

## Sustainability & Resource Productivity (Global)



# Creating partnerships for sustainability

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*Companies are increasingly expected to join with other organizations—both public and private—to address social and environmental problems. Here are seven ways to make such alliances successful.*

Business is being asked to do more than ever to solve social and environmental problems.<sup>1</sup> As a result, a growing number of leading companies are taking the challenge of sustainability seriously, not only to reduce their environmental footprint and bolster their reputations but also to improve operations and financial performance.<sup>2</sup>

Many ecosystem challenges cross jurisdictional boundaries and require systemic changes beyond the capabilities of individual companies or even of an industry. In these cases, the best approach for business can be to partner up—with governments, investors, local communities, nongovernmental organizations (NGOs), and other companies. Think of these partnerships as distinctive and complicated joint ventures, often with multiple parties.

Such collaborations often go through phases—good, bad, and sometimes ugly, particularly in the early days. The Marine Stewardship Council (MSC), a partnership that sets standards for the fishing industry, struggled in its first few years with high staff turnover and unstable funding. In the past decade, however, it has become a force. Its certification standards cover 10 percent of the global seafood harvest, and almost a quarter of global shoppers recognize the MSC label. This covers more than 20,000 products sold in over 100 countries.

To understand how to make these collaborations work, we interviewed dozens of business, government, and NGO leaders. From this research, we identified seven essential principles of success.

## Identify clear reasons to collaborate

***“The effort needs to help each partner organization achieve something significant. Incentives such as ‘we’ll do this for good publicity’ or ‘we don’t want to be left out’ are not sufficient.”***

—Nigel Twose, director of the Development Impact Department, International Finance Corporation, World Bank Group

When organizations sign up for a sustainability partnership simply because they don’t want to say no or be left out, commitment can be weak. Founders of a nascent

partnership must instead identify strong incentives: for instance, maintaining a license to operate or ensuring the long-term endurance of a profitable resource or input such as fish stocks, clean water, or forests. If participants cannot pinpoint such motivations, that may be a sign that the mission is ill defined.

Any collaboration must make sense for all parties, whether their primary interests are commercial, environmental, or social. Enlightened self-interest is the only genuinely sustainable motive. That was certainly true for the companies that set up Canada’s Oil Sands Innovation Alliance. This is an alliance of companies that mine oil out of Canada’s bituminous sands; their goal is to share R&D in order to improve the environmental performance of an industry that is the subject of significant public debate.

Sometimes external events can force different players to acknowledge that change is necessary. The collapse of the North Atlantic’s Grand Banks cod fisheries in the early 1990s made commercial fisheries much more interested in sustainable harvesting practices, laying the ground for the birth of the MSC.

A small problem can be more difficult to collaborate around than a big one because the reward for solving it does not excite people or justify the effort involved. It also helps to stay in the limelight. Although no one should join a collaboration just for PR reasons, publicity and progress can go hand in hand. Attention can bring more support, add credibility, and generate momentum.

A partnership to enhance food security in Africa seems to be off to a good start in this regard. In 2011, the World Economic Forum worked with the African Union to create Grow Africa, a public–private partnership platform focused on increasing private investment in African agriculture. And in 2012, US president Barack Obama threw the G8’s weight behind this partnership approach for African agriculture by announcing the New Alliance for Food Security and Nutrition. By the end of 2012, the G8’s New Alliance and Grow Africa worked closely to secure more than \$3 billion in private-sector investment commitments from nearly 50 local and global companies.

<sup>1</sup> John Browne and Robin Nuttall, “Beyond corporate social responsibility: Integrated external engagement,” March 2013, mckinsey.com.

<sup>2</sup> Sheila Bonini and Stephan Görner, “The business of sustainability: McKinsey Global Survey results,” October 2011, mckinsey.com.

## Find a ‘fairy godmother’

**“It is important to have a core of totally committed, knowledgeable people who would die in a ditch for what the organization is trying to achieve.”**

—Environmental NGO campaign head

Behind most successful collaborations are one or a few organizations that are willing to invest more than their share of financial, human, and political capital to make the effort a success. Coordinated action can be difficult because first movers take the biggest risks, while later entrants can benefit without much investment at all—and so the temptation is to come in late. But someone has to start or nothing will happen. “Fairy godmothers” stop that from coming to pass. They take on much of the risk and provide the generosity and sheer force of will that helps to build trust.

Any high-performing, credible institution can be a fairy godmother, as long as it is passionate, credible, and courageous. GE, through CEO Jeff Immelt, took on this role for the United States Climate Action Partnership (USCAP) in 2007, driving the start-up phase and recruiting other companies to join.

## Set simple, credible goals

**“[The NGO and the private sector] had different motives but the same objective: ensure sustainable fish stocks.”**

—Antony Burgmans, former chairman and CEO of Unilever and cofounder of the MSC

One certain way for a collaboration to stall is when the partners have different agendas. To guard against this, set an aspirational goal that everyone agrees on—preferably, one that could fit neatly on a bumper sticker. The collaboration should be anchored by an exciting, big idea and create a vision that others will mobilize behind. Don’t be afraid that it could also mobilize opposition; if there is no pushback, it may be a sign that the goal is not ambitious enough.

The MSC shows how this can work. It started as a collaboration between Unilever and the World Wildlife Fund (WWF) in 1997; at the time, Unilever was the world’s largest fish retailer. Each organization faced challenges in starting the partnership. Some nonprofits criticized the WWF for, in their opinion, compromising itself by working with a multinational company. Unilever’s leadership was divided on whether this was a good

idea. Many fishing companies and some governments opposed developing marine sustainability standards.

Still, with leaders from both Unilever and WWF committed to the clear goal of encouraging sustainable fishing practices, the project went ahead. The partners, using the successful Forest Stewardship Council (FSC) as an example, started by consulting with stakeholders such as commercial fishermen, governments, and environmental organizations. Only then did they design the standards for what constituted sustainable fishing practices and seafood traceability; these are reviewed on a regular basis. In 1999, the MSC began operating as an independent nonprofit, free of Unilever’s and WWF’s control.

## Get professional help

**“It is very important to have an honest broker. The facilitator must be neutral and very structured and keep people moving along at a brutal pace. You need someone who can bring things to a close.”**

—Darrel Webber, secretary general, Roundtable on Sustainable Palm Oil (RSPO)

Most collaborations need a facilitator to get started. When organizations come together, they each have their own incentives, biases, and organizational cultures. These can clash. Odds of conflict are highest when the organizations are competitors or when they are from completely different sectors and cultures. The first few months tend to be particularly rough. Members are often slow to commit staff, and the tendency is to wait for others to offer resources first. By pooling funds for a facilitator, the collaboration can progress, even when staffing is still under negotiation.

In establishing the certification standard for palm oil, for example, the RSPO needed to create a consensus among seven distinct interest groups, ranging from environmental nonprofits to palm growers. It took two years of negotiation to develop RSPO’s first standard. In reflecting on the arduous process, RSPO’s chief executive credited the independent, third-party facilitator with keeping the discussions (even heated ones) going until the parties could find common ground.

Over time, as trust and confidence build and as the group moves from design to institutionalization, a successful collaboration can and should phase out the facilitator. Ideally, individuals who started out as representatives of companies with competing interests become a cohesive group working toward a common goal.

## Dedicate good people to the cause

***“If a company like ours believes something is strategic, then we resource it like it is strategic.”***

—Neil Hawkins, corporate vice president of sustainability, Dow Chemical

If member organizations decline to dedicate qualified staff, check that those organizations have a clear reason to participate and ask why they are in the collaboration. If good people are not volunteering, they may need greater security, which a fairy godmother provides. Or they might want the clarity that simple, credible goals provide: they should know what they’re meant to do and that it’s worth doing. Working on a major collaboration should be an exciting career builder, not a dead end. The collaboration’s vision is particularly important at the beginning, when the effort is like a start-up. Talented individuals will give their all when they believe in the goals. As one of the participants in USCAP said, “If I were to put anything on my tombstone, it would be this effort.”

Internally, it’s important to dedicate senior leadership. Without leadership, middle management often lacks the incentive to take action, as well as the necessary decision-making power. Instead, it tends to favor business as usual. Cross-sector collaborations are inherently “business as unusual.” Successful collaborations, at least at the start, are led by senior leaders from the founding organizations. When Yara, a Norwegian fertilizer company, agreed to become cochair of Grow Africa, it dedicated a senior vice president to the role and supported it with the sustained public engagement of its CEO.

## Be flexible in defining success

***“Partners think that collaboration will change the world. Then it doesn’t, and they think that it failed. But often the collaboration changed something—the way some part of the system works and delivers outcomes. It is a matter of understanding the nature of change itself.”***

—Simon Zadek, visiting fellow, Tsinghua School of Economics and Management, Beijing

Success may come from unexpected directions. Be ready to embrace it—and build on it.

USCAP set out to pass national cap-and-trade legislation. While that did not happen, 11 US states have instituted such systems, and many countries are implementing or considering them. Is any of this directly attributable to USCAP? No. But did the partnership help to pave the way by developing a business-friendly approach? Quite likely.

Similarly, the MSC is changing the fishing industry beyond the 10 percent of fisheries that have signed up. A multitude of NGOs and other actors are working with fisheries that may never achieve the gold standard of MSC certification but are nonetheless improving their practices.

So remember, while your collaboration may not change the world in precisely the way you intend, it can still change the rules of the game in a positive way.

## Prepare to let go

***“I’ve been absent from the FSC since 1997. The organization had been born and was a teenager and needed to go off and find a job and do its own work.”***

—NGO campaigner associated with the formation of the FSC

At some point, the partnership will either wind down or become an independent entity. That process should be planned for.

Some collaborations are designed to achieve a certain objective. Once that objective has been achieved, or once the window for achieving it has closed, it’s time to shut the door. No collaboration should be kept alive beyond its useful lifetime.

Others evolve into permanent, self-sustaining, and independent institutions, such as the FSC. In these cases, founders typically move out of the picture once both a long-term funding model is in place and there is a capable leader on the job. Like good parenting, you know you’ve succeeded when you are a welcome visitor but you are clearly no longer needed on a day-to-day basis.

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