

# A WIN-WIN SITUATION

How can social businesses that have reached a certain size scale up even more without incurring hefty costs? Partnerships are the new trend moving forward. *By Emily Chow*

**W**hen Indian rural energy project developer Green Village Ventures wanted to supply clean energy to villagers in a cost-effective and sustainable manner, it faced a problem: The villages would be difficult to access and Green Village Ventures needed to do it without spending a fortune.

"These villages aren't connected to the electricity grid; they use hurricane lamps that run on kerosene [on a daily basis]," says Krish Krishnan, CEO and managing director of Green Village Ventures, a subsidiary of Green Ventures, a clean energy development company he set up in 2007. "The women use these lamps [when they are doing their] cooking, and their health suffers because the fumes are terrible."

So, Green Village Ventures teamed up with India Post in an exemplary public-private partnership that allowed the company to supply clean energy to rural India at a fraction of the cost, by making use of India Post's network of 130,000 post offices.

"We went into the villages and gave the people solar lanterns at half of what they would pay for kerosene," Krish explains. "We shared the post office's infrastructure by putting solar panels on the roof of the post office [to generate energy]. The villagers would drop off their lanterns at the post office every morning to charge them on a pay-per-use basis, go to work in their fields, then come back in the evening to collect them. This way, they could get LED light for the whole night. And our solar panels are safe [compared with the hurricane lamps]."

So, lantern users pay less for illumination at night and India Post gets additional revenue — the very essence of a symbiotic relationship.

"Post offices are usually the [social hub] in such villages, where the only literate person happens to be the postmaster, who has significant influence," says Krish.

And not only could Green Village make use of the postal service's network, its association with India Post also

helped it gain the villagers' trust.

Such win-win partnerships between the public and private sectors are becoming more common. Even corporations such as global payments technology giant Visa Inc are turning to social business partnerships to expand their footprint.

"Visa looks at the landscape around the world, and tries out many different models to reach people by providing access to financial services," says Erin Steinhauer, Visa's head of corporate responsibility, Asia-Pacific, Central Europe, the Middle East and Africa. "Such projects are part of our financial inclusion strategy — investments made to expand our footprint in the unbanked segment, with business and social-return objectives."

In 2011, Visa collaborated with the government of Rwanda to build the country's entire electronic payment system from scratch, as part of the Financial Inclusion 2020 goal. It chose to collaborate with the Rwandan government because both parties were equally interested in making sure the partnership was a success.

"We look at different markets and consumer needs and figure out how we are going to form partnerships and build an ecosystem to reach them," Steinhauer says. "The reason collaboration is critical is because financial inclusion itself has transformed from being just [about providing] preliminary credit or microcredit to an individual to delivering a suite of services, including savings, credit, pensions or insurance at the most efficient and cost-effective method possible."

The Visa-Rwandan government collaboration hooked up most of the country's ATMs. Terminals were also placed in shops and restaurants across the country so that small merchants could participate in the financial system.

The partnership also incubated an interoperable mobile money system that enabled the collection and disbursement of loans through mobile phones.

"There are also other applications such as pension disbursement or subsidies; this way people won't have to redeem cash vouchers, which are inefficient and prone to fraud," says Steinhauer.

## CRITICAL SUCCESS FACTORS

For a partnership to be successful, perhaps what is most crucial is the synergies that are produced and sharing similar, if not identical, visions. For Krish, these are his criteria in identifying potential partners for Green Village Ventures.

"The most important thing is to have compelling synergies at a high level, where there are certain strengths the partner has that you don't have, and strengths you have that the partner doesn't. And when you bring them together, you both benefit so that it's not a zero-sum game," he explains.

"Next, you need strong leadership commitments from both [parties]. Once [we have these factors], we come to the



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most difficult part of a partnership: implementation. It's always a work in progress. You come up with a plan together, try it out, go back, adjust, and do it all over again [until it works]."

Like all business partnerships, the risk of dependency is inevitable. Krish acknowledges this, but points out that this dependency is also what ensures a sustainable model. "A social business by default has more risks than a conventional business anyway, so you have to balance the risks and rewards. For us, the benefits of taking on a business partner far outweigh the [disadvantages]."

Based on Krish's observations and experience, most social businesses don't expand because they fail at the implementation stage. His advice

Steinhauer: It takes everyone to achieve the Financial Inclusion 2020 goal



## VISA AND THE GOAL FOR FINANCIAL INCLUSION

**THE** Center for Financial Inclusion's Financial Inclusion 2020 (FI2020) goal is to achieve full financial inclusion worldwide by 2020. The centre aims to provide financial services such as credit, insurance and savings to low- and moderate-income people around the world with partners such as Visa Inc, the Citi Foundation, MasterCard Inc and the Bill and Melinda Gates Foundation.

"The FI2020 goal is not just that of Visa. It involves others such as governments, development communities and private-sector organisations to try and achieve a very ambitious goal," says Erin Steinhauer of Visa.

"No one company or organisation can [achieve the goal] alone, certainly not Visa; but because of the nature of our network as the largest retail payments technology company in the world, we work in partnership [with others]. We believe it takes everyone to achieve the goal."

A year and a half ago, Visa also engaged with Invest India Micro Pension Services (IIMPS), a social enterprise conceived in late 2006

that focuses on encouraging and enabling low-income informal-sector workers to accumulate micro-savings for their old age. An innovation lab was created to incubate innovative payment functions, giving people access to micro-savings and pension products that are subsidised and backed by the government and distributed by a financial institution.

"One of the great problems we see in India with its large population is the millions of people who will one day retire without any form of retirement savings, thereby placing huge burdens on the government and the economy," Steinhauer says.

"So, the innovative payment [function] allows the collection and disbursement of tiny sums of money across vast [areas] and millions of people. We are in the final stages of linking the micro-pension system to a biometric programme the government started a few years ago. It allows people to use the biometric data from their fingertips to sign on to a government-backed pension programme, without the cumbersome paperwork."

IIMPS has formed collaborations with a range of strategic business partners, including development banks, financial inclusion consulting firms, governments and non-profit organisations. ■

## THE BEAUTY OF PARTNERSHIPS

As a serial entrepreneur currently into his fifth company, Green Village Ventures CEO and managing director Krish Krishnan views partnerships as a way of improving business management and operational skills. More often than not, he says, start-up social businesses are run by young, motivated but inexperienced entrepreneurs.

"They need a lot of help with governance as well as

the typical processes for day-to-day operations," says Krish. "For initial partners, what you really want is an incubation-type set-up. That comes first, because once you have your basic systems in place, you can have your capital partners. And then, you look for technology and implementation partners. At every stage [of expansion], you are going to need capital partners, whether it's equity capital or debt financing.

The equity and debt [part] comes in when you look at the viability of the business, which depends on how well you control costs. We control costs by piggybacking on our partners."

Partnerships are also a way for social businesses to broaden the spectrum of their services. And once these partners have been tried and tested, other social businesses can leverage them for their purposes.

"Why stop at lighting, why not provide drinking water or cooking gas [to rural villagers]? To me, that's the definition of a good partnership," Krish says. (Green Village partnered India Post to provide clean energy to villages in India.) "Scaling up is not just a number. You [should be able to] broaden [your services] and bring in multiple solutions that are a win-win for your customers and partners." ■

is to scale up in phases without setting any deadlines to ensure that the implementation is smooth.

"Having done this many times, [I realise] a partnership goes through the good, bad and ugly phases. You have to be ready to communicate because reorganisation can be culturally different," he says. "You have to learn that the reality of implementation is different from your Excel spreadsheet or PowerPoint."

Krish recommends trying out different partners before picking one, as most of them look good on paper. "For a small, growing social business, it's difficult to have a wide footprint, multiple outlets and growth without burning too much cash," he says. "A smart way of doing it is through partnerships. We focus on larger corporations, as they are important from a financing perspective.

"Working with the government [is easier] than [working alone and] trying to get a permit or application [from them]. We have also worked with some well-known NGOs [non-governmental organisations], but they weren't very suitable because they have their own limitations. They depend on grants, so while their heart is in the right place, they don't have the sustenance power for long-term projects."

Establishing partnerships at the grassroots level is also vital for a social business entering a foreign market to better understand local structures and norms. "Without this, foreign entities lose valuable time and resources trying to understand the local market," says Krish.

For instance, the collaboration with India Post would probably not work in Africa where post offices play a smaller role.

### SETTING INDUSTRY STANDARDS

Not only can social businesses form partnerships to scale up, but large businesses can also team up with NGOs and education partners to run their businesses more ethically.

Take, for example, fashion label H&M.

"We have been doing this for more than 25 years now. We have opened up and are looking for innovative ideas to take away, [be it from] NGOs or government groups," says Hendrik Heuermann, human resources, H&M Germany. The company endeavours to maintain business operations that are economically, socially and environmentally friendly to ensure sustainability in its production line.

"For instance, in the cotton fields, we would need local partners to ensure that children do not work as they should be going to school," says Heuermann.

H&M's partnerships include education initiatives in many areas, from factory fire safety measures to skills development. Its collaborations include partnering 18 brands and employer associations in Bangladesh to increase fire safety awareness and improve fire prevention measures, and launching a five-year project with the Bangladesh Garment Manufacturers and Exporters Association and the government's Bureau of Manpower, Employment and Training.

The aim is to improve the technical skills of workers while providing them with knowledge of their rights and responsibilities through H&M's vocational training school in Dhaka.

"Big companies always have problems with speed, flexibility and innovation. Smaller social enterprises have that, so big companies benefit from them," says Heuermann, who also thinks that social businesses can learn a thing or two from the larger businesses. "They have to agree to think like the big players in terms of KPIs [key performance indicators] and communication. In terms of management, [this is] how you can best prepare for collaboration. It doesn't mean you have to change your tone of communication, but it makes things easier to think the way [big companies] do." ■