



(RE)VALUING PUBLIC-PRIVATE ALLIANCES: An Outcomes-Based Solution

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United States Agency for International Development: Private Sector Alliances Division
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(RE)VALUING PUBLIC-PRIVATE ALLIANCES: An Outcomes-Based Solution

Jason Saul, Mission Measurement, LLC

Cheryl Davenport, Mission Measurement, LLC

Avery Ouellette, USAID Private Sector Alliances Division

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Synopsis

Public-private partnerships (PPPs) – or public-private alliances (PPAs) - are receiving increasing amounts of attention.¹ There is broad acknowledgement across the public and private sectors that sustainable solutions to serious development issues require collaboration. Additionally, the current economic conditions create an intensified desire to mitigate risk and to share resources and expertise. Under President Barack Obama and Secretary of State Hillary Rodham Clinton, the U.S. federal government has increased pressure to leverage the private sector in development initiatives. Meanwhile, ten of the leading international development agencies are embracing some type of public-private partnership initiative, and corporations are looking to governments and on-the-ground partners to help them access new markets and to remove social barriers along the way.²

The concept of working together in partnership or building alliances between the public sector, commercial entities and/or non-governmental organizations (NGOs) is not new. However, the current U.S. government administration's mandate to increase and expand these types of partnerships also comes with a stronger emphasis on results that goes beyond just measuring the amount of financial resources leveraged. The administration has issued a call for accountability and measurement of program results, mirroring a similar demand that has emerged from corporate philanthropists and other donors in recent years. Furthermore, parties involved in these alliances – not just government agencies like the United States Agency for International Development (USAID) but also participating nonprofit organizations, corporations and other donors – have begun to take a more critical look at the value proposition of alliances in the context of the developing world. This pressure to demonstrate results is compounded by the very complexity of measuring partnership value. Partners and donors both struggle to measure not only how well a partnership is executed, but also how the alliance contributes to each partner's desired impact (whether development or business oriented). Furthermore, partners want to understand the incremental value of working in partnership. Without knowing this, why partner at all?

The solution to these issues lies in adopting an outcomes-based approach to forming, operating and measuring the value of PPPs. By focusing on outcomes, partners define success early, build alliances more likely to generate significant value, and more easily measure and demonstrate results. Ultimately, the concepts presented in this paper will help potential partners generate higher value partnerships that will deliver relevant, measurable results through strategies that are more effective and efficient.

¹ In this paper, we will use public-private partnerships (PPPs) and public-private alliances (PPAs) interchangeably. These partnerships or alliances are defined as the co-investment of the public sector and the private sector into development-type programs of mutual benefit.

² Ten international development agencies as noted in *"Partnering for Global Development,"* Business Civic Leadership Center report (2009): Groupe Agence Française Développement, Danish International Development Organization, Department for International Development, Dutch Humanitarian Aid, Deutsche Gesellschaft für Technische Zusammenarbeit, Japan International Cooperation Agency, Millennium Challenge Corporation, Swiss Agency for Development and Cooperation, Swedish International Development Corporation, and United States Agency for International Development.

Situation

Public-Private Alliances and the “So What” Question

Ten years ago, the United States Agency for International Development (USAID) acknowledged the need to foster an effective model for public-private partnerships as globalization took hold and foreign investment in developing countries shifted from being predominantly international donor driver to overwhelmingly driven by the private sector. USAID created a new model for public-private partnerships called Global Development Alliances (GDAs). Since the inception of this model, USAID has formed more than 900 alliances with over 1700 partners.

GDAs represent an innovative public-private alliance model for improving social and economic conditions in developing countries. The GDA model moves beyond the traditional public-private partnership (PPP) approach. While PPPs are sometimes characterized by the private sector making a simple financial contribution to a public sector initiative, public-private *alliances* combine the assets and experience of strategic partners (such as corporations and foundations), leveraging their capital and investments, creativity and access to markets to solve complex problems facing government, business, and communities in developing countries. This approach to partnership relies on the overlapping interests of the U.S. Government's strategic objectives for foreign assistance and the core business goals of industry.

The new U.S. government administration recognizes the importance of alliances as an instrumental tool for foreign assistance. Both President Barack Obama and Secretary of State Hillary Rodham Clinton have emphasized the importance of cross-sector collaboration as central to U.S. foreign policy and international development strategies. As President Obama stated at September's annual meeting of the Clinton Global Initiative, “Today's threats demand new partnerships across sectors and across societies – creative collaborations to achieve what no one can accomplish alone.”³ Secretary Clinton presented a similar vision at the Global Philanthropy Forum in May. “...I'm even more convinced now than I was when I became Secretary of State that the problems we face today will not be solved by governments alone. It will be in partnerships – partnerships with philanthropy, with global business, partnerships with civil society,” she said.⁴ And the recently appointed Administrator to USAID, Rajiv Shah, noted in an interview, “We will look...at doing things in more innovative ways, often with the private sector – private companies or private foundations – to really bring a higher level of innovation to the area of development and to bring that creativity and risk taking that often does lead to some of the most important breakthroughs on behalf of the world's poorest populations.”⁵

But as the demand for alliances increases, so does the need to measure their value. The value of traditional PPPs was measured in terms of leverage or the ratio of private sector financial

³ “Remarks by the President at the Clinton Global Initiative”. New York, NY. http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-at-the-Clinton-global-initiative/, accessed November 18, 2009.

⁴ Preston, Caroline and Wilhelm, Ian (2009) *Global Donor Meeting Offers Glimpse at 'Social Innovation' Fund*. The Chronicle of Philanthropy.

⁵ NPR interview “Clinton: Aid Agency Central To U.S. Foreign Policy” January 7, 2010; <http://www.npr.org/templates/story/story.php?storyId=122304665>.

contribution to public sector financial contribution. Having transcended the traditional PPP model and with cross-sector alliances established as an acceptable approach to development, potential partners and alliance proponents increasingly seek proof of the incremental value achieved through partnership. There are several driving forces behind this trend:

- **The alliance value proposition needs to be demonstrated.**

While partners from all sectors believe alliances are valuable, there is a lack of firm evidence to support the claim that the alliance approach is preferable to more traditional development models (Barr, 2007).

- **Value must supersede transaction costs.**

Building an alliance can be challenging – aligning resources and individuals from two or more sectors and multiple organizations to focus on a complex issue within a developing country is no easy feat (Nelson, 2009). Given these challenges, alliance builders are tasked with demonstrating that the benefits outweigh the costs.

- **The stakes are getting higher.**

The U.S. Office of Management and Budget has signaled a strong emphasis on performance management⁶ and various reports have noted the increasing pressure that funders place on NGOs to show tangible impact. Similarly, corporations faced with budget cuts want to invest in social change that is clearly tied to measurable business value.⁷ Rather than participate in alliances because it's the "right thing to do," corporations correlate participation in development as investment in qualified labor, new markets, new suppliers and more commercial opportunities (Lee, 2006). Ultimately, partners and alliance proponents are eager to understand the value of alliances themselves – that is to say, what additional business and development value is generated by using the alliance model.

"Are corporations willing to lose money (in partnerships)? No, because the decision-maker is the shareholder."

~ David Arkless, President of Global Corporate & Government Affairs, Manpower at 2009 BCLC conference

⁶ http://www.whitehouse.gov/omb/assets/memoranda_2010/m10-01.pdf, accessed November 18, 2009.

⁷ <http://www.chicagobusiness.com/cgi-bin/mag/article.pl?articleId=32325&seenIt=1>, accessed November 18, 2009.

Complication

Why Measuring Alliances is Hard

While the need to measure alliances is widely accepted, the task is easier said than done. There are a number of conceptual and practical challenges that have impeded the measurement of alliance value to date:

- **PPPs are complex.** There are many amalgamations of partners, sectors, development issues and business imperatives that can be considered a public-private partnership or development alliance (Lund-Thomsen, 2009). Indeed, some eight combinations are possible for alliances when considering simply the dimensions of control, funding and ownership (Zarco-Jasso, 2005).⁸ Given this complexity, measuring the value of alliances requires an understanding of what measurement means and how it can be applied to the various permutations at hand.
- **The historical PPP model was not value-oriented or data-driven.** Although many partnerships have been formed and the concept of global development alliances has been around for several years now, the approach is only now beginning to take on a results-orientation and more critical view of applicability. In the past, partnerships were formed in good faith, believing that an increase in impact would naturally occur, and it often did. However, this value has not been the centerpiece of evaluation and is not currently well measured or documented. In fact, few analyses have been conducted that capture the quantitative results of alliances to date (Hodge and Greves, 2009).
- **Knowing what to measure is tough.** The complex nature and historical context of alliances leave us unsure of what we need to measure in order to demonstrate value (Hoffman, 2009). Are we attributing long-term change to an alliance? Or near-term contribution to smaller outcomes? Do we measure development results or business value? Or do we measure activities and processes tied to the partnership's execution?
- **Existing measurement systems create accountability but do not capture value or inform strategy.** The measurement problem has been compounded by the fact that compliance reporting systems take significant time and effort and do not result in data that can be used to demonstrate value or improve strategy. Today, alliances have been driven to accountability, but not to learning. (Dewar, et al, 2009).

"Evaluations are typically more descriptive than analytic. That is, they report the extent to which intended activities were carried out...They are less good at describing whether desired (and often long-term) outcomes are being achieved and how these outcomes and impact can be correlated back to the partnership."

~Dewar, et al, (2009). Evaluating Global Development Alliance: An Analysis of USAID's PPPs for Development

⁸ Zarco-Jasso describes the dimensions of internal control, funding and ownership, each of which can be held by the public or private sector to present a matrix of eight possible partnership amalgamations.

- **Traditional measurement is taxing.** Given all of the above, many alliances and partners perceive measurement to be difficult and of little value. It becomes an exercise at the end of an alliance – far from a strategic way to capture value and improve performance along the way.

Solution

How to Measure (and Improve) the Impact of Alliances

While the demand to measure the value of alliances is great, the obstacles to doing so are perceived as equally daunting. **The solution lies in adopting a new approach to measurement that not only enables partners to measure alliance value but also reveals critical insights as to alliance strategy and the next generation of strategic alliances.** This approach relies on three critical tenets: a focus on outcomes, metrics that matter, and a strategic shift toward alliances built on shared interest.

Part I: Focusing on Outcomes

The value of an alliance – or any initiative, program or relationship for that matter – cannot be measured without defining success. And while measurement is often met with scorn and is underutilized in strategic decisions, an outcomes-based approach transforms the traditional relationship between measurement and strategy. This approach puts aside the *task* of measurement and focuses on the *action* of measuring value. Actively measuring value as opposed to engaging in the measurement of activities is very different – it requires a focus on outcomes, the use of indicators that are both practical and meaningful, and a tightly closed loop between performance data and strategic management decisions.

An outcome is neither an activity nor is it the overall long-term development goals or commercial mission of an alliance. Outcomes reflect desired change as a result of a particular set of programs or activities; achieving desired outcomes contributes to long term impact. By defining and measuring outcomes, public sector partners, companies and other private sector partners can all achieve clearer intentions, stronger strategies and more meaningful results.

For example, in 2004 USAID partnered with Gap, Walmart, Limited Brands, Timberland, Coldwater Creek, Billabong and DAI to form an alliance called “Continuous Improvement in the Central American Workplace” or CIMCAW. The alliance’s stated objectives were to: 1) improve compliance with international labor standards; 2) increase the competitiveness of the Central American workforce; and 3) raise productivity by improving quality of life. Each of these is a strong outcome, reflecting a specific change that can be measured practically within a reasonable time horizon. From the corporate partners’ perspective, these development outcomes translate the business outcomes of a strengthened and more reliable supply chain and increased productivity in the workforce.

Outcomes are:

- ✓ *Near-term*: changes in behavior or condition that reflect a positive shift toward social impact. *Note*: outcomes generally begin with a verb like increase, expand or improve
- ✓ *Specific and measurable*: tracking data to monitor outcomes is practical and timely
- ✓ *Meaningful*: achieving an outcome indicates fulfillment of mission and progress toward longer-term impact

Outcomes are not:

- ✗ Activities or processes (hosting an event is an activity, increasing awareness is an outcome)
- ✗ Immeasurable long-term change

In contrast, other alliances have noted desired outcomes that are activities-based, such as “organize cooperatives” or “conduct training.” Such objectives do not reflect results achieved and will not demonstrate the value of the alliance; rather they are activities that support outcomes such as increasing supplier bargaining power or building workforce capacity, respectively. Others state broad goals like “improve the economy” or “increase shareholder value.” These types of long-term impact must be supported by interim outcomes to which an alliance can meaningfully contribute in the near-term such as increasing the number of living-wage earning jobs or reducing overhead costs, to name a few.

Part II: Metrics that Matter

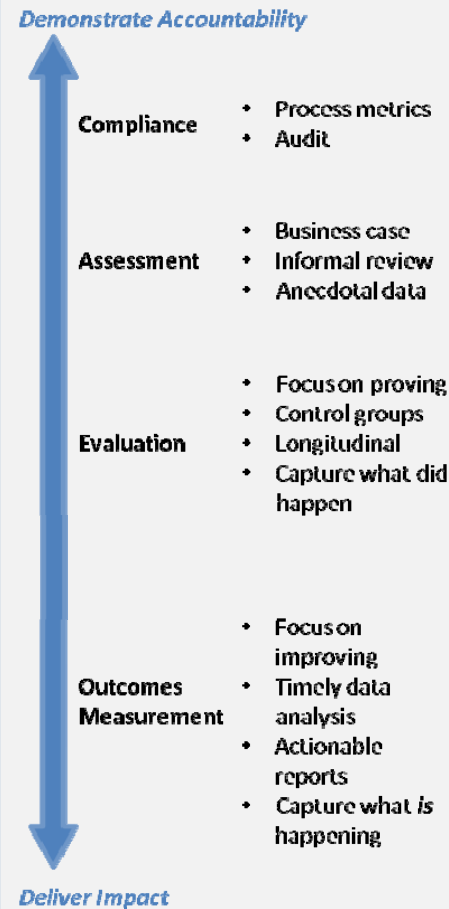
Measurement is often seen in unflattering ways: as an academic exercise that yields little useful information, a costly and arduous process seeking unrealistic scientific precision, an after-the-fact task that distracts from more important activities, a barrier to introducing innovative and hard to measure approaches, or an irrelevant reporting program that misses the heart of the issue. To avoid these traps, partners should take three steps to ensure that they measure what matters: 1) transition from measuring compliance only to also measuring value; 2) measure contribution, not attribution; and 3) use metrics focusing on business and development outcomes, the value of the partnership, and effective implementation.

Compliance and Value

Measurement is often an act of compliance – counting up activities completed and monitoring how funds are spent. While accountability is an important aspect of working with multiple cross-sector entities, to demonstrate impact and value requires another type of measurement in addition to traditional compliance. In short, while partners have a responsibility to track funds and activities, they also have an often unexploited opportunity to communicate value through outcomes measurement.

On the spectrum of types of measurement (Figure 1), a compliance-oriented measurement system asks, “Did it happen?” It tracks activities, dollars and headcount. Data is collected for transparency and rarely revisited. Measurement for the purpose of assessment and evaluation attempts to prove theories of change, asking, “Did it work?” Outcomes-based measurement is a value-oriented approach that captures outcomes and progress toward long-term and systemic change. It asks, “How well is it working?” and uses data to improve results and demonstrate value delivered.

Figure 1: Measurement Spectrum



Contribution, Not Attribution

Many organizations aspire to demonstrate an explicit cause and effect relationship between their programs and broad social change. In doing so, they are faced with two often insurmountable challenges. First, scientifically-valid attribution requires studies that are costly and more time-intensive than is practical for most developmental programs. Second, development issues are complex and multi-variant in nature; attributing large scale or systemic change to a specific program or set of programs is rarely plausible.

The solution to this dilemma is neither to accept the cost of investing in attribution studies nor to sacrifice measurement altogether. Instead, partners can practically measure their *contribution* to long-term impact by measuring their progress against *near-term outcomes*. For example, a development organization aiming to reduce poverty is not likely to have the time and resources to statistically prove the relationship between its programs and GDP. It can, however, measure the number of individuals that have been made job-ready, employed, or have experienced an increase in income. Similarly, a corporate partner aiming to increase sales cannot credibly correlate its partnerships in a developing country to overall revenues. What it can measure as a result of an alliance is a change in company awareness and brand perception, access to new suppliers or customers, and speed to market.

“...Select outcomes that the public values and the indicators that measure progress toward those results. Then the community organizations determine — on the basis of research, theory, and experience — the actions likely to contribute to attaining those goals, be they proven or promising approaches, new combinations of programs, stronger infrastructure, new capacities, or the development of innovative efforts.”

~Lisabeth Schorr (2009). *To Judge What Will Best Help Society's Neediest, Let's Use a Broad Array of Evaluation Techniques*. The Chronicle of Philanthropy.

In evaluating existing alliance reports, it was noted that partners struggled to find the middle ground between activities and long-term change. For example, the Sustainable Tree Crops Program in West Africa trained 33,000 farmers through the alliance. While this number is impressive, it does not reflect the desired outcome of increasing farmers' connection to markets, protecting the surrounding environment and increasing farmers' business acumen. An outcomes-oriented metric could serve as a proxy for the increase in the skill level of trained farmers and the resulting growth in access to markets by measuring the increase in distribution outlets and/or sales.

Measuring What Matters: Metrics to Capture Alliance Effectiveness, Outcomes and Value

Once focused on a measurement approach that is designed to demonstrate value by measuring contribution to outcomes, partners can focus on the types of metrics that best convey results. Given the complexity of measuring a multi-party effort that tackles complicated issues over an extended time period, it is no surprise that organizations and alliances have struggled to define this set of metrics. Considering alliances through the lens of outcomes highlights three types of metrics that capture the value of partnerships:

- Contribution metrics:** First and foremost, partnerships measure their contribution to the development and business outcomes that the collaborative set of partners aims to achieve. On the development side, many organizations including the US State Department and USAID house a library of indicators that are used to track developmental progress. As alluded to above, the key to telling the development story is to focus on the indicators that truly represent results, not just those that track activities or inputs.

Contribution metrics	
<i>Measure Outcomes...</i>	<i>...not activities</i>
✓ # of people made job ready	✗ # of trainings
✓ % change in income among households served	✗ # seeds distributed
✓ % increase in employee retention	✗ # employee hours volunteered

- Incremental value metrics:** Next, partners must measure the value of the alliance itself. Incremental value refers to the incremental value created by tackling a development issue or business endeavor through an alliance of public and private partners as opposed to through either sector’s individual investment. In other words, partners should be able to state, “as a result of working in an alliance, we were able to achieve (development outcome or business outcome) better/faster/cheaper and with greater chance of broad and long-term success.”

Currently, little data about the value of alliances beyond anecdotes and qualitative success stories have been captured. However, it seems apparent that alliances can deliver significant incremental value in terms of effectiveness (increased relevance or quality), scale (increase in reach), efficiency (reduction in time and/or cost), sustainability (increase in longevity of impact), and systemic change (increase in coordination across multi-faceted issues). For example, the USAID’s EXIT (End Exploitation and Trafficking) alliance in Asia leveraged MTV, Nickelodeon and VH1 to increase awareness of human exploitation and trafficking through TV programs, online content and events launched in partnership with anti-trafficking organizations. By working together, the alliance increased reach exponentially and raised the brand visibility of participating networks. Ideally, alliance value is measured in relative terms, capturing the incremental value delivered

Figure 2: Types of Alliance Value



through the alliance approach. Measuring relative value is most applicable and practical in terms of scale, effectiveness and efficiency. One USAID alliance builder described the incremental value of the alliance in which a company participated in by saying, “...because we had the business involved, we trained more workers (*scale*), and the training they got was designed specifically to set them up for the jobs that the business wanted to fill (*effectiveness*).” If the alliance also resulted in lower cost per worker trained and/or shorter time horizon to execute the training, this partnership would also represent *efficiency* value. However, relative value can be challenging or even impossible to measure or may simply not be needed. In this case, alliance value in each of the above listed categories can be measured in absolute terms to the same effect as relative measures.

Incremental Value Metrics

- ✓ **Effectiveness:** incremental degree of market relevance in job training
- ✓ **Scale:** incremental # of people made aware
- ✓ **Efficiency:** reduction in cost per person treated
- ✓ **Sustainability:** % of initiatives that are market-driven
- ✓ **Systemic change:** % of identified critical stakeholders/organizations/ industries engaged in the initiative

- **Process metrics:** Finally, alliances should continue to measure the effectiveness of their implementation, ensuring that the value they generate outweighs the time and effort it takes to form and execute the alliance. Process metrics are neither meant to demonstrate development outcomes nor will they convey business value; instead they measure contribution to the outcome of a successful alliance. As such, they track progress toward achieving the characteristics of high value, high-functioning partnerships, such as reducing the time from concept to completion, increasing the degree to which the alliance MOU reflects outcomes and shared interest, and the establishment of an outcomes-oriented and strategically integrated measurement system.

Process Metrics

- ✓ # weeks from concept to implementation
- ✓ # shared outcomes / metrics identified by partners in alliance MOU
- ✓ Leverage ratio (public sector financial contribution : private sector financial contribution)

Part III: Toward More Valuable Alliances

With a focus on defined outcomes and the right set of practical metrics, potential partners have a better understanding of the impact they aim to create together, whether the partner is focused on development, business value or otherwise, and they are more equipped to measure the value they have created in a meaningful yet practical manner. In order to *increase* the value of alliances, however, the authors of this paper believe that alliances, potential partners, funders and supporters should focus on outcomes that alliances are best suited to deliver.

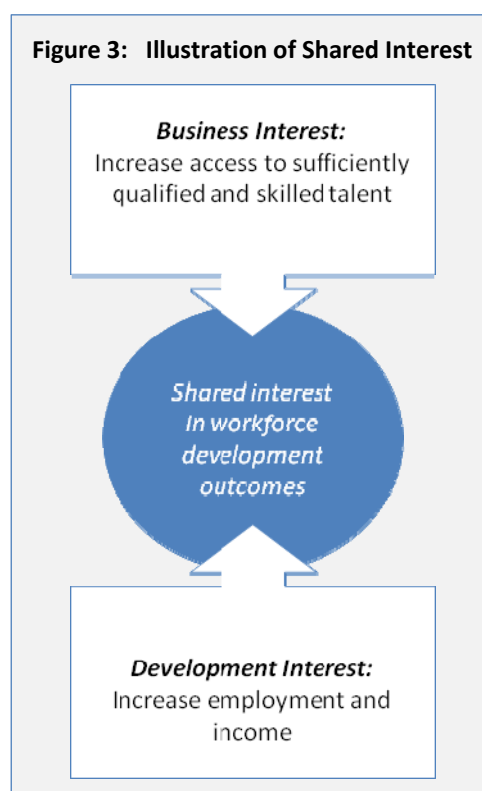
Specifically, they assert that alliances should be formed based on an explicit and measurable set of shared outcomes. By adopting a greater focus on the intersection of interest between public and private sector outcomes, the authors believe that alliances will become more valuable and likely more sustainable. It is also foreseeable, in the authors’ view, that there may

be fewer alliances in number as alliance models are applied to a narrower, more strategic set of development issues and business opportunities that are best suited to the alliance approach.

Taking a closer look at the intersection of shared interest from a business point of view, corporations are ultimately tasked with two objectives: increase revenues and reduce costs. This simple profitability equation is clear. In terms of social investments, businesses almost always strive to increase brand reputation and mitigate risk through their social endeavors. Applying this lens to alliances and the developing world, businesses typically aim to achieve one or more of the following through their participation in alliances:

- Increase access to sufficiently qualified and skilled talent
- Increase access to new markets
- Develop new and/or innovative products and services
- Strengthen the quality and vitality of the supply chain
- Reduce cost of products, services, materials and distribution
- Improve relationship with key stakeholders (i.e. elected officials, community leaders)
- Increase visibility as a social “good” thought leader
- Decrease risk of market entry

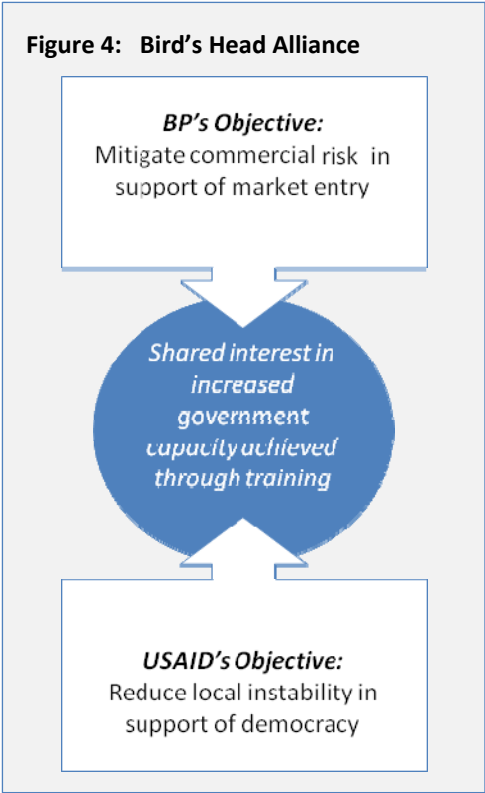
From a development perspective, there is a long list of objectives that any number of organizations (governmental or nongovernmental) aim to tackle. However, considering the objectives of commercial partners, the focus narrows. Indeed, by focusing on shared interest, it becomes clear in the authors’ opinion that alliances are significantly better suited to address certain development objectives. One example is workforce development. From a business perspective, a highly skilled workforce is a critical input to marketable products and services and likewise a qualified talent pool on the ground in local communities can create huge cost savings. Development organizations focused on driving economic growth by way of increasing individual income and employment rates also want to increase the employability of local workers. Herein lies the intersection of interest that fosters a high value partnership between public and private sector partners, in this case focused on workforce development (Figure 3).



Workforce development is only one of several examples highlighting the intersection of desired outcomes between public and private sector partners. Another example is the Bird’s Head Alliance in West Papua in Indonesia (Figure 3). When USAID’s Local Government Support

Program (LGSP) joined forces with BP Berau, Ltd. its long-term goals were expand democratic local governance in Indonesia. To do so, it defined interim outcomes of increased government capacity and civil society participation. BP, on the other hand, aimed to mitigate the risk of operating in West Papua. As such, BP's outcomes were to improve public spending practices supported through increased government capacity and citizen participation. Despite their long term goals being distinct, BP and USAID shared important intermediate outcomes - increased government capacity and civil society participation - that could be realized by using an alliance approach.

Currently, there is not enough available information on the outcomes achieved through the alliance model to conclusively outline which types of alliances will be most valuable. However, as proponents, funders and partners increase their focus on results and incorporate outcomes into their strategy development and alliance formation process, the authors maintain that a finite range of alliances will emerge as significantly more valuable than others. These alliances will carry the distinct characteristic of being founded on the bases of shared outcomes. Appendix B includes an illustration of potential intersections of outcomes that may drive high value alliances while Appendix C includes a table of development outcomes that are most likely, in the authors' opinion, to benefit from the alliance approach.



Implications

Action Steps for Public and Private Sector Partners

The future of alliances will be shaped by the ability of corporations, governments, NGOs, donors, and alliance builders to capture the value that is created by successfully leveraging the alliance model. ***Capturing value requires both a clear definition of what success means in terms of near-term and measurable outcome; an understanding of the unique value (and comparative advantage) that each partner brings to the partnership; and an approach to measuring value that is practical, meaningful, and inextricably linked to strategy.*** Partners can begin to adopt the outcomes-based approach by taking the following key actions:



1. Speak the language

“Speaking the language” is two-fold: first, all potential partners must begin to examine and discuss alliance strategy in terms of outcomes and value, not activities. In doing so, each must take a second step to develop a deep understanding of the priority outcomes of their potential partners and the language, timeline and context in which they matter. So-called “language barriers” can hinder governments, NGOs and corporations alike: development-oriented government agencies and nonprofits shy away from open discussions of business value while corporations do not sufficiently invest in understanding intended development outcomes. In order to define and subsequently achieve and measure value, ***each partner must understand and possess a comfort level in discussing the outcomes-based objectives of their counterparts.***

2. Find the intersection

A shared language will enable partners to identify shared goals and outcomes. And while potential partners may have different long-term goals – for example, alleviating poverty vs. establishing a new commercial market – they may still have overlapping or complementary near-term outcomes that make a partnership logical and fruitful. ***Finding this intersection of interest is critical to establishing the value of the alliance approach and securing the investment – both in terms of resources and commitment – in the partnership’s success from all parties involved.***

3. Examine the unique capabilities of each potential partner

In the move from traditional public-private partnerships to global development alliances, alliance builders have begun to select partners for reasons other than financial resources. The authors endorse this trend and encourage potential partners to consider human resources, technological capacities, intellectual property and process expertise

among other nonfinancial assets that may be relevant to an alliance. ***Ultimately, partners should form an alliance if and only if the alliance will result in a uniquely improved approach to solving development issues or accessing business opportunities, that is, one that could not be executed by a single partner alone.*** For public entities and NGOs, this may imply a more stringent take on the companies with whom it makes sense to build an alliance. For corporations, this implies applying core business assets or mechanisms to social issues in concert with the support of a uniquely qualified NGO or public entity. For both public and private partners, a more exacting approach will ensure that alliances produce the desired outcomes and generate value above and beyond what can be achieved in their absence.

4. Break with tradition

Defining outcomes and corresponding indicators will do little to affect impact if they are not tied to strategic decisions and tactical execution. ***Organizations often struggle to break from “what we’ve always done” in favor of “what best achieves our desired outcomes,” yet this shift in mindset is required to generate truly valuable alliances*** that produce outcomes. Tactical steps to breaking from tradition include assigning individuals’, teams’ and partners’ responsibilities to outcomes, not activities; allocating financial and other resources according to priority of outcomes, and incorporating outcomes-data into performance reviews and management decision-making.

5. Balance compliance with strategic measurement

Compliance and accountability reporting is crucial to ensure the integrity of funding and to manage any multi-party engagement. It cannot be disregarded, particularly when it comes to the use of public sector resources. However, as this paper has outlined, ***measuring outcomes and demonstrating value are unique and equally important; they must be a carefully resourced and strategically utilized component of any alliance.***

In fact, an outcomes-orientation should be incorporated into all types of management decision-making from budgeting and resource allocation to organizational design. In order to elevate measurement to its needed strategic role, partners must increase the quantity and skill of resources dedicated to measurement; ensure regular and consistent measurement and reporting; and make use of measurement insights with key stakeholders and in strategic decision-making.

6. Revisit and revise

A key benefit of outcomes-based measurement (as opposed to long-term control-based evaluation and compliance reporting) is that practical measures ensure timely reporting and enable findings to inform and influence strategy while an alliance is ongoing. ***Partners must take advantage of outcomes data, revising strategies, programs, resource allocation and even the alliance itself in order to ensure that desired development and business results are produced.***

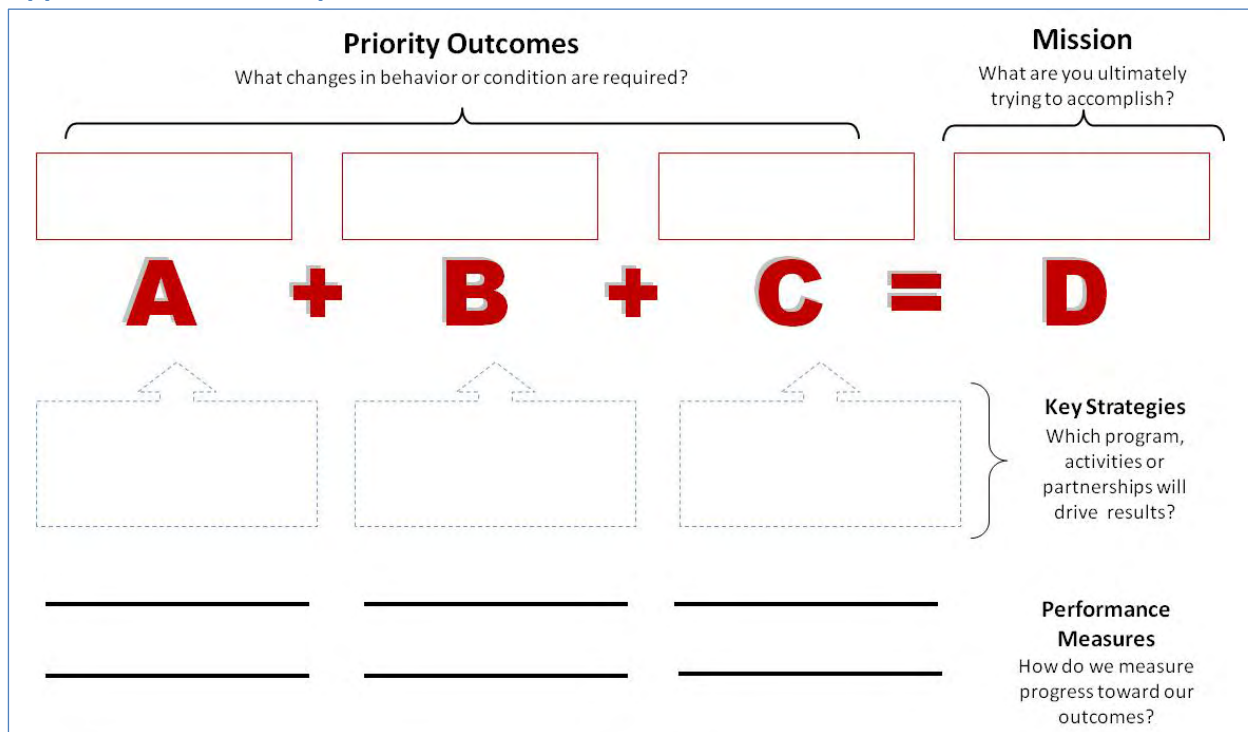
Conclusion

Fewer, Better Alliances

An outcomes-based approach to alliances will produce a ***smaller volume of alliances but a greater magnitude of impact***. Partners and funders should sharpen their focus and build alliances centered on the development issues most likely to benefit from the alliance method and more apt to produce business value. In order to focus on fewer, more strategic alliances, potential partners and funders must take a difficult step: they must say “no”. Given that each partner has limited amount of resources and personnel time to dedicate to an alliance, strategic decisions must be made about which alliances to support. What may seem at first to be turning down opportunities is the only way to ***disproportionately invest in the alliances that will produce disproportionate results***.

Once adopted, an outcomes-based approach will lay the groundwork for further investigation of shared outcomes, partnership value and the outcomes – both development and business – that are best suited to the alliance approach. The first generation of alliances demonstrated the ability of the corporate sector and development organizations to come together to jointly address business challenges and development issues; ***the next generation will demonstrate the incremental value that these alliances can contribute to business and development outcomes***. When used well, alliances are a powerful tool that can create mutual value and increase the effectiveness and efficiency of our approach to development.

Appendix A: Success Equation™ Tool

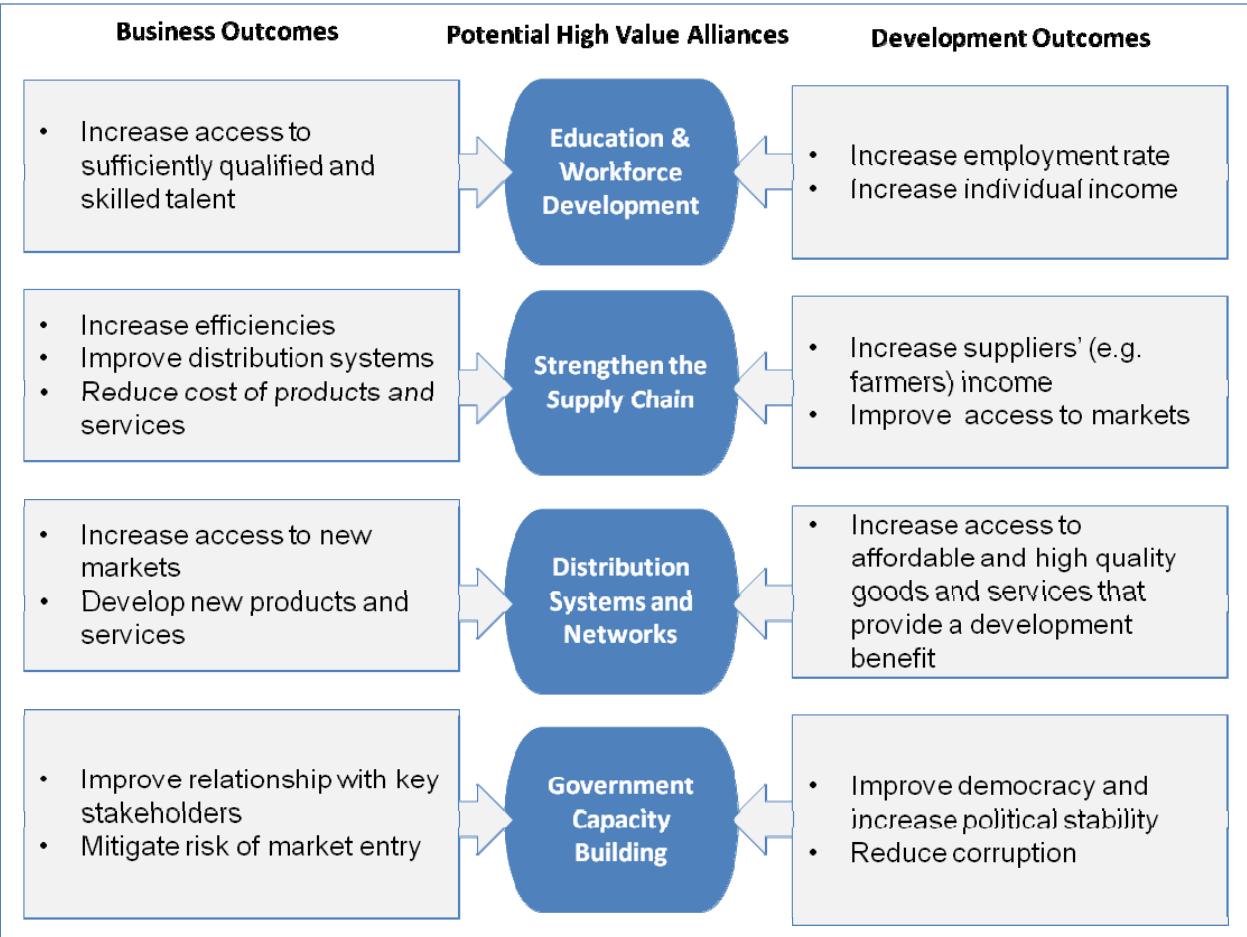


The Success Equation™ can be used to help organizations determine what near-term outcomes it will pursue, track and hold itself accountable for in support of broader and more long-term change.

Begin by determining D, the ultimate goal. This goal is then supported by A, B and C, which are near-term outcomes that can contribute to longer-term change. A, B and C are all supported by activities and strategies and measured by outcomes-oriented metrics.

In the case of an alliance, there are two applications of this tool. First, individual organizations can use this process to determine if and why an alliance strategy makes sense in terms of desired outcomes. Second, potential partners can use the Success Equation™ to identify shared outcomes. Potential partners from the public and private sectors will often find that while their long-term objectives (D) vary, there are intermediate outcomes (A, B or C) that make the alliance mutually beneficial and worthwhile.

Appendix B: Illustrative Intersection of Outcomes Leading to High Value Alliances



The authors believe that certain types or models of alliances will produce disproportionate results both in terms of development impact and business value. These alliances, while not yet well-defined or evidenced, will be characterized by the strong overlap of outcomes-based objectives articulated, understood and achieved by and for all partners.

Appendix C: Illustrative Development Outcomes Well-Suited to Alliances

		Economic Growth	Health	Agriculture	Education	Democracy & Governance	Conflict Prevention & Humanitarian Assistance
Illustrative Outcomes	Effectiveness	Increase relevance and skill level of workforce	Strengthen skill set of health care workforce	Increase farmer capacity to leverage technology	Strengthen skill set of teachers	Illustrative Outcomes	
	Scale	Increase job creation	Improve access to healthcare products and services	Increase farmer access to technology	Increase access to quality education		
	Sustainability	Strengthen capacity of local industries		Increase consistent access to marketplace opportunities		Improve investment environment	
	Systemic Change					Increase government stability and capacity	Increase political stability
	Efficiency	Reduce cost and time of executing development initiatives					

Looking ahead, the authors assert that highest value alliances will exhibit two characteristics:

1. A strong intersection of interest in terms of the outcomes that each partner aims to achieve, and
2. A need and ability to leverage the value that is generated through the application of the alliance approach to development, namely those issues requiring private sector engagement to be relevant, to achieve scale, to become sustainable, to drive system-wide change and to reduce cost.

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About the Authors

Jason Saul is a leading expert on strategy and performance measurement in the social sector. He has written and spoken extensively on the topics of corporate social responsibility, nonprofit effectiveness and measuring social impact. Jason serves on the faculty of Northwestern's Kellogg School of Management as a Lecturer of Social Enterprise. He also teaches at Boston College's Center for Corporate Citizenship. Jason is the author of [Benchmarking for Nonprofits: How to Manage, Measure and Improve Performance](#), which was awarded Best Business Book of the Year in 2005 by the Independent Publishers Association. In his forthcoming book, [Social Innovation, Inc.](#), Jason introduces five types of corporate social innovation through which companies can attract and retain talent, enter new markets, develop new products and services, deepen customer loyalty and build relationships with local governments.

Prior to founding Mission Measurement, Jason co-founded the Center for What Works, a national nonprofit organization. Jason holds a J.D. from the University of Virginia School of Law, an M.P.P. from Harvard University's John F. Kennedy School of Government, and a B.A. in Government and French Literature from Cornell University. He was awarded the Harry S. Truman Scholarship for leadership and public service and was selected as a Leadership Greater Chicago fellow. In 2008, Jason was recognized as one of Crain's Chicago Business "40 under 40" business leaders.

Cheryl Davenport is a consultant at Mission Measurement, working to empower businesses to generate social change more effectively, sustainably and profitably. She helps corporations improve their use of philanthropy and develop social innovation strategies that are aligned with business objectives. Additionally, she works with government and nonprofits organizations to more effectively engage the commercial sector in development issues. Prior to joining Mission Measurement, Cheryl worked at Monitor Group, a strategy consulting firm, where she served a range of domestic and international corporate clients in the areas of marketing, sales force effectiveness, pricing and general management strategy. She also worked briefly with both Monitor Institute and Inspire, helping nonprofit clients build growth plans and develop organizational design to support expansion.

Cheryl studied Economics at the University of Iowa, earning a B.B.A. with honors and highest distinction. She is a member of the Metropolitan Board of Chicago Youth Centers and serves on the Marketing Institute Advisory Council at the University of Iowa. Cheryl has lived and worked in Germany, Mexico, Spain and the United Arab Emirates.

Avery Ouellette is a Senior Alliance Advisor in the Private Sector Alliances (PSA) Division at the U.S. Agency for International Development. She provides guidance to USAID Missions in the Asia region on identifying and negotiating strategic alliances; and specializes in building alliances around climate change, impact investing, and scaling social enterprises. In addition, she oversees research and evaluation efforts to measure the value of alliances.

Before joining USAID, Ms. Ouellette worked as a consultant for the Global Environment Facility evaluating the catalytic role of its programs; at an economic development corporation identifying and analyzing indicators to use in long-term strategic planning; and with the Poverty Action Lab on evaluations measuring the efficacy of international development projects. She has also served as an NGO representative to the UN Commission on the Status of Women, and worked with SYGMA Corporation to set up one of its new warehouse and transportation facilities.

Ms. Ouellette received her bachelor's degree in International Relations from Mount Holyoke College, and a master's degree in City and Regional Planning from Cornell University.