RISKS
& BENEFITS

CONCEPT

#Loss of Focus

Going beyond the organizational mandate or moving away from activities and capabilities that distinguish the organization from others. Consider:

- In what way might this partnership make the organization lose focus
    - Partnership goals differ from the organization's priorities and mandate
    - Partnership scope is outside of the core business, market, or activities
    - Partnership requires development of entirely new expertise, relationships, or channels
    - Partnership requires a significant change in approach or business model
    - Partnership results in an increase in an organization's operational complexity
    - Other

- What, if any, is your organization's tolerance limit regarding this risk?

- How might you mitigate the risk?

#Process Disruption

Undertaking activities that lead to the disruption of existing teams or well-established organizational processes. Consider:

•Are any of your organization's teams or processes likely to be disrupted by this partnership? How might they be disrupted?

•What, if any, is your organization's tolerance limit regarding this risk?

•How might you mitigate the risk?

#Loss of Autonomy

Loss of control and diminished autonomy due to the need for shared decision making and consensus building with partners. Consider:

- In what way might this partnership make your organization lose control or lose ability to operate autonomously?
  - Obligation to report or respond to a different entity
  - Loss of control over key assets or relationships
  - Reduced capacity to make strategic decisions independently
  - Other
- What, if any, is the organization's tolerance limit regarding reduced autonomy?
- How might you mitigate the risk?

#Damage to Relationships

Incurring damage to or experiencing dilution of important existing or future stakeholder relationships. Consider:

•What existing or future relationships might be put at risk because of this partnership? In what way might these relationships be affected?

•How important are these relationships to your organization and to this partnership?

•What, if any, is your organization's tolerance limit regarding this risk?

•How might you mitigate the risk?

#Compromised Neutrality

Real or implied endorsement of an organization, approach, or program that can lead to perceived or actual compromised independence or neutrality. Consider:

•What is your organization's policy on endorsing other organizations?

•Do you have established due diligence processes for vetting the organizations you work with?

•What aspects of your partners' work might represent an endorsement risk to your organization?

•What, if any, is your organization's tolerance limit regarding this risk?

•How might you mitigate the risk?

#Damage to Reputation

Damage to brand or organizational image by associating with a partner, or with an undesirable activity or product related to the partner. Consider:

•In what way does this partnership represent a risk to your organization's image?

•Do you have established due diligence processes for evaluating the organization(s) you work with?

•Do you have firewalls in place to protect your organization's image and reputation?

•How important is the risk versus the benefit of this partnership to your organization's brand or reputation?

•What, if any, is your organization's tolerance limit regarding this risk?

•How might you mitigate the risk?

#Demand on Resources

Commitment of substantial resources without immediate or clear return, or unexpected high partnership costs. Consider:

•Does this partnership compete for limited or critical resources in your organization?

•What are these resources? In what way might they be affected by the partnership?

•Have you allocated enough resources to support this partnership? What potential contingencies could occur upon the launch of the partnership that might increase resource demands?

•Will the partnership generate value within a time period deemed acceptable to, or at a fast-enough rate of return for, your organization?

•What, if any, is your organization's tolerance limit regarding this risk?

•How might you mitigate the risk?

#Inefficient Use of Resources

Inefficient use of resources due to poor fit, redundancy, duplication, or excessive complexity. Consider:

•What critical resources within your organization or your partners' organizations could potentially be used inefficiently or inadequately and in what way?

•How can you test the adequacy and efficiency of your partner's resource levels before committing?

•Are there measures in place to monitor efficiency against specific targets?

•What, if any, is your organization's tolerance limit regarding this risk?

•How else might you mitigate the risk?

#Dependence

Over-reliance on one partner to deliver critical objectives or activities, or dependence of one partner on resources (including IP) held exclusively by other partner(s). Consider:

- In what way might this partnership increase dependency on your partner(s) or vice versa?
    - Grants exclusivity to a specific entity
    - Increases future dependency on partners' resources (e.g., assets, staff, knowledge, funding, brands, and relations)
    - Other

- Is there balance in the level of dependence among the partners? If not, what are the implications for your organization if your partner(s) decide to exit the partnership?

- What, if any, is your organization's tolerance limit regarding this risk?

- How might you mitigate the risk?

#Too Much Risk

Imbalance in risk-taking by partners or the overall risk outweighs the overall benefit of the partnership. Consider:

•Overall, how does the level of risk compare to the level of benefit accrued by your organization in this partnership? Are the benefits worth the risks?

•How much of the risk does your organization carry versus other partners?

•Can your organization tolerate that type and amount of overall risk?

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RISKS
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CASE STUDY

#Loss of Focus

Before partnering with fast moving consumer good (FMCG) corporation **X** in Rwanda on the sale of mosquito repellents, social enterprise **Y** focused on providing clean energy and connectivity to communities in low-income markets. **Y**'s long-term goal was to become the "go-to-place" for its customers needs, so adding effective, health-focused offerings to its product basket seemed like a good fit. Nevertheless, diversifying was not an easy task. **X**'s health products were high impact but low margin, which introduced a set of commercialization and operational challenges for the social venture. Training kiosk operators, for example, became more time consuming, since it now required educating operators on the benefits of new products. At the organizational level, the social venture had to learn to navigate health-sector challenges such as how to comply with Rwandan regulatory requirements for health products. Additionally, many competing health products in Rwanda were distributed for free, making education and behavior change to drive demand for and adoption of **X**'s products challenging and expensive.

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#Process Disruption

In partnering with the Government of Honduras, clean energy venture **Y** had to adapt many internal processes originally developed for its market-driven business model. The government's desire to introduce clean cookstoves to low-income populations while creating jobs locally, pushed **Y** to compromise on cost-effectiveness and manufacture its cookstoves locally rather than in China. In addition, the social venture outsourced stove installation and training to a local NGO, causing the company to lose an essential direct link with its end customers. Finally, responding to the government's request for data on health and environmental metrics, **Y** developed a carbon-credit tool designed to track emissions from cookstove use, and a new methodology to approximate impact. Since this was not a part of the original scope of work, **Y** identified an external donor to fund it. Because several of **Y**'s key business processes were redesigned while pursuing this partnership, it had to invest a significant amount of time and resources to develop parallel processes for the new market.

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#Loss of Autonomy

When the United Nations Development Programme (UNDP) released a tender to select a technology partner to digitize India's vaccine supply chain, Logistimo was already the Ministry-favored vendor due to its extensive and successful pilot programs across the country. However, standard UN procurement conditions favored large, deeply entrenched management consulting companies. The five-year-old social venture was not deemed mature enough to warrant a multimillion dollar contract, so it formed a consortium with Ernst & Young (EY) to compete for and win the tender. As the lead contractor, EY became an intermediary for the communication and financing between Logistimo and the other stakeholders. This had an impact on the quality of work, and EY exited from the program in less than a year. Working directly with UNDP, Logistimo continued to strengthen the vaccine delivery value chain in India. Yet, the social venture continued to deal with risks associated with loss of control, such as loss of control over project data and its dissemination. Due to the contractual restrictions placed on it, Logistimo had to compromise on its commitment to data sharing.

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#Damage to Relationships

Fenix's acquisition by French multinational ENGIE was a critical milestone for the social venture's scaling strategy. Nevertheless, the acquisition poses some challenges to Fenix's position vis-a-vis its first large scale partner, MTN, which was critical to establishing Fenix's credibility and growing its market share in Uganda. ENGIE's strong relationships with French telecommunications companies introduce new risks. For example, Orange is a French competitor operating in six of MTN's markets. Fenix has to navigate these complex relationships carefully: it needs to successfully capitalize on ENGIE's networks, its regulatory weight, and access to capital while ensuring that the association with ENGIE does not compromise its well-established collaboration with MTN.

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#Compromised Neutrality

Development organization **Y** has developed a comprehensive process to evaluate and vet corporate and local partners before conducting any joint activities. A thorough due diligence process is undertaken to provide assurance that each new potential partner has the appropriate legal standing, experience, and expertise before engaging in a formal agreement. The process includes evaluating all new partners against a list of banned sectors (e.g., tobacco, firearms) and developing a scorecard that assesses the risk posed by partner supply chains, reputation, ethics, labor standards, operations, and legal and financial standing. Potential partners are given a final rating: green, yellow, red, or black, indicating suitability for partnership.

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#Damage to Reputation

For Wecyclers, the Nigerian recycling company, brand association with Nigerian Bottling Company (NBC), the sole franchise bottler of Coca-Cola in Nigeria, was very attractive, and they were eager to partner. NBC, however, needed time to build trust in Wecyclers and their new model and preferred to take a gradual approach to building the partnership with the young recycling social venture . NBC started by simply sponsoring Wecyclers' points redemption program as a Corporate Social Responsibility (CSR) initiative, and when they gained more confidence in the relationship and the return on their CSR investment, they moved into funding Wecyclers' capital expenditures like cargo bikes and trucks.

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#Demand on Resources

At the start of the partnership between VisionSpring and international NGO BRAC, both organizations had high demand for scarce internal resources. BRAC relied on unpaid community health workers (CHWs) to deliver programs, and VisionSpring developed these CHWs as entrepreneurs who would sell VisionSpring's product offerings. But, high CHW drop-out rates led to low rates of return on training investments. Additionally, BRAC did not have sufficient funds to support the extra costs associated with new supply chain management complexity and it had to seek external funding. These costs created tension between this initiative and other programs that each partner had to support. The two organizations worked together to introduce process improvements which brought their individual costs down to levels which they could manage effectively over the long term.

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#Inefficient Use of Resources

When Fenix initiated its partnership in Uganda with MTN, the team wanted to leverage the telecom company's strength in marketing and sales, so it gave MTN more customer-facing responsibilities. After an initial trial period, Fenix learned that because MTN sales agents were promoting multiple products, they could not effectively diagnose the challenges which arose while selling Fenix's products to new customers. Fenix also recognized the limitations of using MTN's call center for post-sale customer service. With numerous languages spoken in Uganda, and MTN only offering customer service in four languages, some Fenix customers could not find MTN agents that spoke their language. Fenix eventually brought the call center back in-house and limited MTN's role to physical distribution.

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#Dependence

In Uganda, Fenix's ReadyPay product is MTN branded, allowing the social venture to take advantage of MTN's reputation but diminishing its ability to build an independently recognized brand that can be used to scale in other markets. Customers know that ReadyPay is different from other MTN products, but they are not familiar with Fenix as a separate entity. Even ReadyPay sales agents do not always realize that they are working for Fenix. This lack of brand recognition represents a critical risk for Fenix since any change in perception of the MTN brand could have a direct impact on Fenix's sales. In addition, MTN has partnered with Fenix competitors in other African countries. Some of these competitors provide lower quality service and diminish the positive brand association of the telco, which could affect Fenix's growth in these same markets in the future.

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#Too Much Risk

The partnership between social venture **Y** and healthcare multinational **X** for selling a low-cost infant incubator lasted less than two years. For both organizations, there was clear alignment on desired goals, but over time, it became clear that the partnership risks outweighed the benefits. The multinational benefited from **Y**'s reach in Indian hospitals and from the credibility of the big engineering firm. However, **X**'s salesforce was accustomed to selling low-volume high-margin products. Selling the low-cost incubator did not contribute meaningfully to the corporation's profit targets and did not fit into their established sales processes and distribution network. In hindsight, the partners recognized that the transaction costs involved in partnering did not outweigh the benefits. The organizations both failed to deliver on mutual goals and the overall partnership proved to be unsustainable.

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#Too Much Risk

Tulaa is a startup that connects smallholder farmers to inputs, finance, training and buyers through a mobile commerce platform. As a new venture, Tulaa knew it had to assist its partners (agricultural input providers) in marketing their products, and assist its customers (agro-dealers and smallholder farmers) in financing the purchase of these products. Tulaa decided to bear the lion's share of the risk in order to build trust and make the business case for input providers to join. Additionally, Tulaa took on the financing risk to compensate for the highly risk-averse financial service industry. Through its commission structure, Tulaa further lowered risk to partners as it only earned commission on what was sold. The Tulaa platform proved attractive to input providers because it provided the benefits of reaching new customers without increasing costs or risks to these providers.

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RISKS

& BENEFITS

DIALOGUE

#Loss of Focus

Please discuss with your partner(s):

•What is the risk incurred, and what are the implications for, the risk-taking partner?

•Is this risk necessary for the execution of the partnership? If so, what should be the boundaries for risk taking? Are all the partners aligned on these boundaries?

•What can the partners do to help mitigate this risk? Do the partners agree on mitigation strategies?

•What will happen if this risk exceeds the boundaries established? How might the partnership be affected?

#Process Disruption

Please discuss with your partner(s):

•What is the risk incurred, and what are the implications for the risk-taking partner?

•Is this risk necessary for the execution of the partnership? If so, what should the boundaries be for risk taking? Are all the partners aligned on these boundaries?

•What can the partners do to help mitigate this risk? Are all the partners aligned on the mitigation strategies?

•What happens if this risk exceeds the boundaries established? How might the partnership be affected?

#Loss of Autonomy

Please discuss with your partner(s):

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•What can the partners do to help mitigate this risk? Are all partners aligned on the mitigation strategies?

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#Damage to Relationships

Please discuss with your partner(s):

•What is the risk incurred, and what are the implications for the risk-taking partner?

•Is this risk necessary for the execution of the partnership? If so, what should the boundaries be for risk taking? Are all the partners aligned on these boundaries?

•What can the partners do to help mitigate this risk? Are all the partners aligned on the mitigation strategies?

•What happens if this risk materializes? How might the partnership be affected?

#Compromised Neutrality

Please discuss with your partner(s):

•What is the risk incurred and what are the implications for the risk-taking partner?

•Is this risk necessary for the execution of the partnership? If so, what should the boundaries be for risk taking? Are all the partners aligned on these boundaries?

•What can the partners do to help mitigate this risk? Are all the partners aligned on the mitigation strategies?

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#Damage to Reputation

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•What can the partners do to help mitigate this risk? Are all the partners aligned on the mitigation strategies?

•What happens if this risk materializes? How might the partnership be affected?

#Demand on Resources

Please discuss with your partner(s):

•What is the risk incurred and what are the implications for the risk-taking partner?

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#Inefficient Use of Resources

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•Is this risk necessary for the execution of the partnership? If so, what should be the boundaries for risk taking? Are all the partners aligned on these boundaries?

•What can the partners do to help mitigate this risk? Are all the partners aligned on the mitigation strategies?

•What happens if this risk exceeded the boundaries established? How might the partnership be affected?

#Dependence

Please discuss with your partner(s):

•What is the risk incurred and what are the implications for the risk-taking partner?

•Is this risk necessary for the execution of the partnership? If so, what should the boundaries be for risk taking? Are all the partners aligned on these boundaries?

•What can the partners do to help mitigate this risk? Are all the partners aligned on the mitigation strategies?

•What happens if this risk exceeds the boundaries established? How might the partnership be affected?

#Too Much Risk

Please discuss with your partner(s):

•Is this level of risk necessary for the execution of the partnership? What aspects are avoidable and what aspects are not?

•What benefits are expected in counterpart to the risks? Overall, is there balance?

•What can the partners do to help mitigate the overall risk? What can be done to increase the overall benefits to balance this level of risk? Are all the partners aligned on the mitigation strategies?

•What happens if this level of risk becomes unbearable? How might the partnership be affected?

#Blank

Please discuss with your partner(s):

•What is the risk incurred, and what are the implications for the risk-taking partner?

•Is this risk necessary for the execution of the partnership? If so, what should the boundaries be for risk taking? Are all the partners aligned on these boundaries?

•What can the partners do to help mitigate this risk? Are all the partners aligned on the mitigation strategies?

•What happens if this risk exceeds the boundaries established? How might the partnership be affected?