.S.; 43, or 65%, are located outside of the U.S.

UN Global Compact and SDG involvement. Table 3 also shows the companies that are part of the United Nations Global Compact and those that have indicated their commitment to support the SDGs. The majority of the companies (70%) are part of the UN Global Compact. Of the 46 companies that have signed on to the UNGC, 39 or 85% of them have also publicly committed to supporting the SDGs. There were 12 companies (18% who were not involved with the UNGC but indicated a commitment to work towards the SDGs. These figures suggest that corporate involvement in the UNGC is associated with a public commitment to support the SDGs. However, most of the companies in the healthcare sector (71%) are not part of the UNGC, but 86% of the healthcare companies have pledged their support for the global goals. It is not surprising because of the need and emphasis on health outcomes in developing countries. Only 45% of the corporations in retailing and consumer services, like Walmart and Starbucks, have indicated involvement with the SDGs. This may be because these businesses do not operate in many of the developing countries targeted by the SDGs. Several companies indicated how each of their sustainability goals aligned with the 17 SDGs. Figure 4 is an excerpt from Coca-Cola's report.

Table 3. Company Summary

Company	Country	United Nations Global Compact	Sustainable Development Goals (SDG) Involvement	Global Reporting Initiative
Consumer Discretionary: Autos & Components; Consumer Durables & Apparel				
BMW (Bayerische Motoren Werke) AG∘	Germany	✓	✓	✓
Crystal Group+	Hong Kong	x	x	✓
LG Electronics∘	Korea	✓	✓	✓
Nike+	USA	✓	x	✓
Panasonic+	Japan	x	✓	✓
	Percent of Involvement	69%	60%	100%
Consumer Discretionary: Retailing, Consumer Services, Media				
Compass Group+	UK	✓	x	✓
CVS Health+	USA	x	✓	✓
Gap+	USA	✓	x	✓
Industria de Diseno Textil∘	Spain	✓	✓	✓
McDonald's+	USA	x	x	✓
Metro Group∘	Germany	✓	✓	✓
Olam International+	Singapore	✓	✓	✓
Sodexo∘	France	✓	✓	✓
Starbucks+	USA	✓	x	✓
Telenet Group Holding NV∘	Belgium	✓	x	✓
Walmart+	USA	x	x	✓
	Percent of Involvement	82%	45%	100%
Consumer Staples: Food & Beverages; Household & Personal Products				
Coca-Cola+	USA	✓	✓	✓
Godrej Group+	India	✓	✓	✓
Grupo Bimbo+	Mexico	✓	✓	✓
Heineken	Netherlands	x	✓	✓
Ito En+	Japan	x	x	✓
Nestlé∘+	Switzerland	✓	✓	✓
PepsiCo+	USA	✓	✓	✓
Unilever∘+	UK	✓	✓	✓
	Percent of Involvement	75%	88%	100%
Energy; Materials; Utilities				
DSM+	Netherlands	✓	✓	✓
Fibria Celulose+	Brazil	✓	✓	✓
First Solar+	USA	x	x	✓
Iberdrola SA∘	Spain	✓	✓	✓
Koninklijke DSM NV∘+	Netherlands	✓	✓	✓
Novozymes+	Denmark	✓	✓	✓
Thai Oil PCL∘	Thailand	✓	✓	✓
	Percent of Involvement	86%	86%	100%

+ Dow Jones Sustainability Index Industry Group Leader
∘ Fortune Change the World List

Company	Country	United Nations Global Compact	Sustainable Development Goals (SDG) Involvement	Global Reporting Initiative
Financials; Real Estate				
Banco de Crédito+	Chile	✓	x	✓
Bank of America+	USA	✓	✓	✓
BTPN+	Indonesia	x	x	x
MasterCard+	USA	✓	✓	x
Munich Re+	Germany	✓	✓	✓
National Australia Bank+	Australia	✓	✓	✓
PayPal Holdings+	USA	x	✓	x
Skandia+	Sweden	✓	✓	✓
Stockland+	Australia	✓	✓	✓
Swiss Re AG+	Switzerland	✓	✓	✓
Tribanco+	Brazil	x	x	✓
UBS Group AG NO+	Switzerland	x	✓	✓
Wespac Banking Corp+	Australia	✓	v	✓
	Percent of Involvement	69%	77%	77%
Industrials				
General Electric+	USA	✓	✓	✓
Koninklijke Philips NV∘	Netherland	✓	✓	✓
PostNL NV∘	Netherlands	✓	✓	✓
Schneider Electric+	France	✓	✓	✓
SGS SA∘	Switzerland	✓	✓	✓
Siemens+	Germany	✓	✓	✓
United Technologies+	USA	x	✓	✓
	Percent of Involvement	86%	100%	100%
Healthcare				
Abbott Laboratories∘	USA	x	✓	✓
Becton Dickinson+	USA	x	✓	✓
Cipla+	India	x	x	✓
Gilead Sciences+	USA	x	✓	✓
GlaxoSmithKline+	UK	✓	✓	✓
Johnson & Johnson+	USA	✓	✓	✓
Roche Holding AG∘	Switzerland	x	✓	✓
	Percent of Involvement	22%	86%	100%
Technology; Telecommunications				
Accenture+	USA	✓	✓	✓
Advanced Semiconductor Engineering∘	Taiwan	✓	✓	✓
Atos SE NO∘	France	✓	x	✓
HP∘	USA	✓	✓	✓
IBM+	USA	x	✓	✓
Intel+	USA	✓	✓	✓
LinkedIn+	USA	✓	✓	x
salesforce.com+	USA	x	✓	✓
Telecom Italia SpA∘	Italy	✓	✓	✓
	Percent of Involvement	78%	88%	88%

+ Dow Jones Sustainability Index Industry Group Leader
∘ Fortune Change the World List

Figure 4. Coca-Cola Sustainable Development Goals

In regard to headquarters location, t-tests were conducted to compare the participation rate for U.S. and non-U.S. companies in the Global Compact and in stated commitments to the SDGs. There was no significant difference in the commitment to the SDGs for U.S. companies ($M = .75$) and non-U.S. companies ($M = .79$; $t = 2.11$, $p > .05$). The difference in Global Compact membership for U.S. ($M = .54$) and non-U.S. companies ($M = .79$; $t = 2.11$, $p <.05$) was, however, significant.

Performance Indicators. The GRI contains standard economic, environmental and social performance indicators. Economic indicators include economic performance such as operating profit and indirect economic impacts. Environmental indicators include: 1) energy consumption and intensity, 2) water withdrawal, 3) direct and indirect greenhouse gas emissions and intensity, 4) effluents and waste, 5) environmental impact of products and services, 6) impact of transporting materials and employees, and 7) supplier impact assessments. The topics under the social category cover: 1) labour practices (i.e., health and safety, training, diversity, equal pay, supplier labour practices, and grievance mechanisms), 2) human rights (child labor, forced labor, supplier human rights assessment), 3) society (anti-corruption, community engagement, political contributions), and 4) product responsibility (labeling, consumer health and safety, third party certification, customer privacy). GRI includes both quantitative and qualitative indicators. Environmental reporting is mainly quantitative and has more developed measures. With the exception of the quantitative measure related to employee safety, training, and diversity, the social indicators are more varied and difficult to quantify. This challenging area of measurement is the main focus of the remainder of this study.

The Measurement of Social Indicators

The GRI format allows the organization to decide what is important to them—their material aspects—and to decide what indicators they will report. An examination of the reports highlights the voluntary and discretionary nature of the reporting. For example, GRI requests the percentage of new suppliers assessed according to environmental criteria. Skandia, an insurance and investment company, noted a partial report for that indicator in their index of performance indicators; Coca-Cola, on the other hand, omitted that indicator from their index, although they did discuss supplier assessments in the narrative portion of their report.

Reflecting the GRI performance indicators, corporations frequently discussed goals around environmental performance; the sourcing of raw materials and inputs for production; employee safety, training and diversity; product innovations that lead to positive environmental, health, or society impacts; compliance with ethical principles and human rights standards; and community initiatives in the areas of health and well-being, education, employment and economic empowerment. Table 4 shows the number and category of goals by industry groups. The industries with regular and frequent contact with the public (i.e., food & beverage and retailing) have more goals per company and a greater variety of goals.

Table 4. No. of Goals by Industry Group

Name of Industry	Total Goals	Average No. of Goals	Product	Environmental	Supply Chain	Sourcing	Employees	Water	Water, Sanitation & Hygiene (WASH)	Community	Compliance
Retailing, Consumer Services, Media	97	9	12	28	10	8	9	1	0	16	2
Autos & Components; Consumer Durables & Apparel	39	7	4	6	2	2	1	4	0	2	0
Food & Beverages; Household & Personal Products	129	14	17	29	11	11	5	20	4	29	3
Energy; Materials; Utilities	49	7	2	20	3	0	14	3	0	7	0
Financials	76	6	8	29	7	1	7	2	0	20	0
Healthcare	53	8	9	13	3	0	11	3	0	14	0
Industrials	41	6	4	14	1	0	6	3	0	6	4
Technology; Telecommunications	59	7	8	21	5	0	7	2	0	13	1

Sustainability Goals and Metrics. Table 5 provides a sample of the metrics for long-term goals reported in the sustainability reports. Several reports mentioned the need for better measurement of social impact measures and discussed initiatives to create more effective measures. For example, Inditex, one of the world's largest retailers with headquarters in Spain reported, "We continued to make significant progress on more in-depth analysis of the outputs and impacts of our community investment programmes. More specifically, this year we have assessed the positive changes in programme beneficiaries based on two different dimensions: the depth and type of impact" (Inditex, 2015, p. 46). Heineken (2016) stated, "We will use the science-based approach to review our 2020 targets and any commitments beyond 2020" (p.11). General Mill (2015) also described their efforts towards more effective measures, "Row crops and dairy are among the most resource intensive of our 10 priority ingredients. To ensure we are sourcing these raw materials sustainably, we focus on achieving continuous improvement by measuring year on year advances in resource efficiency with farmers in our supply chain" (p. 44). Their process involves collecting data from farmers to establish a baseline of resource use

Table 5. Sample Goals by Industry and SDG Alignment

Category	Sample Goals	SDG Alignment
Autos & Components; Consumer Durables & Apparel		
Environment	Reduce its resource consumption (energy, water, waste, solvents) per vehicle produced by 45% by 2020. (BMW)	12, 13, 15
Products	Increase the share of "Green 3 Star" products to 80 percent by 2020 (LG Electronics)	12
Water	Reduce fresh water consumption per garment by 10% (Crystal Group)	12, 14
Sourcing	Source 100% of cotton sustainably and reduce landfill waste (Nike)	12, 15
Energy; Materials; Utilities		
Community	Help the community make 70% of the income-generating projects supported by the company self-sustaining by 2025 (Fibria Celulose)	1, 8, 16
Water	Complete water risk assessments on 90% of selected sites by 2020. (DSM)	12, 14
Food & Beverages; Household & Personal Products		
Compliance	Implement grievance system improvements in pilot markets by 2020. (Nestle)	9, 12, 16
Product	Support the humane treatment of animals in agriculture with a commitment to use 100 percent cage-free eggs in our operations by 2025. (General Mills)	12
Sourcing	Use 100% sustainably sourced cane sugar by 2020. (PepsiCo)	2, 12, 17
Water, Sanitation & Hygiene	Pledge an additional $35 million to support Pan-African safe water access, sanitation and hygiene (WASH) programs for 4 million people by 2020. (Coca-Cola)	6
Human Rights	Conduct 28 country-level human rights due diligence studies focused on land rights, child labor and forced labor by 2020, in accordance with Oxfam agreement. (Coca-Cola)	8, 16
Financials		
Supply Chain	Ensure that 90% of material suppliers are compliant with Group Supplier Sustainability Principles (GSSPs). (NAB)	12
Environment	Reduce location- based gas emissions by 50%. (Bank of America)	9, 11, 12, 13
Community	Reach 500 million people previously excluded from financial services by 2020. (MasterCard)	1, 3, 8, 10

Table 5. Sample Goals by Industry and SDG Alignment (Continued)

Category	Sample Goals	SDG Alignment
Healthcare		
Community	Improve access to healthcare for 20 million under-served people by 2020. (GlaxoSmithKline)	3 10
Employee	Reduce global traffic fatalities and injuries by 50 percent between 2011 and 2020. (Abbott)	3 8 10 12
Industrials		
Compliance	Pass 100% compliance/assurance scores. (United Technologies)	9
Products	Produce about 1,400 large commercial and military engines per year by 2020. (United Technologies)	9
Employee	Achieve 30% of senior management positions held by women. (SGS SA)	8 16
Pharmaceuticals		
Environment	Reduce general waste per employee by 10% and landfilling of organic chemicals by 50% by 2020. (Roche)	12 15
Water	Reduce total wastewater toxicity in selected production plants by 10% by 2020. (Roche)	12 14
Employee	Rank in top quartile in overall employee engagement score, measured by the Global Employee Opinion Survey. (Roche)	3 8 12
Retailing		
Education	Graduate 25,000 partners by 2025 and increase accessibility and performance. (Starbucks)	3 4 8 17
Supply Chain	Reduce its carbon footprint by 34% across all of its activities and its supply chain between 2011 and 2020. (Sodexo)	12 13 14
Sourcing	Make sure 100% of paper procured is sustainably sourced by 2020. (CVS)	12
Technology		
Community	Reduce the Internet gender gap by 50% in Sub-Saharan Africa by 2020 through the Intel® She Will Connect program (IBM)	5 10 16 17
Supply Chain	Develop a total of 170 small, medium and diverse suppliers through our Diverse Supplier Development Program. (Accenture)	8 9

and environmental impact, training farmers in conservation practices, analyzing post-harvest data and communicating the results through tailored reports with relevant and actionable feedback, and benchmarking results against regional and state averages (General Mills, 2015).

Inputs, Activities, Outputs, Outcomes and Impacts. The efforts of Inditex and General Mills described above illustrate the desire of corporations to move beyond the counting of inputs and activities to measurement processes that inform decision making, improve processes, guide resource allocation and measure social impact—the "consequences of positive or negative pressures on social endpoints" (i.e. well-being of stakeholders) (UNEP, 2007. p. 43). Many of the indicators used to measure social performance are actually measures of inputs (the resources used to implement a project such as personnel and finances), and activities (the action of personnel or staff to deliver the initiative's objectives) such as conducting training sessions. While it is important to measure inputs and activities for internal recordkeeping and reporting, outcome or impact measures give clues regarding the effectiveness of the initiative. Evaluation and monitoring experts distinguish three levels of results: outputs, the immediate results such as the number of training sessions conducted; outcomes, the benefits that relate to the goal that the initiative is intended to deliver; and impacts, the long term consequences of an initiative such as a measurable improvement in household income or decreased child mortality rates. (Odhiambo, 2013; Parson, Gokey, Thorton, 2013).

Impacts are difficult to measure because they are usually long-term results and other variables may contribute to the result (UNEP, 2007). Nonetheless, corporations want to show that their investments in stainability are adding both social and economic value; consequently, measurement is central to achieving this objective. Johnson & Johnson, for example, "committed to raising the standard of measurement and evaluation within the philanthropy programs" by increasing the capacity of their partners to measure program outcomes (Johnson & Johnson, 2016, p. 30). Similarly, Accenture committed to increase their focus on the successful transition from skill-building programs to sustainable jobs and businesses, and improve their "collective ability to measure and report on these outcomes." The following section highlights some of the approaches corporations are using to measure their social initiatives and sustainability efforts in the area of small-holder suppliers, human rights and community engagement.

Measurement Efforts and Approaches

Corporations are turning to partnerships with NGOs and forming industry coalitions to build capacity in measuring social outcomes and impacts. The following approaches were used by the companies studied and are illustrative of some of the approaches corporations are investigating and using in their effort to improve the quality of measurement for social initiatives.

Social Life Cycle Assessment. Social life cycle assessment (S-LCA) is a method of quantitatively assessing the social and socio-economic aspects of products and services and "their potential positive and negative impacts along their life cycle encompassing extraction and processing of raw materials; manufacturing; distribution; use; re-use; maintenance; recycling; and final disposal" (ISO 26000, 2017). Life cycle assessment (LCA) has been used for several years to assess environmental impacts and was discussed in the reports of several companies such as such as Becton Dickson, Panasonic, and DSM. The United Nations Environmental Programme (UNEP) seeks to extend life cycle methods and practices to social and socio-economic impacts in order to complement environmental LCA, and published a guidebook for companies in the use of S-LCA. The guidebook "provides an analysis and description of the current practice of social Life Cycle Assessment (S-LCA) as well as a methodology and suggests social impact categories linked to key stakeholder groups such as workers, consumers and local communities" (UNEP, 2009). Experts contend that S-LCA is intended to inform decision making regarding incremental improvements but "does not itself provide a breakthrough solution for sustainable consumption and sustainable living" (UNEP, 2009).

Impact 2030. IBM is a founding member of Impact 2030 which is a business-led coalition of leaders from corporations, the United Nations, academic institutions, civil society, and philanthropic organizations with the goal of aligning corporate volunteer efforts around the Sustainable Development Goals and developing robust measurement tools and metrics. "These tools, metrics, and taxonomy will be based on existing data, a common understanding of current state-of-the-art in social impact measurement, and it will be evidence-based informed" (IBM, 2015, p. 7).

London Benchmarking Group (LBG). Inditex uses the LBG measurement model to classify and measure community investments based on the depth and type of impact. Depth refers to the effects of projects on beneficiaries in three categories: connection - the number of people reached by an activity who can report some limited change as a result of an activity; improvement - the number of people who can report some substantive improvement in their lives as a result of the activity; and transformation - the number of people who can report an enduring change in their circumstances, or for whom a change can be observed, as a result of the improvements made. Beneficiaries can experience three types of impact: behavior or attitude change; improvement in skills or personal effectiveness; and improvements in quality of life or well-being.

Health Calculator. Skandia, one of Sweden's largest banking and insurance groups, partnered with Uppsala University to develop a Health Calculator. The scope and costs associated with risk factors are shown by the calculator, which was developed to quantify the importance of preventive health work. Using the tool, it is possible to calculate the long-term costs of ill-health along with the socio-economic savings that can be achieved by adopting a healthier lifestyle. Calculations show that "if Sweden were to achieve a 1% decrease in smoking during a five-year period, 202 cases of lung cancer and 27 cases of stroke would be avoided. It would reduce costs for employers and society as the cost for a single stroke is estimated to be roughly SEK 1 million [nearly $113,800] per year" (Skandia, 2015, p. 34).

Smallholder Livelihoods Assessment. Unilever is committed to helping 500,000 smallholder farmers to increase their yields and livelihoods and recently piloted a survey measurement tool to gauge their impact on small farmers. The assessment was developed in collaboration with Sustainable Food Lab (SFL), the Committee on Sustainability Assessment, and the Rainforest Alliance. Unilever provides training and funding to the farmers and the tool will help to determine the effectiveness of the company's investment and help to identify areas that need to be addressed. The tool can be tailored for various country contexts. The first assessments have been done in Kenya, Madagascar and Indonesia.

The Social Benefit-Cost Analysis Approach. The social benefit-cost analysis, also known as social return on investment (SROI), takes into account both the positive and negative returns to the firm and the communities in which it operates by accounting for the externalities. Externalities refer to costs or benefits that affect a party that did not choose to incur the cost or benefit, and exist when the private costs and benefits do not equal the social costs and benefits (Buchanan, 1962). Negative externalities occur when a production or consumption activity imposes a negative effect on an uncompensated third party. Positive externalities are positive effects that are imposed on an unrelated third party. Air pollution is an example of a negative externality created during the production process. Examples of positive externalities include investments in education and infrastructure (Maltz, Thompson & Ringold, 2011). The externalities approach to assessing CSR and financial performance seeks to give a more comprehensive view of the consequences of a firm's activities.

Partnerships and Impact Measurement

Sustainability reports indicate that many of the social and environmental initiatives undertaken by corporations are done in conjunction with NGO partners and coalitions of companies within a particular industry. In many cases, NGOs who have served as whistle blowers for corporate violations are the same ones that are working with firms to orchestrate solutions. Oxfam, for example, accused Coca-Cola and Pepsi of taking land from the poor in 2013 to make room for sugar crops (Oxfam, 2013). In their 2015 Sustainability Report, one of Coca-Cola's commitments was to "conduct 28 country-level human rights due diligence studies focused on land rights, child labor and forced labor by the year 2020, in accordance with our agreement with Oxfam (Coca-Cola, 2015, p. 20)." Similarly, Starbucks partnered with Conservation International (CI) to improve conditions and support for coffee growers in Chiapas, Mexico only after an antagonist relationship where CI threatened to boycott the company because of practices that adversely affected small-holder coffee farmers (Perez-Aleman & Sandilands, 2008).

Oxfam is also partnering with Unilever's Surf brand to improve the lives of women. "Oxfam's expertise in providing water and women's rights means we are in a strong position to pioneer a new and effective approach. We have already seen strong results from our pilot projects and working with Unilever will help us achieve far greater scale and impact," said Alex Lankester, Head of Corporate Partnerships at Oxfam (Oxfam, 2017).

Many of the partnerships with NGOs, academic institutions and development agencies are designed to assist firms in their efforts to measure social impact. Proctor & Gamble estimated that they prevented 115 million days of disease and saved over 14,000 lives from 2007 to 2013 with their PUR sachets distributed through their children's safe drinking water program. The study was conducted in conjunction with Population Services International and Aquaya Institute and the methodology included five controlled studies involving over 25,000 subjects (Procter & Gamble, 2016). Most firms do not have the resources or the desire to conduct such extensive research studies in order to demonstrate their social impacts and are looking for more cost effective ways to measure the impact of their social initiatives. Acumen, a non-profit impact investment organization, has developed a technique called "lean data" which collects data from beneficiaries using short mobile phone surveys. Initiatives such as this show promise for simplifying the data collection process necessary to measure social impacts.

Sector alliances, collaborative efforts among firms and development organizations have been formed to develop sector-and industry-wide measures. For example, CocoaAction's Progress Report details the importance of collaboration among companies such as Nestle, Mars and Hershey to develop uniform measures for the cocoa sector.

Discussion and Conclusion

This study examined the performance indicators and long-term commitments of 66 corporations considered leaders in environmental and social initiatives. It revealed that many of the social performance indicators are actually measures of corporate activity and outputs rather than measures of outcomes and impacts. This research also revealed a general dissatisfaction among leaders with the current state of measurement for social initiatives. This is evidenced by the newly formed industry coalitions to improve measurements, such as Impact 2030 which seeks to develop “robust measurement tools and metrics” around volunteer initiatives. Corporate goals that specifically address measurement issues also signal the dissatisfaction with current measurement processes. Effective measurement of social initiatives not only allows companies to understand how their activities affect communities, but measurement data is essential in unlocking opportunities for creating additional economic and social value. Ignoring these opportunities can negatively affect the company’s bottom line as well as shortchange communities of needed innovations (Porter et al., 2011).

Figure 5 summarizes the drivers, considerations and approaches for measuring social value. These drivers, considerations and approaches, which are discussed below, represent best practices from companies studied and from current research.

Drivers for Change in Measurement and Reporting

Reporting and measurement practices are influenced by both internal and external forces. As corporations assess their sustainability needs and growth opportunities, they are drawn to resource-rich developing countries for both natural and human resources as well as untapped market potential. Developing country markets are characterized by undeveloped institutions, poor infrastructure, and increasing demands for social involvement by corporations (Hadjikhani et al., 2012). These markets call for innovative products and business practices and effective measurement is essential to inform decisions and business strategy.

External drivers for a change in measurement and reporting practices include the reporting structure, stakeholders, industry standards, and NGOs. The GRI reporting framework, which is the most widely used sustainability reporting platform, exerts a powerful influence for change since corporations will tend to focus on performance indicators that are publicly reported.

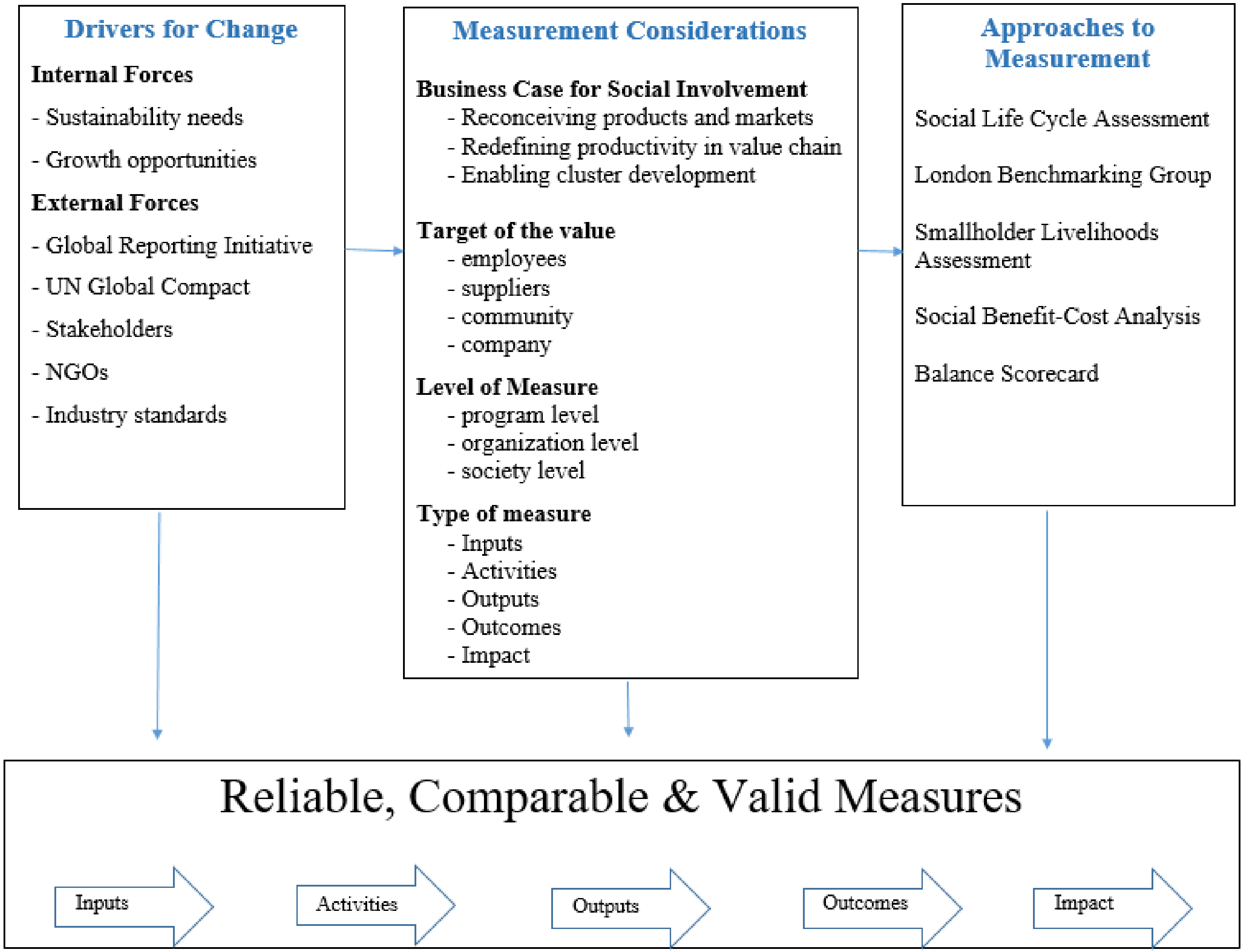

Figure 5. Measuring Social Value

GRI seeks to promote uniform metrics and standards and has been adopted by 92% of the world's 250 largest corporations (GRI, 2017) and 97% of the companies in this study. The GRI supports the principles of the UN Global Compact and encourages corporations to report their efforts to support the Global Compact and the SDGs. Industry-backed standards, however, have been criticized as being weak and an effort to dilute stricter certifications (Chatterji & Levine, 2006).

Measurement Considerations

Several considerations companies must be concerned about as they seek to improve their measurement processes for social initiatives are depicted in Figure 5. The primary consideration is the business case for the social initiatives. There should be a clear link between the social initiative and the company's business strategy. Porter and his colleagues (2011) propose that companies can unlock new value from measurement through a feedback loop, depicted in Figure 6, resulting from an iterative process which involves: 1) identifying the social issues to target, 2) making the business case, 3) tracking progress, and 4) measuring results and using insights to unlock new value.

Once the company identified the social issue to target, consideration must be given to the various stakeholder groups likely to be impacted by the initiative and the expected value to be created for each group. Initiatives focused on the community may reap benefits for customers, suppliers, and employees, especially when these groups are invited to participate in the initiative.

Measurement may take place on the program level, the organization level, the society level, or at all three levels, and should include both economic and social indicators. At the program level, performance indicators should track business costs and revenue increases

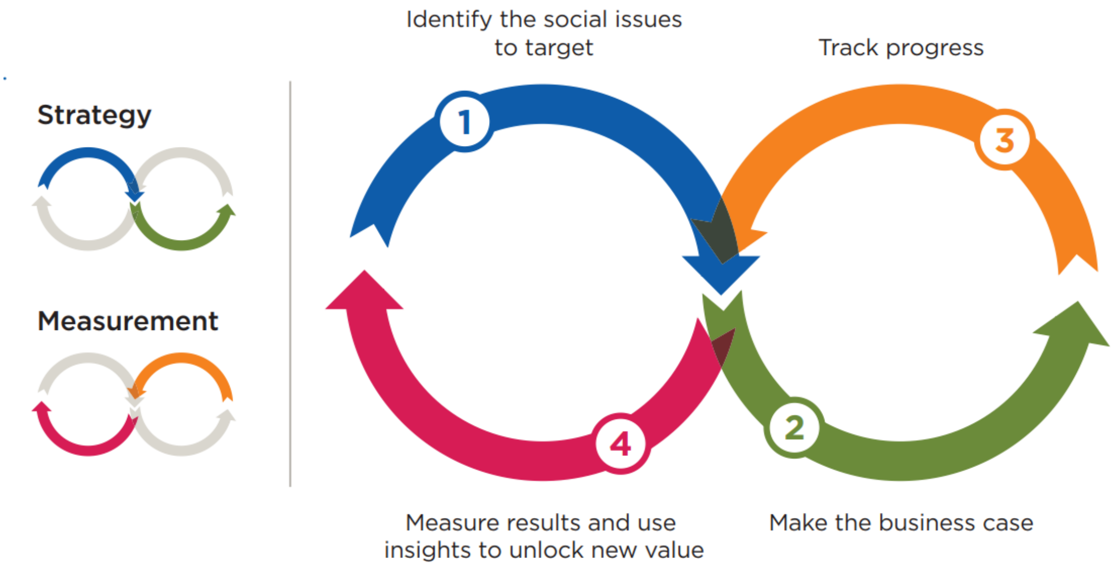

Figure 6. Integrating Shared Value Strategy and Measure
(Source: Porter, M. E., Hills, G., Pfitzer, M., Patscheke, S., & Hawkins, E. (2011). Measuring shared value: How to unlock value by linking social and business results.)

resulting from the initiative as well as community outcomes such as improved job skills, improved sanitation, or jobs created. On the company level, quantitative indicators such as revenue, cost, risk, brand value, customer attraction and retention, and improved reputation may be tracked. Qualitative measures, such as improved access to capital and license to operate, may also be assessed. Social value is more difficult to assess because social outcomes may be affected by a wide range of variables that are unrelated to the initiative and value may accrue at different time periods. Short-term, intermediate and long-term indicators can be used for on-going monitoring and evaluation. Intel, for example, uses easy, short-term measures such as the number of teachers and students trained and technology sales as well as intermediate indicators of teacher and student engagement to assess the effectiveness of its Education Transformation strategy. Indicators of student achievement and job preparedness are also important measures but may take years to unfold (Porter et al., 2011). Measuring social outcomes for large populations may be achieved by assessing smaller samples of the population (Porter et al., 2011).

As discussed earlier, performance indicators that measure company inputs, activity and outputs such as dollars spent and volunteer hours are important for tracking internal metrics; however, social measures cannot stop here. Measurements that are linked to the program goals and focus on the outcomes and impact of corporate social efforts offer a better assessment of the effectiveness of social initiatives and a more thorough estimation of social value. For example, companies like Unilever and General Mills have goals to improve the livelihoods and well-being of smallholder farming communities. Performance indicators used to measure the social impact for these initiatives will include increased yields per farmer as well as increased access to markets and improved income levels.

Approaches to Measurement

Corporations are using various approaches to measure social value including Social Life Cycle Assessment, London Benchmarking Group methodology, Unilever's Smallholder Livelihoods Assessment, Social Benefit-Cost Analysis, and Balance Scorecard approaches. In some cases, corporations use multiple approaches to target different stakeholders and drive results. The Coca-Cola Sustainability Report describes their efforts in the area of human rights (Coca-Cola, 2015):

> Supplier engagement on human rights can have a measurable—even dramatic—impact. In India, we've employed a multipronged strategy including top-level management engagement, industry engagement, internal compliance scorecards, supplier training, supplier capacity building and a supplier awards system. As a result, suppliers in India have moved from a 6 percent level of compliance to the Supplier Guiding Principles in 2007 to a 98 percent level at the end of 2014. (p. 23)

While corporations may use multiple approaches to driving and measuring social performance, there is a danger in the proliferation of measurement schemes. Effective social measurement requires measures that are reliable, valid and comparable. Multiple measures will likely reduce comparability, and become a source of confusion for consumers. Chatterji and

Levine (2007) suggest that the proliferation of measures may allow poor performers to design their own metrics and give themselves passing marks in an effort to deceive customers and other stakeholders.

It appears that the GRI reporting platform has not kept up with the needs of corporations in the area of social reporting. The social performance indicators are mainly concerned with labor issues related to employee safety, training, and diversity and do little to help corporations measure the outcomes and impact of community initiatives. Consequently, corporations are turning to alliances, partnerships and consultants to fill this void.

Future Research

This study serves to beckon researchers to give further attention to this growing need of corporate managers. The SDGs has served as a galvanizing force for corporations and stakeholders to work together for a greater common cause. What may have started as mimetic behaviors for some corporations has now evolved into a change in the way corporations operate. Organizations like Nestle and Unilever have woven the tenets of shared value into their cultures and their CEOs serve as ambassadors to encourage others to join the movement. Still these leaders in creating shared value are challenged to develop effective measurement processes for social initiatives.

Researchers can assist corporations in developing reliable, valid and comparable measures. Developing countries pose several contextual gaps that make data collection and measurement very challenging. While this study looked at the number of measures per company and industry, more measures are not necessarily better. Corporations must carefully consider what and how they will measure to make sure that the right metrics and the most effective approaches are chosen. Consequently, the components listed in Figure 5—the drivers of change in measuring and reporting social initiatives, measurement considerations, and approaches to measurement—serves as a research agenda for future research on this vital topic. Researchers can also assist SMEs to adapt and apply some of the best practices of larger corporations in a manner that accommodates their resource constraints.

Focusing on 2020 and beyond does not account for corporate contributions toward the SDGs that have already been accomplished. Indeed, corporations use sustainability reports primarily to summarize the accomplishments to date. Since this paper focused on the performance indicators used to measure corporate initiatives towards the SDGs, previous activity was not taken into consideration except to the extent that it illustrated measurement processes. The performance indicators studied may not include all of the key performance indicators for a corporation since our review covered the goals contained in the corporate reports. Several corporations had regional reports as well—any additional goals reported in these regional reports were not included in this study. The goals reported in the corporate reports, however, appeared to be comprehensive and inclusive. Future research may want to examine past accomplishments and their implications for future measurement practices.

Global competition creates pressures on both the private and public sectors to constantly learn and continuously improve. Consequently, performance measurement has taken on a significant role in organizations and largely determines resource allocation and the fate of business units and individuals. In their never-ending quest for sustainable competitive advantage, multinational corporations are increasingly turning to partnerships, coalitions, consultants and academic researchers as a source of assistance and guidance with these vital processes.

Chapter 5

Conclusion

Corporations are increasingly becoming involved in initiatives that create social and economic value in the communities in which they operate, and it makes good business sense to do so. Expansion into BOP markets can be difficult, though, because of the contextual gaps such as poor infrastructure and unreliable energy sources. Executives realize that without investments in these areas, their ambitions for growth will be thwarted. By making social investments in developing countries, corporations can gain sustainable sources for their raw material as well as human resources. Consequently, many of the social efforts in these markets are driven by business rather than altruistic motives, and as such, these activities will continue to demand attention from corporate leaders. In fact, the growing levels of support for the Sustainable Development Goals suggests that these efforts will become even more important and intense over the next two decades. Managers have turned to NGOs for help and this research has provided insights for future researchers and business managers for creating and measuring shared value initiatives in developing country environments utilizing cross-sector partnerships.

All three of the preceding studies demonstrate the urgency and the challenges of MNEs in their efforts to secure their future by creating sustainable products and services. Most of their future grow will take place in developing countries and cross-sector partnerships will play a significant role in their business networks. The study on the New Breed of NGOs demonstrates that corporations have to rethink how they engage with NGOs with a market-based approach. As more and more NGOs adopt this approach, MNEs must also change from a CSR mindset and view recipients as consumers rather than beneficiaries. As American Standard discovered, doing so can reap shared economic and social value. The case study with American

Standard and their NGO partners demonstrates how MNEs can profitably serve BOP consumers and outlines the processes and mechanism involved in MNE-NGO partnerships that facilitate market entry. Finally, this research contributes to the literature on sustainable development by offering a framework for improving the measurement of social initiatives and an agenda for future research.

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Appendix – Individuals Interviewed

Name	Organization/Country	Type of Interview	Date
Jim McHale, V.P., Research, Development, & Engineering	American Standard, U.S.	Telephone	November 19, 2015
Yi Wei, Director—Global WASH Initiative	iDE, Bangladesh	Skype	November 11, 2015
Jess MacArthur—iDE Bangladesh WASH Initiative	iDE, Bangladesh	Telephone	November 17, 2015
Raisa Chowdhury—iDE Bangladesh WASH Initiative	iDE, Bangladesh	Telephone	November 17, 2015
Steve Sugden, Senior Project Manager for Sanitation	Water for People, Malawi	Skype	November 27, 2015
Loise Nduati Senior Business Associate	Acumen, Nairobi, Kenya	Telephone	February 18, 2016
Priyanka Bhasin Strategic Partnerships Senior Associate	Acumen New York, New York	Telephone	February 25, 2016
Kimathi Ikiao Senior Portfolio Associate	Acumen Nairobi, Kenya	Telephone	February 5, 2016
Mary Wamae, Director of Corporate Strategy	Equity Bank Nairobi, Kenya	On site	January 18, 2016
Newton Nthiga, Portfolio Manager	Kiva Nairobi, Kenya	On site	January 12, 2016
Martin Theuri, Innovation and Entrepreneurship Manager	Climate Innovation Center Nairobi, Kenya	On site	January 12, 2016
Emmanuel Kweyu, Deputy Director for iLab Africa	Strathmore Business School, Nairobi, Kenya	Onsite	January, 13, 2016
Kenneth Macharia Director of Resource & Business Development	The Aga Khan University Nairobi, Kenya		January 26, 2016