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STRATEGIC ALLIANCES BETWEEN COMPANIES AND NON-GOVERNMENTAL ORGANIZATIONS PURSUING THE CREATION OF SHARED VALUE: AN EXPLORATORY STUDY AT THE BASE OF THE PYRAMID IN BRAZIL

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Dissertation presented to Escola de Administração de Empresas de São Paulo of Fundação Getulio Vargas, as a requirement to obtain the title of Master in International Management (MPGI).

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To my beloved parents Edith and Franz

and to my wonderful siblings Daniel, Simon and Anna.

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ABSTRACT

In the past decade, increasing attention has been devoted to the development of strategies that enable a company to profitably serve low-income markets and simultaneously address social challenges. One of the strategic tools identified to operate successfully at the Base of the Pyramid (BoP) is the establishment of alliances with non-governmental organizations (NGOs). This, however, is challenging especially because actors from the corporate and civil sector are driven by a dissimilar purpose and adopt a different approach in the conduction of their activities. Therefore, this study analyses precisely how NGOs and Companies can leverage their respective resources and capabilities to create both economic and social value by serving this segment. A multiple-case study with a focus on the Brazilian BoP is used to understand the difficulties and success factors of such alliances and identify the resources and capabilities that each partner mobilizes. The results suggest that major difficulties lie in finding an appropriate partner; overcoming negative stereotypical perceptions and lack of trust; and finally different structure, culture and processes. In turn, the most important factors leading to success include choosing the right partner; ensuring fit in terms of mission, strategy and values; establishing trust and commitment; effective communication and lastly, an alliance's ability to create value for both partners. The results further demonstrate that the NGOs' role is mostly limited to act as a bridge between the company and low-income communities, whereas corporations provide operational capabilities and financial resources.

Key Words: Base of the Pyramid (BoP), Creating Shared Value (CSV), Corporate Social Responsibility (CSR), Low Income Population, Partnership, Nongovernmental Organization (NGO), Strategic Alliance

RESUMO

Na última década, uma crescente atenção tem sido dedicada ao desenvolvimento de estratégias que permitem uma empresa de atender os mercados de baixa renda de uma forma rentável e ao mesmo tempo enfrentar os desafios sociais. Uma das ferramentas estratégicas identificados para operar com sucesso na base da pirâmide (BoP), consiste no estabelecimento de alianças com organizações não governamentais (ONGs). Isso, no entanto, é um desafio, especialmente porque os atores do setor empresarial e da sociedade civil são movidos por um propósito diferente e adotam uma abordagem diferente na condução das suas atividades. O objetivo desta pesquisa é, portanto, investigar precisamente como ONGs e empresas podem alavancar os seus respectivos recursos e capacidades para criar valor econômico e social , servindo este segmento. Um estudo de casos múltiplos, com foco na base da pirâmide brasileira é utilizado, a fim de entender as dificuldades e fatores de sucesso para a criação e gestão de tais alianças e identificar os recursos e capacidades que são mobilizados por cada parceiro. Os resultados sugerem que as principais dificuldades estão em encontrar um parceiro adequado; superar percepções estereotipadas negativos e falta de confiança e, finalmente, na diferente estrutura, cultura e processos. Por sua vez, os fatores mais importantes que levam ao sucesso incluem a escolha do parceiro certo; compatibilidade em termos de missão, estratégia e valores; estabelecimento de confiança e comprometimento; comunicação eficaz e, finalmente, a capacidade da aliança de gerar valor para ambos os parceiros. Além disso, os resultados demostram que o papel das ONGs é na maior parte limitado a agir como uma ponte entre a empresa e as comunidades de baixa renda, enquanto as capacidades operacionais e os recursos financeiros são fornecidos pelas empresas.

Palavras-Chaves: Base da Pirâmide (BoP), Criação de Valor Compartilhado, Responsabilidade Social Empresarial (RSE), População de Baixa Renda, Parceria, Organização Não-Governamental (ONG), Aliança Estratégica

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List of Abbreviations and Acronyms

BoP:	Base of the Pyramid
CSR:	Corporate Social Responsibility
CSV:	Creating Shared Value
FIFA:	Fédération Internationale de Football Association
GDP:	Gross Domestic Product
IPEA:	Institute for Applied Economic Research
MNE:	Multinational Enterprise
NGO:	Non-Governmental Organization
OECD:	Organization for Economic Co-operation and Development
OSCIP:	Organização da Sociedade Civil de Interesse Publico
	(Civil society organization pursuing public interests)
R&C:	Resources and Capabilities
R&D:	Research and Development
RBV:	Resource-Based View
SME:	Small and Medium Enterprise
UNDP:	United Nations Development Program

1. Introduction

In the past years there has been a growing interest in the "Base of the Pyramid" (BoP) market segment, which is comprised of low-income consumers. The first scholars to draw attention towards this relatively uncovered but huge market segment were C.K. Prahalad and Stuart L.Hart in their article "The Fortune at the Bottom of the Pyramid", published in 2002. They estimated this market to count about 4 billion people, pointing out that there was a large but still untapped purchasing power, as businesses did not consider it a viable market. They further argued that by tailoring their products to low income consumers, businesses could make economic profit and simultaneously create positive social impact.

Since the BoP literature raised awareness about the potential benefits that can be achieved by serving these markets, many Multinational Enterprises (MNEs) as well as Small and Medium Enterprises (SMEs) have started to look at the poor as customers rather than merely as recipients of charity (Seelos and Mair, 2007). This gave rise to the development of innovative business models whose aim is to sell to low income populations and raise their living standards by offering them products and services in culturally sensitive and economically profitable ways (Prahalad and Hart, 2002).

However, several companies have performed poorly in this segment. Often, their approach turned out to be a different form of Corporate Social Responsibility (CSR) rather than a successful initiative to Creating Shared Value (CSV), which Porter and Kramer (2011: 64) defined as "*creating economic value in a way that also creates value for society by addressing its needs and challenges*".[1] Hence, a significant amount of research has been conducted on how to develop and implement projects that aim to enhance a company's profitability and positioning within this market segment, and at the same time contribute to social progress. Fundamentally rethinking business models, building new resources and capabilities, providing scale to already existing organizations at the BoP and forming multiple alliances with local non-traditional BoP partners have been identified as viable strategies at the BoP (Seelos and Mair, 2007).

Collaborations with local BoP partners, such as NGOs, are considered beneficial mainly because these organizations, which are socially embedded in low-income communities, can enhance the legitimacy of a large organization as well as provide them with access to

[1] Appendix I clarifies the difference between CSR and CSV.

resources and knowledge of local specificities which are not available to the corporate sector (London and Rondinelli, 2003).

Whereas the relationship between corporate sector and civil society used to be characterized by conflict due to their largely different political orientations, over the past years a trend of convergence emerged. On the one hand, companies realized that in order to reach low-income consumers, they need the local expertise and knowledge that NGOs possess. On the other hand, NGOs started to perceive entrepreneurship as a viable approach to advancing their mission of socio-economic development and realized that they could benefit from access to a company's competencies, infrastructure and knowledge (Brugmann and Prahalad, 2007). This has given rise to NGO-Business partnerships that pursue the common goal of creating shared value in BoP markets.

In Brazil, the BoP includes about 70% of the country's population (Barki and Parente, 2010). The country is characterized by high levels of inequality and a large informal economy. However, recent economic developments have generated an upward trend in income especially concerning lower income classes, with more and more people ascending into the middle class (Cetelem BGN Research, 2011). Besides this, the country's NGO sector is growing and taking an increasingly relevant role in promoting socio-economic progress (Drayton and Budinich, 2010). This creates a compelling opportunity for Businesses to partner with NGOs in order to tap into this large market space, satisfying their need for profitable growth and simultaneously tackling Brazil's social challenges.

Establishing such cross-sector partnerships, however, poses severe challenges to the organizations involved due to several reasons, including little experience in dealing with each other and substantially different structure, culture and processes (Austin, 2000; Sagawa and Segal, 2000 and Dahan, Doh and Yaziji, 2010). While extensive research has been conducted on the challenges faced by cross-sector alliances established in the context of CSR as well as on their key success factors, little attention has been dedicated to NGO-Business partnerships that aim to create shared value in low-income markets.

The objective of this study is therefore to bridge this gap by exploring this aspect and respond to the research question ***how can private businesses and NGOs leverage their respective resources and capabilities so as to achieve economic and social value simultaneously by serving low income markets?*** In particular, this study aims to identify the major difficulties and success factors to the creation and management of NGO-Business alliances in the

Brazilian BoP market. Once identified, it will assess how these factors were established by the participating organizations in order to overcome the challenges and achieve a fruitful cooperation and positive outcome. It further aims to analyse the resources and capabilities mobilized by each partner in order to implement projects or business models that aim to create shared value.

The research question will be addressed through a multiple case study that focuses on strategic alliances between large MNEs - namely Coca Cola, Itaú Unibanco, AES Eletropaulo and Telefônica - and NGOs in the Brazilian BoP market. The results of this study should provide scholars and practitioners with insight on how to best combine the unique strengths of two different actors, NGOs and Corporations, by avoiding the major pitfalls and establishing the factors that have facilitated the creation and maintenance of existing cross-sector collaborations. This should encourage both parties to engage in alliances whose objectives go beyond CSR, leveraging on each actor's R&C to create economic value in a way that also creates value for society.

This work is divided into 5 chapters. The first one introduces the topic, its relevance and the objectives of this study. In the second chapter, the literature review is presented. The third chapter describes the methodology adopted throughout the research. In the fourth chapter, the results of the exploratory study are described. In the fifth and last chapter the conclusions, theoretical and managerial implications are presented as well as the work's limitations and suggestions for further research.

2. Literature Review

2.1 The Base of the Pyramid market – General Overview

Several definitions have been elaborated over the past years as to delineate the Base of the Pyramid (BoP) market. As stated by Prahalad and Hart (2002), the BoP market consists of people whose annual income is less than 1,500 US$ a year based on purchasing power parity (PPP). More recent studies have adopted a broader definition, describing the BoP as comprised by people living on less than US$ 8 a day, which globally amounts to about 4 billion people (UNDP, 2008).

According to the BoP proposition, this market – which has long not been considered a viable target segment by businesses - can be very profitable if businesses manage to develop innovative business models that make their products and services accessible and affordable to low income consumers (Prahalad and Hart, 2002). The authors further argue that, besides generating profits, serving the poor can be a way of bringing prosperity to low income populations and thus help to eradicate poverty (Prahalad and Hart, 2002).

In general, there is consensus that more than just adaptation is required to successfully compete at the BoP. The characteristics of its consumers differ significantly from higher income segments (Barki and Parente, 2010). In fact, these consumers mostly live in rural villages or urban slums, which are often not reached by conventional distribution channels (Barki and Parente, 2010). Their level of education is low or even non-existent, thus the means of communication and promotion have to be adapted accordingly. Personal relationships are important, as people usually buy from whom they know (Barki and Parente, 2010).

Since the idea was first introduced, many corporations have tried to tap into this market. The so-called "first generation" strategies focused on turning the poor into consumers by serving them with reformulated or repackaged products (Simanis and Hart, 2008). While these strategies may have allowed a company to increase its sales, concerns have been raised about whether they actually contribute to addressing fundamental problems of poverty (Simanis and Hart, 2008). One of the main critics to the BoP proposition, Karnani, claimed that *"the only way to help the poor and alleviate poverty is to raise the real income of the poor"* (Karnani, 2007: 100). More recent BoP literature has pointed to the importance of fundamentally rethinking business models, developing new capabilities and establishing partnerships with multiple constituencies (Seelos and Mair, 2007).

At its core, the BoP perspective relies on the hypothesis that creating more value for people living at the BoP creates more value for the business (London, Anupindi and Sheth, 2009). It can thus be linked to the principle of Shared Value, introduced by Porter and Kramer (2011). They argue that, due to the presumed trade-off between economic efficiency and social progress, businesses have been treating societal issues as peripheral, rather than trying to address them through business solutions. They suggest the principle of shared value as a solution to bringing business and society back together. According to their definition, Shared Value involves *"creating economic value in a way that also creates value for society by addressing its needs and challenges. Shared value is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success. It is not on the margin of what companies do but at the center"* (Porter and Kramer, 2011: 65).

2.2 Socio-economic context in Brazil

The focus of this research is going to be on the BoP market in Brazil, which has gained increasing attention in recent years, both by academics and businesses. With a Gross Domestic Product (GDP) of US$ 2,223 trillion in 2012, Brazil is the world's 7th wealthiest economy. In addition, it is also the world's 5th largest country, both by geographical area and by population, with over 198 million people. About 70% of these belong to the BoP market, which - according to the definition used above - encompasses classes C1, C2, D and E (Barki and Parente, 2010).

The country's society is characterized by a high level of inequality. In fact, while the income share of the poorest 40% was less than 10% of the country's total income, the share of the richest 10% represented over 40% of Brazil's total income (World Bank, 2009). Another characteristic of the country is its large informal economy, which is estimated to account for about 18% of GDP[2]. As a result, there is a huge amount of informal workers that lack social protection and insurance, which *"may adversely affect their income prospects, and have broader consequences for inequality and poverty."* This rampant informality may also have a negative impact on productivity and growth; for example, it hinders businesses from accessing credit (OECD, 2011: 5).

[2] Retrieved from https://ww2.itau.com.br/hotsites/sustentabilidade/_/produtos-servicos/Para-sua-empresa/emp-microcredito.html

However, relatively low inflation rates and improvements in social well-being have contributed to rising incomes[3]. In addition to this, over the past decades, Brazilian governments have facilitated the access to credit and provided support to the poor in the form of subsidies and social programs (e.g. Bolsa Familia). As a result of these conditions, minimum wages in real terms have increased by over 80% overall from 2003 to 2014 as shown in the graph below (**Figure 1**) and the percentage of families belonging to class C rose from 34% in 2005 to 53% in 2011 (**Figure 2**). Many of these families live in urban favelas, principally in the south-east region (AES Eletropaulo, 2011). The poorest income classes instead (D and E) are concentrated in the northern part of Brazil.

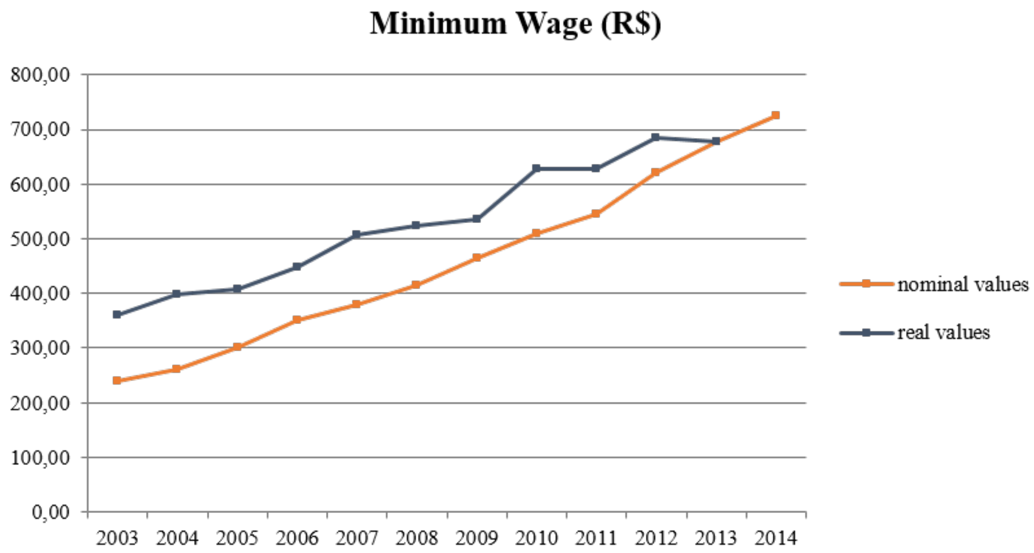

Figure 1 - Minimum wage growth in Brazil, 2003 – 2014

Sources: elaborated by the author with data from IPEA[4]

[3] Retrieved from http://www.worldbank.org/en/country/brazil/overview

[4] www.ipeadata.gov.br

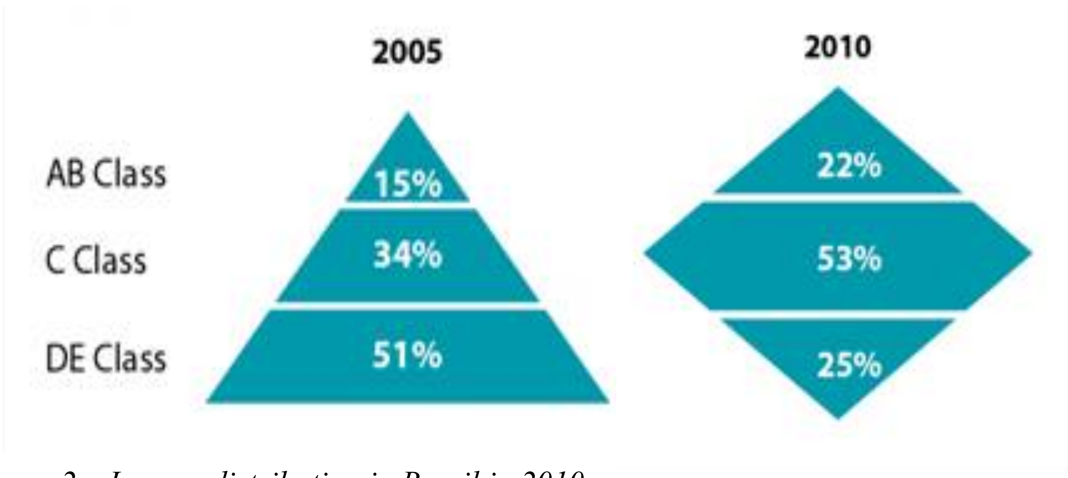

Figure 2 – Income distribution in Brazil in 2010
Source: Cetelem BGN Research – Ipsos 2011

The prevailing inequality, together with an upward trend in income that especially concerns lower income classes, creates an opportunity for businesses that recognize these segments as drivers of growth and are able to adapt their strategies in order to meet the needs of this population through responsible business initiatives.

Thus far, the government has been unable to meet all social demands and provide adequate public services (e.g. education, health care, utilities) to the huge and growing population. Furthermore, public institutions are criticized for being inefficient and suffer from corruption and mistrust (McKern and Denend, 2009).

The business sector instead is recognized for its superior performance and has controlled public services, such as power and telecommunications, since the privatization of many industries in the 1990s. Furthermore, some large corporations reveal a history of social engagement, which seems to move away from pure philanthropy towards more strategic approaches to CSR that are linked to company's core competencies and business.

At the same time, the NGO sector is growing rapidly and taking an increasingly relevant role in tackling Brazil's social challenges. It is estimated that in 2010 there were about 290.000 NGOs in Brazil, operating mainly in the areas of religious services, education, social assistance, health care, environment and arts & culture[5]. Besides increasing its size, the civil sector has increased its productivity and reach. This social and economic context creates a compelling opportunity for collaborations between companies and NGOs (Drayton and

[5] Retrieved from http://abong.org.br/ongs.php

Budinich, 2010). By combining their resources and capabilities, they have the potential to tackle social problems through profitable business solutions.

Before describing why alliances between NGOs and Businesses are considered a viable mode of profitably operating in such markets, the next section will shortly present the existing theory on strategic alliances.

2.3 Strategic alliances and theoretical perspectives underlying their formation

The term alliance refers to any kind of relationship between two or more actors that is based on mutual dependence and interaction (Iyer, 2003). A strategic alliance can be defined as a voluntary short- or long-term collaboration between organizations which is established to pursue a common set of goals (Dacin, Oliver and Roy, 2007). There are several reasons that motivate companies to enter strategic alliances: to gain access to restricted markets, overcome trade barriers, acquire new skills or technologies, reduce uncertainty, pool resources, share risky R&D project, etc. (Hitt, Ireland and Hoskisson, 1997). In order to explain the formation of strategic alliances, different theoretical perspectives have been developed.

According to the **transaction cost theory**, strategic alliances are formed when the transaction costs associated with the exchange of an asset are intermediate, neither low enough to justify the use of an arm's length market exchange nor high enough to justify vertical integration (Gulati, 1995). The **organizational learning theory** suggests that firms use alliances to learn or absorb critical information, know-how or capabilities from their partners (Kale, Singh and Perlmutter, 2000). A different perspective is offered by the **stakeholder theory**, according to which the legitimacy and the success of an organization is significantly impacted by how the organization understands and responds to the opportunities and risks posed by its various stakeholders (Freeman, 1984), who are defined as "*any group of individuals who can affect or are affected by the firm, including investors, suppliers, employees, customers, competitors, local communities in which it operates, regulatory agencies, and so on*" (Barringer and Harrison, 2000: 376). Organizations should therefore pay attention to and simultaneously manage these often conflicting interests (Donaldson and Preston, 1995). Alliance formation can thus be seen as a way to deal with the increasing pressures from stakeholders and exploit synergies while pursuing common goals.

The **resource-based view** (RBV) instead suggests that alliances are formed due to the value-creation potential of firm resources pooled together. This view is based on the assumption that firms are heterogeneous with respect to their resource and capability base (Das and Teng, 2000). The present paper focuses on cross-sector partnerships in the context of low-income markets involving NGOs and businesses, two actors that are particularly heterogeneous with respect to their resources and capabilities due to the nature of their purpose and activity. Hence, this view seems to be the theoretical foundation which best explains their formation and will therefore be explored in more detail in a following section.

2.4 Strategic cross-sector alliances

The term cross-sector alliance refers to alliances among organizations that each belong to a different of the three primary institutional sectors of society: public, private or civil (Googins and Rochlin, 2000). The public sector refers to the government, the private sector is comprised by profit-seeking firms and the civil sector encompasses *"non-rent seeking entities devoted to pursuing a particular socially-embedded mission or interest"* (Googins and Rochlin, 2000: 130). Even though there are different types of cross-sector alliances, namely business-nonprofit, business-government, government-nonprofit, and trisector ones (Selsky and Parker, 2005), the present paper will use the term to refer to "forms of collaboration between for profit organizations and non-profit organizations such as local and international NGOs", as defined by Jamali and Keshishian (2009: 279).

Definitions of NGOs vary. The United Nations (2011: 66) describes NGOs as *"a non-profit, voluntary citizens' group that is organized on a local, national or international level. Task-oriented and driven by people with a common interest, NGOs perform a variety of service and humanitarian functions, make citizens' concerns heard by governments, advocate and monitor policies and encourage political participation through provision of information. Some are organized around specific issues, such as human rights, environment or health. NGOs provide analysis and expertise; serve as early warning mechanisms and help monitor and implement international agreements."* In the World Bank's Operational Directive (1989) NGO's are defined as *"private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development. NGOs often differ from other organizations in the sense that they tend to operate independent from government, are value-based and are guided by the principles of altruism and voluntarism."* According to the World Bank, there are two main categories of NGOs. Operational NGOs, which are created as to implement development-related projects, and Advocacy NGOs, whose primary purpose is to promote a particular cause and influence the policies and practices of public and private sector organizations, for example in the field of environmental sustainability. Operational NGOs can further be classified into national, international and community-based organizations (CBOs). The NGOs analysed in the present work are mainly concerned with serving the population in a narrow geographical area and can therefore be classified as CBOs.[6] NGOs are often also referred to as non-profit, civil society, social sector or third sector organizations. In the present study, these terms will be used interchangeably.

Whereas NGOs have primarily humanitarian or cooperative goals (1989), businesses exist in the first place to pursue commercial objectives and generate profits for owners and investors (Sagawa and Segal, 2000). Still, alliances between these actors have been increasing significantly over the past years. The reasons for that are twofold: First, macro-level changes in the environment, such as strained governmental budgets, are requiring corporations and NGO's to assume a greater role in solving the society's problems and have thus encouraged collaboration. Second, partnering can create multiple potential benefits to these organizations, which are very different in terms of resources, capabilities and organizational characteristics. For NGOs, these payoffs include cost savings, economies of scale and scope, synergies and revenue enhancement (Austin, 2000). Corporations instead benefit from greater access to context-specific knowledge, higher credibility among local communities and enhancement of their brand image (London and Rondinelli, 2003).

The next sections will present the path that led to convergence between NGOs and Businesses, two distinct actors who initially adopted divergent attitudes while engaging in ongoing debates about social and environmental issues (Brugmann and Prahalad, 2007).

2.4.1 The path to convergence between corporate sector and civil society

Even if many assumed that the struggle between NGOs, representing the civil society, and companies over issues such as liberalization and the nature and speed of deregulation would intensify since the protests against globalization at Seattle and Davos in the late 1990s, a countertrend has emerged. In the recent years, companies started to consider the Base of the Pyramid as a viable market. Managers are devoting more time to gaining local knowledge, developing low-cost business models and engaging in community-based marketing and value engineering. At the same time, NGOs have created social businesses whose aim is to provide jobs and incomes to alleviate poverty. As they have acknowledged that they each possess competencies, infrastructure, and knowledge that the other needs to successfully operate in

[6] Retrieved from http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/CSO/0,,contentMDK:22511723~pagePK:220503~piPK:220476~theSitePK:228717,00.html

low-income markets, these two very different actors are now trying to learn from and work with each other, developing innovative business models with the aim to grow new markets at the Base of the Pyramid (Brugmann and Prahalad, 2007).

Originally, their relationship was characterized by conflict due to their widely different approach to liberalization and deregulation. As governments, in an attempt to attract foreign direct investment, weakened regulations in areas such as labor and environment, NGOs became the de facto regulators of the corporate sector, setting out the norms that socially responsible corporations were expected to adhere to. Companies spent a lot of money as a result of this battle, for example in launching countercampaigns to protect their reputations. Initially their efforts were of a defensive nature, but over time they developed more proactive strategies. They started to implement corporate social responsibility initiatives and cause-based marketing programs. To effectively run such initiatives, some corporations found it useful to hire people with expertise in the social sector. As NGOs and businesses came in contact with one another, they also adopted joint regulatory schemes, regulating social and environmental practices in both sectors. Such collaboration benefited both. NGOs brought their networks, credibility and understanding of local markets and corporations brought expertise in marketing and specialized business practices, which enabled NGOs to develop the competencies they needed in order to get into business themselves. Both actors realized that they could benefit from interaction. On the one hand, company executives found that, in order to develop new business models for reaching low-income consumers, they need the knowledge, local infrastructure and relationships that NGOs possess. On the other hand, NGOs have been pressured to review their strategies and operate profitably, due to a decline in public spending on social programs. Instead of relying on government aid and public charity, they now see entrepreneurship as a viable approach to create positive social impact (Brugmann and Prahalad, 2007).

For this reason, NGOs and for-profit enterprises are increasingly going into business together, pursuing common goals such as scale, profit and social benefits and developing long-term partnerships based on co-creation, which *"involves the development of an integrated business model in which the company becomes a key part on the NGO's capacity to deliver value and vice versa"* (Brugmann and Prahalad, 2007: 89).

The following section will outline the reasons for why NGO-Business partnerships are considered to be very relevant with respect to doing business at the BoP.

2.4.2 The RBV and its implication for NGO-Business partnerships at the BoP

So far, many companies have developed strategies to enter the large and relatively untapped low-income market segment of emerging countries, as they realized its high potential for growth opportunities. While many Businesses were successful at marketing their products at the Top of the Pyramid of emerging markets through incrementally adapting their current products and leveraging existing capabilities in global efficiency, national responsiveness, and knowledge transfer, success rates at the Base of the Pyramid have been significantly lower (London and Hart, 2004). Several studies have therefore focused on understanding the key success factors in targeting low income markets. The findings suggest that, in order to successfully compete at the Base of the Pyramid, it is not enough for companies to leverage their existing internal capabilities or to adapt their strategies to overcome the weaknesses of the business environment. They rather need to develop new capabilities and business models, which are based on a deep understanding and integration with the local context (London and Hart, 2004). A possible explanation for the low success rate of strategies directed to accessing low-income markets can be found in the RBV.

Resources are defined as including all "*assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness*" (Barney, 1991, p. 101). According to the RBV of the firm, the key to achieving superior performance lies in a firm's internal resources rather than in the exploitation of external factors. This model adopts two critical assumptions. First, it assumes that the strategic resources controlled by a firm may be heterogeneous, which is why firms implement different strategies. Second, these resources are assumed not to be perfectly mobile across firms. As they can't be easily replicated by competitors, firm heterogeneity may be long lasting. According to the RBV, the possession of heterogeneous and immobile resources is critical but not enough for a firm to achieve a sustained competitive advantage. The RBV suggests that this can only be achieved if a firm controls resources which are valuable, rare, imperfectly imitable and non-substitutable. Only if a strategy implemented by a firm is based on resources that possess these characteristics, its competitors will be unable to duplicate it (Barney, 1991). The RBV further suggests that above average performance can be achieved by acquiring such resources *"at a cost below their potential to generate financial returns and by deploying and configuring resources into capabilities that create higher than average benefits for costumers and permit owners to capture part of that value"* (Seelos and Mair, 2007: 52).

These concepts, however, have been developed in mature markets that significantly differ from low-income markets, where resources are scarce due to weak institutions and a lack of many products and services (Seelos and Mair, 2007). This resource scarcity considerably limits a company's ability to acquire relevant resources, as many aren't available and, if they are, their potential for value creation in an unexplored context is not known (Seelos and Mair, 2007). Hence, in order to overcome the constraint of resource scarcity and reduce the risk associated with the unknown value of new capability configurations, it is suggested that, instead of trying to access multiple new resources and capabilities, firms may be better off if they leverage existing resources and capabilities by entering into strategic alliances with partners that already operate in the target market (Seelos and Mair, 2007). Alliance formation, as explained by the RBV, is in fact a way for firms to join forces with partners and access their valuable resources and capabilities in order to meet strategic needs or pursue social opportunities that they can't reach on their own (Eisenhardt and Schoonhoven, 1996).

According to literature, the strengths of NGOs include credibility and understanding of local markets, legitimacy with clients, civil society players and governments, and access to local expertise and sourcing and distribution systems (Dahan et. al, 2009 and Brugmann and Prahalad, 2007). Companies instead are mainly recognized for their experience and expertise in different business practices such as marketing, product R&D, a strong brand and availability of financial resources (Dahan et. al, 2009 and Brugmann and Prahalad, 2007). Hence, actors from each sector possess valuable resources which can't be easily developed or acquired by organizations pertaining to the other sector. Due to their possession of such heterogeneous resource and skill sets, the main reason for NGOs and companies to engage in cross-sector collaboration is assumed to consist in the acquisition of competences and resources which aren't available within their own sectors (London and Rondinelli, 2003). In fact, developing a close collaboration with non-traditional partners is considered to be crucial for companies who want to position themselves in low-income markets, as they can enhance the local legitimacy of the organization and can provide access to resources and context-specific information which is not available to the corporate sector (London and Rondinelli, 2003). The existing insights on the RBV and Strategic Alliances, if applied to low income markets, hence provide a theoretical framework which is well suited as to explain the creation of NGO-Business partnerships at the BoP.

2.4.3 Categorizing cross-sector alliances

NGO-Business Partnerships can take different forms. Whereas some are merely a one-way transfer of financial resources from the corporation to the NGO, others are established to create a win-win situation, with significant benefits for both partners. The framework developed by Austin (2000) identifies three different stages in the evolution of cross-sector partnerships, namely the **philanthropic, transactional and integrative**. In order to categorize alliances according to the different stages, the seven following dimensions are taken into account: level of engagement, importance to mission, magnitude of resources, scope of activities, interaction level, managerial complexity and strategic value. As a relationship moves from the first stage, to the second and third stages, the level of engagement of both partners increases, importance to mission becomes more central, magnitude of deployed resources expands, activities broaden, interaction intensifies, managerial complexity increases and the partnership is becoming of increasingly strategic value to both partners (Austin, 2000).

In the **philanthropic stage**, the value flow is mostly one way, as activities are limited to the NGO receiving a donation of money or goods from a corporation. The benefit that accrues to the corporation is merely one of reputational value. In the **transactional stage**, the partners are more actively engaged and the value flow is more two-way as partners exchange resources through specific activities, such as cause-related marketing, event sponsorship, employee volunteer programs, etc. In the **integrative stage**, the partnership is of clear strategic value to both partners, with deep mission connection and people and activities beginning to experience more collective action and organizational integration (Austin, 2000). This framework can be linked to the principle of Shared Value developed by Porter and Kramer (2011). Whereas a company's primary objective consists in generating financial returns, NGOs mainly exist as to promote social progress. By engaging in collaborations whose aim is to create a win-win situation they will thus try to pursue both actors' main goals: economic value on the one side and social progress on the other. Hence, this should result in the creation of shared value.

The idea of Shared Value, in fact, implies a business approach to solving social issues that goes beyond philanthropy, being "*Businesses acting as businesses, not as charitable donors, the most powerful force for addressing the pressing issues we face" (Porter and Kramer, 2011: 65).*

The present research focuses on analysing strategic partnerships which are in the second or third stage, where the value flow is two-way. What distinguished the partnerships that participated in this research from those analysed by Austin is the context in which they were developed. Whereas Austin focused on cross-sector relationships in the context of CSR, the present research focuses on cross-sector relationships that were mainly initiated by companies and NGOs as to exploit opportunities in low-income markets and thereby generate shared value (See Appendix I for an explanation of how Shared Value differs from Corporate Social Responsibility).

Relationship Stage	**Philanthropic**	**Transactional**	**Integrative**
Level of engagement	Low	→→→→→→→→→→→	High
Importance to mission	Peripheral	→→→→→→→→→→→	Strategic
Magnitude of resources	Small	→→→→→→→→→→→	Big
Scope of activities	Narrow	→→→→→→→→→→→	Broad
Interaction level	Infrequent	→→→→→→→→→→→	Intensive
Managerial complexity	Simple	→→→→→→→→→→→	Complex
Strategic value	Modest	→→→→→→→→→→→	Major

Figure 3: Collaboration Continuum
Source: adapted from Austin (2000)

2.5 Create and manage strategic cross-sector alliances

This section will briefly review the major difficulties and hurdles that the organizations involved in cross-sector alliances need to face and overcome as well as present the factors that relevant literature has identified as key for the creation and management of successful cross-sector alliances.

2.5.1 Potential risks and determinants of conflict

Cross-sector partnerships are considered particularly complex and difficult to achieve successfully due to a number of reasons, which have been identified by existing literature. The few regular interactions between corporations and communities used to keep these two sectors separate from each other, with contacts limited to relationships of philanthropy or political opponents (Sagawa and Segal, 2000). However, as outlined in a previous section, these boundaries are increasingly blurring (Heap, 2000), which creates the need to identify the major challenges to strategic collaboration between NGOs and Businesses and understand how to effectively deal with them to achieve successful alliances. Major difficulties that have been identified include participants' markedly different structure, cultures, governance, performance measures, competitive dynamics, professional languages and personnel competences (Austin, 2000 and Dahan, Doh and Yaziji, 2010). Negative stereotypical perceptions on both sides are another obstacle to the creation of trusting relationships (Heap, 2000). While NGOs see companies as unreliable and only interested in making money, companies see NGOs as undisciplined idealists who are unable to manage their finances (Heap, 2000). The absence of trust, communication and lack of experience in dealing with each other further increases the potential for conflict (Dahan et. al, 2010). Also, participants often misunderstand each other's motivations and intentions (London and Rondinelli, 2003). Literature has also pointed to the difficulty for companies to identify appropriate partners among NGOs (Neergaard, Pedersen and Jensen, 2009). Finally, through partnering with an NGO, a company may be concerned about providing insight into sensitive information about R&D projects, strategic plans, etc. and therefore improve the capabilities of the NGO, thus creating not only a better partner but also potential competitor (Dahan et. al, 2010). Table 1 summarizes the major difficulties to cross-sector partnerships that have been identified by a number of authors.

Major difficulties	Authors
Overcoming negative stereotypical perceptions, Lack of trust	Austin; Dahan, Doh & Yaziji; Heap; London & Rondinelli; Neergaard, Pedersen & Jensen
Finding an appropriate partner	
Different Structure, Culture and Processes	
Opportunistic behaviour	
Inability to deliver effectively	

Table 1 – Major difficulties to cross-sector alliances based on theory
Source: elaborated by the author

2.5.2 Potential determinants of alliance success

This section will briefly describe the factors that existing literature has identified as important to the creation and maintenance of cross-sector partnerships in the context of CSR. A study conducted by Austin (2000) was used as theoretical basis for the identification of these factors. His findings were integrated with theory from other scholars, most of which also wrote specifically about cross-sector partnerships.

2.5.2.1 Choosing the right partner

Selecting the right partner is crucial and no easy task. Several authors suggest that both NGOs and Corporations conduct effective due-diligence examinations before entering a partnership (Austin, 2000 and London and Rondinelli, 2003). Both organizations should follow a set of internal criteria for selecting an appropriate partner as to make sure that their partner has the knowledge, expertise and experience they need (London and Rondinelli, 2003).

2.5.2.2 Trust and Commitment

Trust and commitment have been widely recognized as important enhancers of alliance performance. The existence of trust between partners *"lowers transaction costs, enhances co-operation, increases information-sharing, facilitates dispute resolution and reduces the amount of formal contracts and harmful conflict"* (Weihe, 2008: 155). Samii et al (2002: 1004) highlight the importance of commitment, stating that *"partners' equal commitment, confirmed through adequate allocation of time and resources, will guarantee reciprocal appreciation and create opportunities for synergies among the partners."*

According to Morgan and Hunt (1994), who developed the commitment-trust theory of relationship marketing[7], commitment and trust are central to producing productive and effective relational exchanges. This is because their presence leads to cooperation, encouraging partners to work together to preserve relationship investments and to resist short-term gains in favour of expected long-term benefits (Morgan and Hunt, 1994).

2.5.2.3 Fit in terms of mission, strategy and values

Several authors have identified the need of fit in terms of mission, strategy and values between the partnering organizations. According to Austin (2000), the following questions should be addressed separately by each organization as to clarify its objectives and assess the goodness of fit with the prospective partner:

- What are you trying to accomplish through the collaboration?
- Where does your mission overlap with the potential partner's mission?
- Do you and your potential partner share an interest in a common group of people?
- Do your needs match up with your partner's capabilities, and vice versa?

[7] Relationship marketing: „Relationship marketing refers to all marketing activities directed toward establishing, developing and maintaining successful relational exchanges" (Morgan & Hunt, 1994, p. 22).

- Would the collaboration contribute significantly to your overall strategy?
- Are your values compatible with your prospective partner's?

Defining a clear strategic vision and an expected outcome is considered to be important, as partners who have the aim to solve the same pressing issue which neither of them can solve alone will be more committed to the alliance (Austin, 2000; London and Rondinelli, 2003).

Existing literature (Austin, 2000; Sagawa and Segal, 2000) also indicates that a company considering to partner with an NGO should have a mission that goes beyond making money, as this creates opportunities to partner with third sector organizations, which can be pursued while preserving the core. An overlap in the missions of two organizations opens up possibilities for collaboration. Austin (2000) further argues that the higher the centrality of the alliance to the partner's mission and strategy, the stronger it is likely to be and the more leaders themselves will directly engage in the relationship. Employees will be more committed to the alliance if they see how it promotes the mission of their organization and if they care about its social purpose, therefore mission fit is crucial.

Regarding strategic fit, Austin (2000) flashes out that it is enhanced by congruency of needs and capabilities between the company and the NGO. According to him, dependency on the partner's capabilities leads both organizations to invest heavily in the relationship. Googins and Rochlin (2000) similarly highlight the importance of understanding the strengths and weaknesses of the partner and *"find ways in which the strengths of one can be brought into the partnership to overcome the weaknesses of the other"*.

Lastly, if values are compatible, the collaboration is likely to be more sustainable (Austin, 2000) as partners that have common beliefs about what behaviors, goals and policies are important will be more trusting and committed (Morgan and Hunt, 1994).

2.5.2.4 Leadership engagement and institutionalization of the partnership

Leadership engagement is another crucial ingredient to alliance success, as it signals the strategic importance of the collaboration to employees at all levels of the organization and fosters the institutionalization of the partnership so that more individuals embrace it and are committed to achieving its common goals. In order to institutionalize the partnership, managers may include incentives to collaborate into their performance measurement systems or engage in each other's governance structures. London and Rondinelli (2003) point to the importance of identifying strong alliance managers. Assigning someone with the responsibility to manage the relationship will enhance coordination and communication with the partner. Also, a partner relationship manager will make sure that sufficient energies and resources are focused on the relationship, allowing it to achieve the desired impact (Austin, 2000).

Leadership engagement can be motivated by the presence of an emotional connection of individuals to the social mission of the partnership and strong personal relationships that tie the organizations together, both at the top level and throughout the organization. (Austin, 2000).

2.5.2.5 Strong personal relationships

Both Sagawa and Segal (2000) and Austin (2000) sustain that directly involving individuals in the social service activity, for example through employee volunteer programs, can be a way to foster motivation, connection with the cause and the creation of personal relationships. The resulting increase in the points of connection between the organizations implies frequent communication and interaction, which enhances trust and alliance sustainability.

2.5.2.6 Effective Communication

Communication should occur through multiple channels and be open and frank. The involved organizations should jointly develop a strategy for communicating between the organizations and externally in order to publicize the alliance and enhance visibility (Austin, 2000). Communication between partners should occur frequently and be characterized by a high degree of openness, which is extremely powerful in enhancing trust (2000). External communication instead ideally occurs through speeches, press-events, social marketing, community forums, and other activities in which Businesses highlight the contribution of their partner without praising themselves (Sagawa and Segal, 2000). In the same way, NGOs should promote the support they get from Companies, for example by inviting them to join when they receive public recognition for the social impact they're creating.

2.5.2.7 Ability to generate value for both partners

A further factor that must be present is the alliance's ability to generate value for both partners. Austin (2000) indicates that an alliance will be created and sustained only if it is able to create value for both organizations involved. To determine the worth of a possible collaboration, partners should first clearly specify what they expect to get out of the relationship. This should be followed by a capability analysis of each organization, as to ensure that one's resources and capabilities are compatible with the partner's expectations. If there is an execution gap, resources and capabilities must be mobilized or expectations lowered, as underdelivering can destroy partner credibility (Austin, 2000).

Once expectations are clearly set, partners should evaluate the benefits that will accrue to both organizations and to the target populations from the combination of their resources and capabilities, and weigh them against any sort of costs that will arise. However, assessing social impact is particularly complicated. Social improvement outcomes are often difficult to measure and they are eventually influenced by factors other than the partnership's intervention (Austin, 2000).

2.5.2.8 Balance in the exchange of value

Beyond this, Austin (2000) also suggest that they consider how to mobilize each partner's resources and capabilities to generate value. For a partnership to endure, it is necessary that both partners perceive the created value to be equitably balanced. Only if a partner thinks that he is getting as much as he is giving, he will continue to invest in the relationship. Over time, it may happen that one organization internalizes the other's competencies. In this case, sources for new value creation should be identified.

The aim of the present research is to determine how NGO and corporations can overcome challenges and leverage their unique resources and capabilities to co-develop innovative business models. Comparing the existing theory to the empirical findings of the study, I will try to determine whether there are different or additional challenges and factors that explain the successful co-creation of NGOs and corporations in the specific environment of Brazilian low-income markets. The following table, which summarizes what existing literature has found to be important determinants of alliance success, will then be compared with the empirical results of the study.

Success Factors	Authors
Choosing the right partner	Austin, London & Rondinelli
Trust and Commitment	Austin, Weihe, Morgan & Hunt, Samii et. al
Fit in terms of strategy, mission and values	Austin, Googins & Rochlin, London & Rondinelli, Morgan & Hunt, Sagawa & Segal
Leadership engagement and institutionalization of the partnership	Austin, London & Rondinelli
Strong personal relationships	Austin, Sagawa & Segal
Effective communication	Austin, Sagawa & Segal
Ability to generate value	Austin, Googins & Rochlin
Balance in the exchange of value	Austin

Table 2 – Main determinants of successful cross-sector alliances based on theory
Source: elaborated by the author

3. Methodology

The following section will present the research method and the rationale for its application. The methodological approach in terms of design, data collection, analysis and participants will be outlined.

3.1 Procedures

3.1.1 Design

Being the research question concerned with describing how NGOs and Businesses can leverage their strengths to create economic and social value by serving low-income markets, a qualitative research method is best suited. In order to respond to this question, it is imperative to gain an in-depth understanding of the alliance, which can best be reached through a qualitative method based on interviews and document analysis rather than a quantitative one that uses standardized measures in order to fit the varying perspectives and observations into a limited number of predetermined response categories to which numbers are assigned (Patton, 2002).

Therefore, an explanatory case study approach was used as the main method of analysis. According to Yin, *"case studies are the preferred method when "how" and "why" questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon with some real life context"* (Yin, 2003: 1). This definition is in line with the research question, whose aim is to get a deeper insight into organizational phenomena – cross-sector strategic alliances – within a specific market, an area that has not been covered by much research so far.

A multiple-case study approach was applied, as evidence from more case studies is usually more compelling. The same research question was addressed with respect to a number of different alliances, using similar data collection and analysis procedures for each alliance. This allows for comparison between different partnerships, without sacrificing the thorough understanding of each one (Herriott and Firestone, 1983). According to Amabile et al. (2001), case studies are perfectly appropriate to generate managerially important knowledge. Still, in order to guarantee methodological rigor, 4 criteria need to be fulfilled: internal validity, construct validity, external validity and reliability (Cambpell, 2007). In order to enhance internal validity, which is the extent to which a causal conclusion based on a study is justified (Gibbert, Ruigrok, and Wicki, 2008), the present study will compare the existing theory about cross-sector alliances to the empirical findings of the study. Finally, findings will be examined and interpreted through theory triangulation, which is the application of multiple theoretical perspectives (Patton, 2002). Multiple sources of data will be used in order to reach construct validity, which refers to the extent to which a procedure leads to an accurate observation of reality (Denzin and Lincoln, 1994). A clear rationale for case study selection will be given. Reliability, which refers to the absence of mistakes such that successive researchers would reach the same conclusion if they repeated the study along identical steps (1994), will be achieved by carefully clarifying and documenting procedures as well as the gathered data and findings.

3.1.2 Data Collection and Analysis

In order to make the conclusion more convincing and accurate, several different sources of information were used. From the six sources of evidence for case studies suggested by Yin (2003), physical artefacts, participant observation, direct observation, interviews, documentation and archival notes, the latter three were considered appropriate for conducting the present research. The most important source of data was represented by the interviews. As the aim was to gather extensive qualitative data, in-depth interviews were conducted with high-level employees of the NGOs and participant companies. Besides this, two professionals that possess expertise with the topic were interviewed. All interviews were recorded and subsequently transcribed. Rather than guided conversations, they were conducted in the form of semi-structured queries covering a predetermined set of topics which were linked to the existing theory, in order to facilitate the comparison of data collection across multiple cases and reach a more reliable solution. However, the exact set of questions was different for each respondent, as they were adapted to the specific characteristics of the partnership under analysis. See Appendix II for the interview guide.

In addition to the in-depth interviews, various documents and archival notes containing information on the selected cases were collected and analysed. These included company annual and sustainability reports, project presentations and photos provided by participants, organizational websites and online newspaper or blog articles.

In order to thoroughly understand, expand and compare the existing theory with the findings of the case study and enhance the overall quality of the study, the various data sources were then converged (2003).

3.2 Participants

Alliances can take many different forms. Due to their potential to generate significant rewards in the low income market, the focus of this research is on cross-sector alliances. Thus, the target population is represented by partnerships between two different types of actors, NGOs and Businesses, which operate in the Brazilian BoP market. A sample of four cases implemented through NGO-Business alliances was drawn from this population. Once identified, an in-depth analysis followed that focused on each actor's resources and capabilities, the design and management of the alliance and the challenges and opportunities the partnering institutions face when working with each other. The alliances that were selected for the present study had to fulfill three criteria. They must not be of merely philanthropic nature, but be characterized by a two-way flow of value, where both partners are actively engaged and recognize the strategic value of the partnership to their own organization. Referring to Austin's collaboration continuum, they have to be positioned in the transactional or integrative stage. The second criterion refers to the context in which they are developed. The partnerships of the present study must be initiated as to exploit opportunities in the Brazilian low-income market to generate shared value, thus aim to positively impact society but at the same time allow a company to satisfy its commercial needs. Finally, the organization's availability to provide insight into the details of their collaboration was a further criterion for participant selection. Without their active collaboration, such as providing data or responding to interviews, it would have been impossible to get the evidence that is needed to respond to the research question. In addition to interviewing individuals responsible for or working in NGOs and Businesses engaged in cross-sector collaborations, interviews were conducted with experts involved in organizations that are familiar with the topic, in order to get a general overview about cross-sector alliances in Brazil, including their potential success factors and difficulties from an outsider's point of view.

It needs to be pointed out that it was very challenging to find case studies which fulfilled the three criteria outlined above. A web-based research, which was conducted to identify potential participants, revealed that most companies in Brazil do have established relationships with NGOs, however, for the vast majority there was undoubtedly no link with pursuing business opportunities. Among the selected six companies that were interviewed, two could not be involved in the study. Even if they could be characterized as belonging to stage 2 or 3 on Austin's collaboration continuum, the in-depth interviews revealed that the partnerships they had with NGOs were not initiated to pursue business opportunities in low income markets, but were mainly established to carry out the companies' CSR practices, such as environmental or social projects.

The companies that were finally chosen in our sample were Coca Cola FEMSA Brasil, Telefônica, AES Eletropaulo and Itaú Unibanco, each belonging to a different one of the following industries: Soft Drinks, Telecommunication, Energy and Banking. The NGOs that participated were Saúde & Alegria, Núcleo Coração Materno and Recanto Esperança.[8] A detailed description of these companies follows in a later section. In addition to these organizations, which engaged in cross-sector collaborations as to carry out projects in low income areas, executives of the Ethos Institute and Uniethos were interviewed. These two organizations are registered as OSCIPs (Organização da Sociedade Civil de Interesse Publico[9]) and were selected because of their expertise with the topic, which allowed for the collection of additional information from an outsider's perspective. Ethos Institute for Business and Social Responsibility encourages and helps companies to manage their activities in a socially responsible way.[10] Uniethos similarly provides advice and executive educational services to companies to help them to develop sustainability in their business together with their stakeholders and through the establishment of partnerships.[11]

Table 3 summarizes the main information regarding the interviews that were conducted and finally included in the study. Each interviewee was assigned a number, which will be used from now on to refer to each participant. All interviews were conducted in Portuguese. The quotes that were selected to support the argumentation of the present study have been translated from the original into English. In total, the registered material amounted to about 560 minutes, with each interview having an average duration of 43 minutes.

[8] For the project implemented by AES Elteropaulo, only the corporation's point of view was taken into consideration, as no interview with a partnering NGO could be conducted.
[9] Translation: Civil society organization pursuing public interests
[10] Retrieved from http://www3.ethos.org.br/
[11] Retrieved from http://www.siteuniethos.org.br/wp-content/uploads/2009/10/UniEthos-ingles.pdf

ORGANIZATION	POSITION	N°	DATE	METHOD	PROJECT
Coca Cola FEMSA Brasil	Social Business Specialist	1	29.05.2013	Skype	Projeto Coletivo
Fundação Telefônica	Manager of Social Innovation and Volontary	2	04.06.2013	Face-to-face	Conexão Amazônica
AES Eletropaulo	Manager of New Markets	3	13.06.2013	Face-to-face	Transform consumers into clients
Instituto Ethos	Executive Manager (Sustainable Management)	4	18.06.2013	Skype	
Saudé & Alegria	Coordinator of Digital Inclusion	5	19.06.2013	Skype	Conexão Amazônica
Instituto Coca Cola	Educational Coordinator	6	05.07.2013	Skype	Projeto Coletivo
Itaú Unibanco	Commercial Manager of Itaú Microcrédito	7	26.07.2013	Skype	Itaú Microcrédito
Uniethos	Director	8	13.08.2013	Skype	
Núcleo Coração Materno	Director	9	20.08.2013	Skype	Itaú Microcrédito
Fundação Itaú Social	Director	10	23.08.2013	Telephone	
Recanto Esperança	Director and Founder	11	07.01.2014	Skype	Projeto Coletivo

Table 3 – Interview Details
Source: elaborated by the author

4. Results

4.1 Introduction

The case studies that have been chosen in order to respond to the research question all have in common two principles: the idea of Shared Value, as presented by Porter and Kramer (2011) and the concept of Co-creation between NGOs and Companies in the context of low-income markets, laid out by Brugmann and Prahalad (2007). They are not about a one-way flow of value consisting in corporate resources being donated to the NGO, but are rather aimed at creating a win-win situation, thus clearly belonging to stage 2 or 3 on Austin's collaboration continuum. In fact, each case refers to a collaboration between a Company and an NGO that has been initiated as to pursue two-fold objectives. The first one refers to contributing to positive socio-economic development in low-income communities. The second objective consists in exploiting the economic potential of BoP markets, which are characterized by increasing purchasing power.

The research showed that the prevailing type of a Business engagement with NGOs in the Brazilian BoP market appears to be a "one-Business-to-many-NGOs" relationship rather than a one-to-one collaboration. Three of the four analysed cases, in fact, involve one corporation and several NGOs. The explanation of this can probably be found in the benefits of scale. Due to significant investments in infrastructure and the lower profit margins generated when targeting low-income consumers, a business that wants to benefit financially from its positioning within these markets needs to access a large quantity of potential customers. In order to do so, it must be present in many low-income communities, also called favelas. Most NGOs that carry out projects involving the Brazilian low-income population are small, locally based and engage with people of a single community. Hence, a Business that wants to achieve economies of scale but at the same time develop an initiative in a culturally appropriate way needs to partner with a different NGO in each favela – ideally the one that knows its characteristics and residents best.

The present chapter will first present the participant Companies and NGOs and also briefly describe the projects that these organizations have implemented in partnership to pursue opportunities for shared value creation at the BoP. Then, it will provide insight into the major difficulties to the creation and maintenance of these alliances as identified through interviews with representatives of companies and NGOs as well as professionals familiar with the topic. This is followed by a description of the factors that have been identified as key to the successful establishment and management of these partnerships, including an analysis of the resources and capabilities mobilized by each partner.

4.2 Presentation of the case-studies

4.2.1 Participant organizations

This section briefly describes the organizations, which were interviewed on the cross-sector partnerships that they established.

4.2.1.1 Companies

Telefônica

Telefônica is one of the world's largest integrated operators in the telecommunication sector, headquartered in Spain. It is a publicly listed company, with operations in 24 countries across Europe and Latin America. Employing around 130,000 professionals, it provides communication, information and entertainment solutions to more than 316 million customers. In 2012, its consolidated revenues amounted to 62.4 billion € (Telefônica, 2012). In Brazil, which constitutes its largest market in number of clients, it became the leading operator after the acquisition of Vivo in 2011. Due to the strong presence of Vivo in all states of the country, it still operates under the Vivo brand.[12] The project analysed in the present research has been developed by Fundação Telefônica, the company's arm for social investment.

Itaù Unibanco

Itaú Unibanco, which was created from the merger of Banco Itaú and Unibanco in 2008, is the largest Latin American bank. Headquartered in Sao Paulo, it has operations in 20 countries across the Americas, Asia and Europe and employs around 100,000 people. As a universal bank, it provides a range of services and products to a diverse client portfolio. In 2012, it generated 97.5 billion R$ in revenues. In 2003, Itaú started its microcredit operation, with the aim to *"foster financial inclusion, entrepreneurship and local development in socially vulnerable communities"*. Since then, it has provided over 41,000 loans, totalling more than R$131 million (Itaú Unibanco, 2012).

[12] "Quem somos". Retrieved from http://www.telefonica.com.br/institucional/sobre-a-telefonica/quem-somos

The Coca-Cola Company

The Coca Cola Company is the world's largest corporation in the beverage industry, manufacturing and selling non-alcoholic beverage concentrates and syrups. With a portfolio of more than 500 brands, it serves around 23 million retail customers in over 200 countries. In 2012, the operating revenues amounted to more than 48 billion US$ (The Coca Cola Company, 2012). With a market share of 31.7% by total volume in 2012, it is the leading player in Brazil's soft drink industry, where it has operated since 1942 (Euromonitor International, 2013a). After the US and Mexico, Brazil today constitutes Coca Cola's third largest market. Net sales amounted to 10.02 billion US$ (R$22.6) in 2012 (Euromonitor International, 2013b). The project analysed in the present research is implemented by the company, its bottlers and Instituto Coca Cola, which is the company's arm for social investment. For the present study, employees of Instituto Coca Cola and Coca-Cola FEMSA, the company's largest bottler in the world and one of the franchise bottlers that distribute Coca-Cola trademark beverages in Brazil[13], were interviewed.

AES Corporation

AES Corporation is one of the world's largest electrical power corporations, holding a diverse portfolio of power generation and distribution businesses. Headquartered in Virginia, it operates in 27 countries with a workforce of around 28,000 people. In fiscal year 2012, it generated revenues of 18 billion US$. In Brazil, the group is present with two generators and two distributors of electrical power, among which AES Eletropaulo, that distributes electrical power to more than 24 municipalities in the metropolitan region of Sao Paulo, serving around 16.6 million customers. It supplies 10.5% of Brazil's total electricity consumption and 34.3% of the electricity consumed in the state of Sao Paulo[14].

4.2.1.2 Non-Governmental Organizations

Saúde & Alegria

Saúde & Alegria is an NGO that promotes participatory processes of sustainable and integrated community development aiming to improve public policy, quality of life and the exercise of citizenship. It serves around 30,000 people living in traditional, rural communities of the Amazon region and develops programs in the following areas: social organization,

[13] Retrieved from http://www.femsa.com/en/business/coca_cola_femsa/brazil.htm
[14] "Sobre a AES Eletropaulo". Retrieved from https://www.aeseletropaulo.com.br/sobre-a-aes-eletropaulo/quem-somos/conteudo/aes-eletorpaulo

human rights, health, sanitation, environment, income generation, communication, culture and digital inclusion.[15]

Núcleo Coração Materno

Núcleo Coração Materno is an NGO that assists children and teenagers from low-income families with the aim to enhance their educational and cultural background to increase their possibility for a brighter future. Today, around 50 employees assist more than 300 children and teenagers from low-income communities in the Sao Paulo area.[16]

Recanto Esperança

The NGO Recanto Esperança contributes to the social and economic development of the low-income community Jardim Icaraí by carrying out various activities, includinhg Projeto Coletivo in collaboration with Coca Cola. The community in the Curitiba area counts 700 families, among which many are in situations of poverty, with dropping out of school a common occurrence and widespread practices of child labor. The NGO's goal is to promote the welfare of everyone who needs it in this socially vulnerable area. [17]

4.2.2 Brief description of the analysed case studies

The following projects are implemented through cross-sector collaborations of the participant organizations.

Conexão Amazônica

In 2009, Vivo[18]and Ericsson - in collaboration with the NGO Saúde &Alegria - initiated a project called "Conexão Amazônica" with the objective of enabling communication, improving access to health and education and stimulating economic growth in a remote area of the Amazon region. The first stage of the project consisted in establishing a radio base station in the city of Belterra, Pará, which provided 30,000 people across 140 communities with connectivity for the first time.

The Tapajós river, which is located near the site, acted like a mirror and amplified the 3G signal, allowing the boat, which the NGO Saúde & Alegria uses to provide the communities living along the river with educational and health services, to reach broad band connection in

[15] "O projeto Saúde e Alegria". Retrieved from http://www.saudeealegria.org.br/nosso_projeto.php
[16] Retrieved from http://www.nucleocoracaomaterno.com.br/
[17] Retrieved from http://recantoesperanca.org.br/site/
[18] Vivo was acquired by Telefônica in 2011.

2010. The instalment of 3G in the region thus significantly improved the activities that were already being carried out by the NGO. Community leaders were provided with telephones, 100 in total, which could be used once they acquired recharges for 15 $R. The demand was huge and the project resulted in being *"profitable, a good business that pays for itself in the long term, but above all it was an engine of development from various aspects: economic, educational, health, environment, etc",* as argued by I2. Given the success of the project, it was extended in 2011 to another community.

Transform consumers into clients

In 2004, AES Eletropaulo started a program called "Transform consumers into clients"[19], which consists in removing illegal connections to the power grid, known as "gatos" (they are very common in Brazilian low-income communities), and encouraging the proper and safe use of energy. Besides regularizing the energy infrastructure as well as the addresses of residents, AES Eletropaulo provides the target populations with education on how to adequately use electricity and the benefits of a legal access to energy. The objectives of this program are twofold. On the one side, it is a growth strategy that aims to create a new market with a huge potential, given that around 50 million people in Brazil live in favelas, the equivalent of 25% of its population. On the other hand, it aims to significantly improve the social and economic conditions of people living in low-income communities. In order to define the implementation of the projects in each community, the company often collaborates with NGOs which have been operating in the respective communities over some period of time and thus possess a network of trustful relationships as well as valuable knowledge about the existing problems and opportunities in those communities, which are often dominated by hostile leadership and have high rates of violence and poverty (AES Eletropaulo, 2011).

Projeto Coletivo

In Brazil, since 2009, The Coca Cola Company carries out "Projeto Coletivo" in collaboration with its bottlers and Instituto Coca Cola. The project involves a series of training courses, whose aim is to improve income generation in low-income communities as well as to increase sales volume by exploiting the largely untapped purchasing power at the Base of the Pyramid. Young adults, mostly women, have the possibility to participate in various training courses, each of which is closely linked to a different part of the company's value chain. Currently, the following courses are offered: Logistics and Production, Entrepreneurship, Events, Retail,

[19] Original name of the program: Transformação de Consumidores em Clientes

Recycling and Arts. With exceptions for the latter two, all courses are offered through partnerships with NGOs. In the Logistics, Events and Retail modules, participants are taught skills which enable them to work in the respective area and subsequently take part in selections processes for positions at Coca Cola or any of their local partners, among which McDonalds. The entrepreneurship course instead consists in teaching micro-entrepreneurs how to develop or regularize a business and thereby increase family income. As of 2013, 450 "Coletivos" are being offered across 130 locations in 15 Brazilian states and the number is expected to reach 750 in 2014 (Coca Cola Brasil, 2013).

Itaú Microcrédito

As part of their strategy to act as an agent of transformation in society, Itaú started its microcredit operation in 2003, and has since then granted over 41,000 loans totalling more than 131 million R$, with each loan ranging from 400 to 14,200 R$ (about 170 to 6,000 US$). The microcredit activities are aimed at helping micro-entrepreneurs belonging to the Base of the Pyramid to develop and expand their own business within their communities. The loans can be categorized into two levels: Level 1 refers to *"loans for a mixture of working capital, upgrades and fixed assets provided to formal and informal business people engaged in small business activities".* Level 2 consists in providing *"loans to micro-entrepreneurs through civil society organizations registered with the National Productive Microcredit Program (PNMO)." (Itaú Unibanco Holding S.A., 2012, p. 36).* Level 1 thus requires thus for direct relationships with small business owners, which the bank builds through collaborating with NGOs. This collaboration occurs in various ways. The organizations co-organize a workshop or an entrepreneurship fair, where residents who carry out some sort of business activity inside their community have the possibility to exhibit their service or products. After this, Itaú itself makes a presentation which is aimed at explaining how those activities can be improved and finally introduces attendants to its microcredit operations. Benefits accrue thus to both, the entrepreneurs who can increase the income they generate and the bank, who can eventually gain new customers.

4.3 Major difficulties and determinants of conflicts

The left-hand side of the table 3 shows the factors that according to theory pose the major difficulties to the creation and management of cross sector alliances. The right-hand side of the table shows to what extent these difficulties also apply to NGO-Business collaborations, which are not of merely philanthropic nature but initiated to pursue opportunities for creating economic and social value at the Base of the Pyramid. As a result of the interviews, each factor has been assigned a value ranging from 1 to 5, where 1=not important and 5=very important. This method has obvious limitations, but was considered appropriate in order to provide an idea of each factor's importance.

Major difficulties	Application to NGO-Company alliances at the BoP
Finding an appropriate partner	5
Overcoming negative stereotypical perceptions; lack of trust	5
Different Structure, Culture and Processes	4
Inability to deliver effectively	3
Opportunistic behaviour	1

Table 4 – Major difficulties to NGO-Company alliances based on empirical results
Source: elaborated by the author

Based on the information extracted from the interviews, the following factors turned out to be the most challenging: Overcoming negative stereotypical perceptions and lack of trust; finding an appropriate partner; different structure, culture and processes. Participants assigned a minor importance to the partner's inability to deliver effectively and no participant mentioned opportunistic behaviour as posing a challenge to collaboration. The next section will first provide a deeper analysis of these factors and why they are functioning as barriers to the successful creation and maintenance of cross-sector alliances that pursue the creation of shared value. Finally, possible reasons for why the last factor is not considered to be important will be given.

4.3.1 Finding an appropriate partner

Over the past years, the Brazilian NGO sector has been growing, reaching around 290.000 NGOs in 2010 (Drayton and Budinich, 2010). This creates a compelling opportunity for cross-sector collaborations. However, it also creates challenges for companies to locate appropriate partners, as many of these NGOs lack an adequate resource base and do not necessarily carry their work out with continuity. In fact, several corporate respondents have pointed to the difficulties of finding appropriate partners among NGOs. I3 (AES Eletropaulo) points out that *"there is a new phenomenon of individuals which carry out their work through an NGO, so called Non-Governmental Individuals (NGI), but the main objective of these people is in reality to make money rather than providing a social service. These NGOs don't* *have any structure and no resource base that allows them to develop their work properly, which is a problem, because those works don't have continuity. At the time the person finds a job, he carelessly leaves what he has done so far for something else. This is the type of organization we discard."* I4 (Instituto Ethos) adds to this that, "*many NGOs don't fulfil their role in a serious way. There have been many cases of corruption among NGOs, in their relations with the government. Such stories disturb the vision we have of an NGOs role"*.

Still, both respondents agree that there are many serious NGOs who do their work in a coherent, transparent and ethical way, addressing social problems that the government cannot solve on its own. The challenge is thus to identify these appropriate partners in the communities.

On the other hand, NGOs need to find corporate partners who do not only treat them as recipients of charity but acknowledge that they possess R&C that can help them in implementing a business model. At the same time, these companies must be committed to creating social progress and "*overcome a difficulty of language*" (I8) which enables them to explain to the NGO how their business can create such benefits. As NGOs often possess more generic, qualitative information about their environment, collaborating companies need to be more agile, understanding that they will have to make decisions even without perfect information. How the participants deal with this challenge will be outlined in a later section.

4.3.2 Overcoming negative stereotypical perceptions; Lack of trust

Some respondents pointed out that partnerships between NGOs and companies in Brazilian low income markets are not as disseminated because of negative stereotypical perceptions on both sides. As the following statements indicate, the majority likely still thinks of an NGO-Business collaboration as merely one of donor-recipient and does not recognize the potential mutual benefits which can be achieved by these two actors engaging in co-creation. This, together with the little experience in dealing with each other, makes it hard for companies and NGOs to establish trusting relationships.

According to I8 (**Uniethos**), there are more partnerships established to carry out projects of CSR. He mentions that *"collaborations between companies and NGOs focusing on environmental sustainability issues are more advanced when it comes to the development of businesses or innovations that can help companies adhere to certain environmental criteria. Here, it is usually large organizations, such as the WWF…mostly international ones, that have this type of relationship with companies"*. I8 explains that the main reason for this is probably that *"the idea of shared value, of a company being able to positively impact society while conducting business is very new and many companies still don't believe in this new concept. Many companies view their role in society accomplished by their social investment and the control of negative impacts from business operations, but don't realize that their product has the potential to create social benefits. At the same time, NGOs aren't able to see that a company can also have social goals. Thus, a great change in perception is needed for both actors to acknowledge that business and positive social results can be part of the same thing."* I8 further mentions that on the NGO side *"there is a certain resistance...these organizations have always had a somewhat political culture, a good portion of them have been formed with a certain resistance towards big companies",* calling them responsible for generating a series of negative social or environmental results. He continues, saying that *"this resistance also exists in companies, but I think that is has been changing lately, even faster than in NGOs".* Finally, I8 argues that *"NGOs are focused on social objectives and have difficulties to understand the results that businesses expect from collaboration."* Especially when it comes to creating a business model targeting poor people, NGOs always look at it with great distrust. At the same time, people working in companies often mistrust NGOs, not knowing or understanding their role and activity. I2 (**Fundação Telefônica**) similarly states that "*the Brazilian social sector is characterized by a very strong culture according to which money can't be mixed with social results. When a company approaches an NGO, the NGO often only sees the money and not what they could co-create with a company as to advance a community's development*."

However, not all respondents agreed with the existence of negative stereotypical perceptions. According to I3 from **AES Eletropaulo**, the NGOs that they approach clearly recognize that the project they want to implement is not only about making money, but on the contrary, *"has an attractiveness that is impressive. We have a large number of partnerships, both from the private and public sector, because the people identify that the primary benefit that we bring to the community, the improvement of local infrastructure, brings 3*[20] *immediate benefits to the community."* I9 from **Nucleo Coração Materno**, the NGO collaborating with Itaú, states that they trusted the company from the beginning, because of the following reason: *"I know the social work of Itaú. I understand that it is something that is an important arm of the bank that benefits institutions as well as people in several ways."*

[20] These benefits will be explored in detail in section 5.4.7

Thus, for NGOs it is very important that corporations who approach them are known for being very committed to society. In order to overcome the resistance of NGOs towards corporations, it is also important that Companies are very clear about how their project improves the social conditions in the community in which it is implemented, as explained by I6 from **Instituto Coca Cola.** She affirms that, when an NGO enters the Coletivo project, they first and foremost clearly explain "*why the project was taken to their community, what kind of impact it will create, how it functions and what needs to be done to make it work*."

Therefore, beyond a reputation of integrity, it is important for companies that approach NGOs to, above all, clearly state how the implementation of their project benefits society.

4.3.3 Different Structure, Culture and Processes

Several interviewees have mentioned that problems may occur because of the different way in which social and private sector organizations operate.

I8 from **Uniethos** mentioned that he sees the principal difficulty to NGO-Business partnerships in BoP markets on one hand *"in an approximation, an understanding among businesses of the role of NGOs, of how they operate and on the other hand in the NGOs understanding of how markets work."* Whereas NGOs do not understand the logic of businesses, companies have difficulties to understand how a business can create social value.

A further problem that needs to be overcome lies in the different language these actors speak. Companies often have difficulties in *"explaining to an NGO how a business can have social benefits. The company has difficulties in understanding the NGO and vice-versa"* (I8). Likewise, I2 from **Fundação Telefônica** mentions that *"NGOs don't know and don't want to speak the language of business – the point of convergences between companies and NGOs has not yet been found."*

I8 from **Uniethos** and I3 from **AES Eletropaulo** mentioned a further problem, namely that NGOs often lack a database of information which they could use as a support when making decisions and rather base their decisions on feelings. I8 specifies: *"These organizations have very different decision making processes. Companies need objective information as to be able to calculate the viability of a business and they often need to make fast decisions. NGOs often have difficulty in providing detailed information, as they normally have a generic/qualitative knowledge of the reality; this is a point of difficulty."* I3 mentions the exact same problem: *"I am not worried about transparency, nor about the creation of trust. What I worry about is the* *base of information. Most NGOs don't have any information base and without an information base it is hard to define a business strategy. We don't make decisions on the basis of opinions or feelings, but on the basis of data."* He continues: *"Many NGOs only have the data of the projects they develop. This is a problem for us, sometimes we use a strategic partner to conduct surveys or collect data and information as to support decision-making. Hence, the biggest problem we face is the level of information, the quality of information."* I8 suggests that, in order to overcome this major problem, there needs to be an approximation between both parts. *"The company needs to understand that it will need to make decisions even in the absence of complete information, in environments of some uncertainty, of risk. And the NGO must know that it needs to have more precise information, it needs to be more agile as to be able to develop a project together with a company."*

A further fact mentioned by I8 with respect to decision making processes is that NGOs often have a slower decision making process. I4 agreed with this, mentioning that *"NGOs need to learn a lot from companies, in the sense of rapidity."* However, the opinions on this point differed. One interviewed NGO, in fact, stated: *"They have their times and rules, which are different from ours. Because of bureaucracy...control causes contracts to take more time, transfers sometimes take more time than what we wanted to wait, but we have to respect the process of control which is a characteristic of the private sector."* This may be attributed to the fact that some companies have a centralized decision-making process, where a decision needs to pass through several managerial levels and controls, which obviously takes time. The NGOs that were interviewed for the present study – which are relatively small, locally based NGOs with a local focus and a flat organizational structure – follow less defined processes. This in some cases results in faster decision-making. However, it may also slow down the process as key decisions are often made by the director or founder upon consultation of the entire team. If they are dealing with several issues at the same time, the lack of a pre-defined process may result in even longer periods.

4.3.4 Inability to deliver effectively

Other corporate respondents, such as I7 from **Itaú Mircrocrédito** have mentioned the difficulty of upholding a collaboration due to an NGO's inertia: *"There are cases in which you make an investment, but when you organize an event the NGO doesn't work to publicize it. The big difficulty is that to maintain a relationship, we need to incentivize constantly, which is why we can't work with many NGOs simultaneously. This is what we learned, you need to work more intensely with each one. It requires a lot of commitment from our side, as*

NGOs sometimes aren't very proactive." He further mentions that "*sometimes NGOs don't possess all the necessary documents and licences to receive investments. There were cases in which an NGO wanted to make a project but it didn't have the required certification as to receive an investment."* I3 from **AES Eletropaulo** mentioned a different problem: *"I am not concerned with an NGO's ability to deliver. The NGO is more an advisor for me. If I contract the NGO for the execution of a certain work, it has to get some structure, but it doesn't have the expertise for doing that. An NGO's operational capabilities are low and focused on what is the primary objective."* Similarly, I2 from **Fundação Telefônica** mentioned: *"Saúde & Alegria didn't help us to implement the business model because it is not their expertise. They are a traditional NGO with direct understanding of the communities. The business world is not a language that NGOs dominate."*

This is the main reason why, as explained in a later section, the role taken by the NGOs is more the role of an advisor or mediator between the low-income communities and the company. In turn, the companies provide the financial resources as well as operational capabilities and infrastructure, which are required for the implementation of a certain project or business model.

4.3.5 Opportunistic Behaviour

None of the participants mentioned opportunistic behaviour as a major difficulty in cross-sector alliances. In all cases, there was a clear alignment of interests between the partnering organizations, both dedicating their efforts to the common goal of generating socio-economic development in their area of operation. The benefits that accrue to both actors, NGOs and Businesses, are directly dependent on the socio-economic improvements in a certain area, which is why there is little opportunity for benefiting oneself at the expense of the partner.

4.4 How to create successful alliances

Whereas some factors derived from theory are indeed considered important by the participants of the present study as to enable successful collaborations, others were considered less relevant, as demonstrated by the following table. The left hand-side of table 5 shows the factors that literature has identified as the most important when establishing and maintaining cross-sector alliances. The right-hand side shows to what extent these determinants also apply to NGO-Business collaborations established in the context of Brazilian BoP markets. As a result of the interviews, each factor has been assigned a value ranging from 1 to 5, where 1=not important and 5=very important.

Success Factors	Application to NGO-Company alliances at the BoP
Choosing the right partner	5
Fit in terms of strategy, mission and values	5
Trust and Commitment	5
Leadership engagement and institutionalization of the partnership	2
Strong personal relationships	3
Effective Communication	4
Ability to generate value	5
Balance in the exchange of value	1

Table 5 – Main determinants of successful NGO-Company alliances based on empirical results
Source: elaborated by the author

The following factors turned out to be the most important as to enable successful collaborations: choosing the right partner; establishing trust and commitment; fit in terms of strategy, mission and values; effective communication and ability to generate value. Participants assigned minor importance to the establishment of strong personal relationships as well as to leadership engagement and institutionalization of the partnership. Achieving a balance in the exchange of values was not considered important at all. The next section will provide a deeper analysis of these factors, explaining how they were established by participants and why some are considered critical whereas others are assigned less importance when it comes to the successful creation and maintenance of cross-sector alliances in the context of BoP markets.

4.4.1 Choosing the right partner

Theory suggests that dedicating time to choosing the right partner is essential and both companies and NGOs, should therefore clearly define what characteristics they look for in a partner and verify whether these are present (Austin, 2000 and London and Rondinelli, 2003). In fact, all participants agree with the crucial importance of selecting the right partner. Accordingly, three of the four interviewed companies have clearly defined criteria and follow a predefined process in identifying their partners.

Common characteristics, which all companies are looking for in potential NGO partners, include a reputation of integrity and wide recognition of the activities it carries out among people living in the community. Also, it should have a deep knowledge of the community, its problems, needs and internal dynamics such as hierarchical structures, based on a history of local engagement and direct contacts. I8 mentions that *"many NGOs operate more in the field of political action. They don't have direct contact with the poor population, and thus can't really understand what their needs are."* It is not these NGOs that businesses who aim to pursue opportunities at the Base of the Pyramid partner with, but rather organizations that are based within low-income communities, carrying out projects that involve the target populations. A partner's integrity instead is critical because companies do not want to risk their reputation by engaging with a corrupt organization. In order to verify whether potential partners meet their expectations, all four companies conduct on-field research inside the community, which mostly consists in talking to local people about the reputation of the NGO, the importance of its activities for the community, etc.

I6 from **Instituto Coca Cola** argues that it is important that the NGO *"is well-known inside the community and is suitable for our project, being formalized and possessing some sort of documentation. What is its recognition? Did it win any awards? Who is in charge? The NGO must have some sort of representation inside the community, which allows it to be aware of the pre-existing problems."* As **Projeto Coletivo** is about carrying out educational activities involving people between 15 and 25 years old, I6 further mentions that *"preferably, it already implements activities that focus on young people. Besides this, the NGO needs to possess a physical space with a certain size that provides room to hold classes for around 20 participants. We provide the necessary equipment, such as computers, but we don't build the room."*

In order to identify partners that meet those needs, **Coca Cola** follows a selection process, which can occur in several ways. Usually a web-based research is carried out, which aims to get some information about the NGOs reputation, its leader, etc. Besides this, an on-field analysis is conducted by two professional figures. **Instituto Coca Cola**, which is the social arm of the company, contracts a field analyst – the so-called *analista do campo* who lives inside the community. In addition, there is a project analyst – the so-called *analista do coletivo* – who is an employee of the Coca Cola bottler that among his other activities is responsible for taking care of the **Projeto Coletivo** of its region. Together, the two analysts go *"into the community, to some school, association or club if possible, and talk to locals"* (I6). This allows them to *"capture the recognition of the NGO's activities within the community."* However, NGOs can also take the initiative via the website of **Projeto Coletivo**. The NGOs who are interested in participating in the project can sign up and supply all the relevant information. Subsequently, each of the applicants will be analysed in the way described above.

Banco Itaú collaborates with its social arm **Fundação Itaú Social** in the identification of potential NGO partners and the establishment of the initial relationship. **Fundação Itaú Social's** purpose is to *"formulate, implement and disseminate methodologies aimed at improving public policy in the area of education and the evaluation of social projects."*[21] Its projects, among which are included donations to NGOs engaged in educational activities, are thus of philanthropic nature. When the bank's microcredit operation plans to operate in a certain community, its *"credit agents first identify the NGOs that offer services to society and thus have considerable knowledge of that area and subsequently assess its needs for investment. The agents then enter in contact with Itaú Social that provides the NGO with the financial resources it needs"* (I7). Once the NGO has received its investment, the collaboration with Itaú's microcredit operation starts. This may consist in the co-organization of an entrepreneurship fair or workshop in the physical space of the NGO, where potential clients should be attracted. To be eligible for these projects, it is important that the NGO operates inside in the region where Itaú plans to attract new clients. I7 explains that the credit agents, which are employees of Itaú's microcredit operation *"conduct a survey inside the community in order to verify whether the NGO is indeed serious, whether its president is respected, whether it is known and whether the project it develops is important for the people."*

AES Eletropaulo looks for similar characteristics, but their process of selection is less formalized, which might be due to the fact that the company does not necessarily collaborate with an NGO in each community it enters. Their project **Transform consumers into clients** involves the NGOs mainly in the initial phase, where they take the role of advisors. *"When we decide to enter a certain community, we first identify local leadership, the NGOs in that region as well as opinion leaders. The NGOs help us to identify problems and define opportunities, define a package of solutions on how to address these problems. In deciding with which NGO to collaborate, we take into consideration the type of work that it carries out and the time span of experience it has within the community. The longer the NGO has been in the community and the more its work directly involves the participation of its people, the better it is"* (I3). As the identified NGO is not necessarily involved in the implementation of

[21] "Quem somos." Retrieved from http://www.fundacaoitausocial.org.br/a-fundacao/quem-somos/

the project, which is mostly carried out by the company and other partners, its "capacity to deliver" is less important. What is important are *"the relationships it has established, through a well-recognized and well-structured work"*. I3 further argues that "*Many companies who try to enter low-income regions alone may not manage to get direct access, even because of security issues. Collaborating with an NGO that has already gained trust definitely helps*". Ideally, the NGO has a basis of information, of relevant data that the company can use for the development of its strategy.

The **Conexão Amazônica** project distinguishes itself from the others as it does not involve multiple NGOs due to implementation in various communities but only one, **Saúde & Alegria**. In this particular project, the initiative was taken by the NGO during a seminar on innovative initiatives in the field of education. The seminar had been organized through an online platform, which connected around 200 people who could give suggestions on themes as well as potential speakers. The NGO "*provoked us (**Telefônica**), saying that they already provided remote communities along the Amazon with information related to health using a medical boat and that their activity could be enhanced significantly if the company would provide the area with connectivity*" (I3). Here again, the company wanted to make sure that it was a serious NGO, and thus decided to "*visit the community in order to verify the credibility of Saúde & Alegria inside the community*" (I3).

NGOs instead want partners who are not merely interested in making money, but really want to drive social progress and ideally have demonstrated this by already carrying out social projects, for example in the area of community development. I9 from **Núcleo Coração Materno** mentioned that the most important characteristic that makes a company a good partner is *„the image of integrity that it has in the market, of what it works on, of the value it creates as a company such as the question of corporate social responsibility and also what other projects it develops."* I11 from the NGO **Recanto Esperança** similarly states that they considered Coca Cola a viable partner because *"it is a serious, hard-working company with a good social strategy who does not want to damage its name."* Hence, a company's reputation and its track record of social initiatives are the two most important criteria that NGOs consider when engaging into a cross-sector partnership.

DESIRABLE CHARACTERISTICS	APPROACHES TO PARTNER SELECTION
COMPANY POINT OF VIEW	
• Reputation of integrity • Formalized activities • Wide recognition of the activities it carries out inside the target community • Well-recognized leader • Deep knowledge of the target community based on long-term local engagement and direct contact • Availability of physical space	• Map NGOs that operate in the target community • Research (web-based and on-field research is conducted on the NGO's reputation, the importance of its activities, the local knowledge it possesses, etc.) as to identify which of the present NGOs best matches the desired criteria
NGO POINT OF VIEW	
• Reputation of integrity • Demonstrated commitment to create positive social impact	• Gather information about a company's social investments • Participate in conferences and approach companies that are known for their commitment to create positive social impact • If possible, register interest to participate in a certain project online

Table 6 – Desirable characteristics and approaches to partner selection
Source: elaborated by the author

4.4.2 Fit in terms of mission, strategy and values

A good level of fit between partnering organizations in terms of mission, strategy and values is considered critical for the creation and sustainment of every partnership.

Mission Fit

According to Austin (2000) and Sagawa and Segal (2000), a company that approaches an NGO with the intent to co-develop a project should have a mission that goes beyond making money. The interviewed NGOs all agreed with this. I11 clearly argues: *"Mission Alignment in the sense of benefiting the community exists. This is important. There is a commitment from both parties to, in the end, benefit the community."* I1 from **Coca Cola** confirms this, arguing that the whole project is linked to the NGOs mission: *"Through our teaching methodology, which is always related to a core business of Coca Cola, we manage to link...really...everything to the NGOs mission, which is empowering young adults."* As already outlined in an earlier section, NGOs look for evidence of social commitment in potential corporate partners. Being the target populations of all projects subject of the present research poor people, the NGOs are concerned with making sure that these people are not going to be exploited for the commercial benefit of the companies, but benefited instead.

The participating companies all demonstrate a dedication to socio-economic development, with initiatives that are either carried out directly by the company or by corporate foundations or institutes that function as a company's social arm. This commitment is explicitly communicated in these corporations' mission or - if the relationship with the NGO is established and managed through a corporate institute or foundation – in those organizations' mission. See below (Figure 4) how each organization's mission statement emphasizes – with different words - a commitment to positively impact society through the employment of core capabilities.

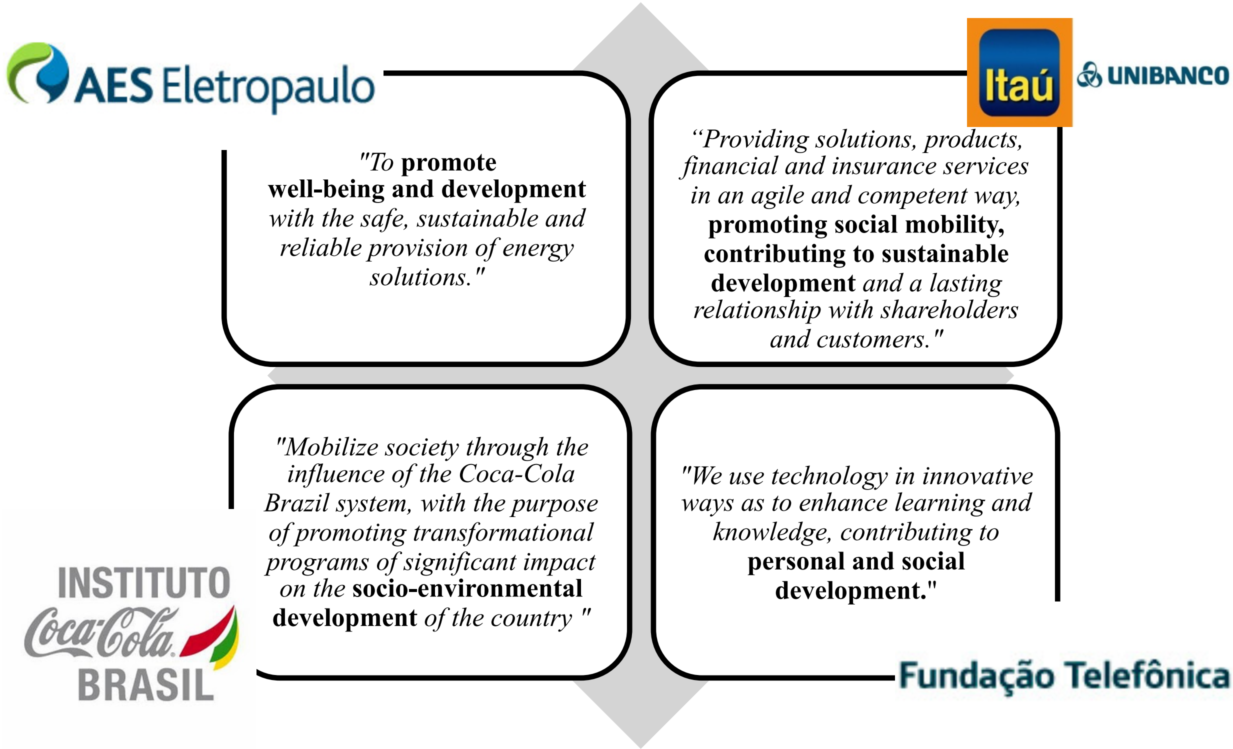

Figure 4 – Mission statements[22]
Source: elaborated by the author

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[22] The following mission statements have been translated from the Portuguese original.
Itaú Unibanco: "*Fornecer soluções, produtos, serviços financeiros e de seguros de forma ágil e competente, promovendo a mobilidade social, contribuindo para o desenvolvimento sustentável e para um relacionamento duradouro com acionistas e clientes."*
Instituto Coca Cola Brasil: "*Mobilizar a sociedade por meio da influência do Sistema Coca-Cola Brasil, com o fim de promover programas transformacionais de significativo impacto no desenvolvimento socioambiental do País."*
Fundaçao Telefônica: "*Usamos tecnologias de forma inovadora para potencializar a aprendizagem e o conhecimento, contribuindo com o desenvolvimento pessoal e social."*
Recanto Esperanca: *Prestar assistência e facilitar o desenvolvimento integral de pessoas em contexto de vulnerabilidade social através de ações relevantes.*
Saúde & Alegria: *Promover e apoiar processos participativos de desenvolvimento integrado e sustentável que contribuam de maneira demonstrativa no aprimoramento de políticas públicas, na qualidade de vida e no exercício da cidadania com ênfase nas populações tradicionais da Amazônia.*
Nucleo Coração Materno: *Atender criancas, adolescents e idosos através de um ambiente educacional e afetivo.*

Regarding the participating NGOs, they have all been created inside low-income communities with the purpose of improving socio-economic conditions of its residents, as demonstrated by their mission statements. **Recanto Esperanca** aims to *"assist and facilitate the integral development of people in the context of social vulnerability through relevant actions."* **Saúde & Alegria's** mission is to *"promote and support participatory development processes for integrated and sustainable development that contribute in a demonstrative way to improving public policies, in the quality of life and the exercise of citizenship with emphasis on traditional populations of the Amazon."* **Nucleo Coração Materno's** purpose is *"attending children, adolescents and the elderly through an affective and educational environment."* Therefore, mission fit exists as all organizations emphasize social progress and development as at least part of their mission.

Strategic Fit

In order to achieve strategic fit, it is important that one partner's needs match with the other partner's resources and capabilities. Besides this, the collaboration should contribute to both partners' overall strategy and be directed to a group of people that the partnering organizations share an interest in (Austin, 2000).

The match between needs and capabilities is evidently present in the analysed alliances. Each of the analysed partnerships, in fact, makes active use of the involved organizations' core competencies. While the companies' strengths rely in the possession of financial resources, knowledge of and expertise with different business practices, management capabilities and technology, NGOs possess valuable local knowledge, relationships and legitimacy of action with low-income residents.

For companies, a main criteria in selecting NGOs refers to the latter's direct contact with the target populations. In each of the analysed partnerships, the people that the company aims to target with a special project are those that the partnering NGO has direct contact with and knowledge of. Hence, the interest in a common group of people is definitely important and clearly present in the analysed alliances.

Lastly, the alliances also evidently contribute to the overall strategy of the participating organizations. All participant companies made clear that the partnership is related to their core business and significantly contributes to their overall strategy. The following statement by I3 from **AES Eletropaulo** best explains HOW their partnership is related to the company's core business and WHY this is important: *"I help the community so that the people can pay the energy bill. There are many companies that fund projects for reasons of institutional marketing. They finance projects to have a positive image, but don't pursue economic objectives. This situation isn't good, as it ends up being interrupted over time. Therefore, we decided that if we want to make an effective partnership we must have a vision of investment linked to the result of the business. We need to be able to make money with it as to have an incentive to continue. Companies want to have a return. If you have a strategic project that is linked to your core business, this is when things go ahead."* People living in low-income regions *"will consume energy, either regularly or unlawfully. Unlawfully is a loss for me, therefore, I need to regularize energy by helping them to achieve the conditions for paying my bill."* I3 from **Fundação Telefônica** also argues that their project consisted in *"taking the business of the company to remote communities"*. This statement also entirely applies to **Itaú**'s microcredit operation which consists in adapting its core business, providing loans, to the specific needs of the low-income populations. **Projeto Coletivo** is slightly different as it doesn't consist in directly selling the company's products to the low-income population. Still, there is a clear link with the company's core business as each course is related to one element of its value chain, disseminating the company's knowledge of core activities and providing training to potential future employees. Besides allowing a company to pursue its strategic business objectives, each partnership is aimed also towards generating a series of positive social outcomes. The alliances therefore clearly contribute also to the participating NGOs' strategies, whose core revolves precisely around improving the socio-economic conditions within target communities.

Value Fit

According to theory, compatible beliefs about what behaviours, goals and policies are important lead to more sustainable alliances (Austin, 2000; Morgan and Hunt, 1994). The participants agreed with this. I 11, for example, mentions that "*the question of values is fundamental...you know, because if we have different values it is not possible to work together."* As described above, NGOs and companies only consider partnering with an organization that enjoys a reputation of integrity and is known for carrying out its activities in a serious and ethical way. Therefore, before engaging in a partnership, participating organizations verified whether such characteristics were present. Besides this, a similar manner of behavior that is based on mutual respect and goodwill further facilitates collaboration as it positively impacts trust and commitment.

Moreover, in order to enable co-creation, there needs to be a common belief in an alliance's ability to create shared value. I2 mentions that sometimes *"the NGOs attitude hampers the dialogue: give me the money and in six months I will deliver a report with the results of the project. The only good side of a company they see is its money, they don't see that the company has well-intentioned people that can help it in its work."* Hence, it is important that NGOs acknowledge that a company can actually help them to develop the community. At the same time, they need to accept that a business also wants to make money. In order for them to accept this, clarifying objectives and their rationale could be an appropriate approach adopted by companies, as suggested by I7: *"We need to explain that we also need interests and why."* On the other hand, companies also need to value an NGO's resources and capabilities, believing that these can actually contribute to the successful implementation of a business model.

In summary, fit in terms of mission, strategy and values results to be extremely important in the examined alliances. The analysis, in fact, revealed that the selection of partners on the basis of pre-defined criteria, which was in detail explored in the previous section, occurs mainly as to achieve a high level of such fit.

4.4.3 Establishing Trust and Commitment

Several authors have pointed to the importance of trust and commitment, as their presence in a relationship enhances cooperation, facilitates interaction and conflict resolution, leads both partners to reciprocal appreciation and adequate dedication of time and resources to the partnership (Morgan and Hunt, 1994; Samii et. al, 2002; Weihe, 2008).

As described earlier, NGOs and companies are sometimes reluctant to work with each other due to the existence of negative stereotypical perceptions. Because of this significant barrier, establishing trust and demonstrating commitment might therefore be even more important in cross-sector collaborations.

The importance that the participant organizations assigned to the establishment of trust varied depending on how closely the partnering organizations are engaged with each other. I3 from **AES Eletropaulo** pointed out that they "*are not worried nor about transparency or about the creation of trust. What we are interested in is the basis of information that the NGO has*." As the NGOs function is mostly limited to the role of advisor in the initial phase, the level of interaction is low and hence the creation of trust not considered to be crucial. The other interviewed organizations all considered the establishment of trust and the presence of commitment critical to produce effective outcomes.

In the case of **Telefônica** and **Saúde & Alegria,** the establishment of trust was particularly important, as the project had been initiated by Vivo before it was acquired by Telefônica. I5 from Saúde & Alegria explains that *"we faced difficulties when Vivo's incorporation by Telefônica started. Fundação Telefônica had only operated in the State of Sao Paulo until then, but suddenly needed to operate nationally and understand all projects it had received from Instituto Vivo. For some time we didn't know what direction the institution would take and how the project would proceed."* In this case, the demonstration of mutual respect and commitment was very helpful in establishing trust, as I5 explains: *"We have been invited to express our opinion on what characteristics the social investments of Telefônica should take. The company demonstrated big respect for our understanding of our region and our way of operating. The president of Fundação Telefônica herself visited the region in which we operate, which demonstrated a very steady institutional decision to support the development of this action here in the Amazon region."*

A further precursor of trust and commitment is mission, strategy and value alignment. The adoption of compatible values or, in other words, beliefs about what behaviours and goals are appropriate creates the basis for the establishment of trust and commitment. Besides this, as outlined above, a company that wants to gain the trust of an NGO needs to be driven by a mission that goes beyond making money, so that there is alignment in the sense of benefitting the community. Furthermore, partners will be committed to dedicating sufficient time and resources to a collaboration only if it helps each of them in the advancement of their mission and achievement of strategic goals.

In order to create such alignment, the acquisition of a profound understanding of each sides' objectives and intentions, which results from transparency, is critical. Due to the existing negative stereotypical perceptions, a company needs to make sure that the NGO understands that the project is not just about making money. I7 from **Itaú Microcredito** clearly explains why: *"It is very important that the NGO understands that what we bring to their community is a way of helping people to develop themselves. NGOs are very resistant with companies that want to make money. As to gain trust and commitment, transparency is considered fundamental. Regarding expectations and objectives, we are very clear with the NGO. We need to explain our objectives and what we want to reach through our collaboration, we need* *to explain that we also have to generate interests and why. In order to establish trust, it is necessary to clearly set out expectations and deliver what has been agreed upon."*

According to I6 from **Instituto Coca Cola**, a further important factor leading to commitment is mutual dependence, as it functions as a positive constraint. If both parties are enthusiastic about the outcome and aware that a positive result will only be achieved if collaboration occurs properly, they will provide the necessary support to their partners' activity. I6 explains that in the case of Projeto Coletivo, each organization's activity depends on the other's contribution. Coca Cola is dependent on the NGO as it carries out the educational activity and provides support in collecting data and information and the NGO is dependent on the company as it provides the necessary training and equipment. Once the NGO enters the project, the educator that is contracted by the NGO is provided with 3 weeks of training on the functioning of the project, the impact it aims to create and the educational content of the classes. "*The educator is strategic in the construction of a positive constraint. If he embraces the project, so will the NGO. If the NGO is aware that the project is hers, the educator is hers, it will be concerned with, for example, collecting information about the number of participants who were employed upon completion"* (I6).

I11 from **Recanto Esperança**, the NGO that collaborates with Coca Cola, adds that in their case, trust was enhanced by the "*goodwill*" that the company's team demonstrated by also supporting the NGO in activities not directly associated with the partnership.

In summary, all but one organization considered the establishment of trust and commitment crucial to the success of their relationship. Main precursors leading to relationship commitment and trust mentioned by participants include the following: demonstration of mutual respect; fit in terms of mission, strategy and values; clarity about each partner's objectives and intentions; transparency; mutual dependence and goodwill to provide support.

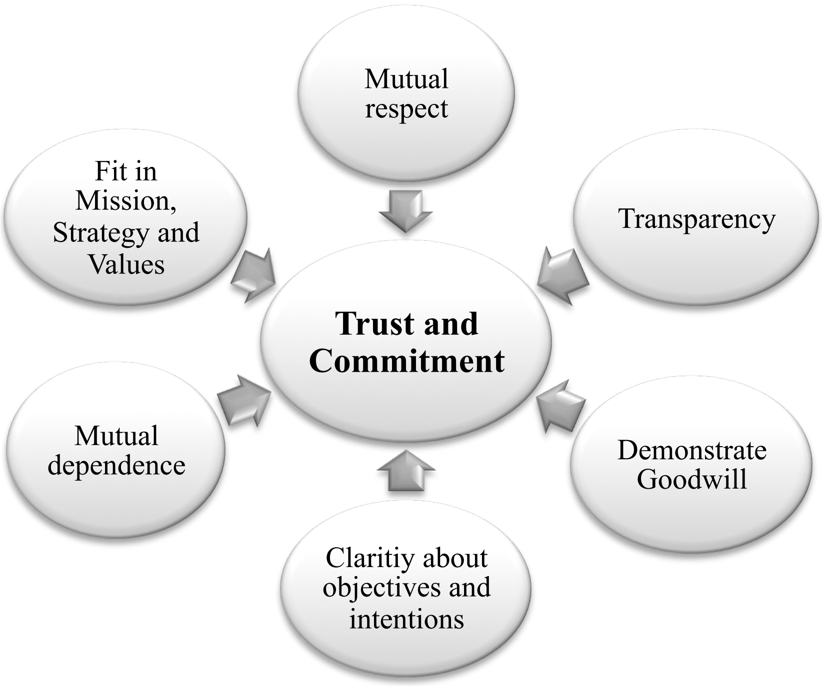

Figure 5 – Precursors of commitment and trust
Source: elaborated by the author

4.4.4 Leadership engagement and institutionalization of the partnership

According to theory, leadership engagement and institutionalization of the partnership is among the most important factors in determining the success of a cross-sector alliance. However, for the analysed partnerships it turned out to be important, but not crucial. Whereas theory suggests that managers include incentives to collaborate into their performance measurement systems or to engage in each other's governance structure, these practices were not present in the analysed case-studies. I11 (**Recanto Esperança**) clearly states: *"We have very little contact with people that occupy management positions of the Institute. We have more contact with operational staff."* A possible reason for this is that most partnerships initiated at the BoP involve one corporation and many NGOs, a different one in each community. This is the case in three out of the four analysed case studies. Itaú, AES Eletropaulo and Coca Cola all carry out their projects in numerous communities, in each of which they partner with the NGO who best knows a community's residents, their characteristics and needs. Hence, it would be impossible for leadership to be personally engaged with each NGO. I6 **(Instituto Coca Cola)** explains: *"Leadership engagement is important, but the manager of Projeto Coletivo doesn't go personally to 100% of the NGOs. What he does is organize regional workshops where he invites, for example, all the representatives of the NGOs as to make a large meeting with everyone so they can give an* *account of their individual projects. What are they encountering? It is very important that the manager conducts these institutional relations."* This demonstrates that, even if leadership is not deeply involved with every single NGO, it still takes care of these institutional relations and ensures that each of them has the possibility of direct contact with top-level management, participating in discussions where they can raise concerns, give suggestions and provide accounts.

Even if leadership is not directly engaged with each NGO and there are no formal incentives to collaborate, each participant organization has a team or a professional figure that is assigned with the responsibility to manage the relationship, engaging in frequent communication and coordinating activities between the partnering institutions. This ensures that sufficient energy and resources are dedicated to the collaboration and signals to all employees of both, the company and the NGO, that the partnership is of strategic importance.

The case of **Conexão Amazônica** is slightly different, as only one NGO, namely **Saúde & Alegria**, is involved in the collaboration. Expectedly, leadership is more intensively engaged in the partnership, as explained by I5: *"Of course, we don't expect the president of Fundação Telefônica to always stay here, but we expect that he knows what we are doing. In some activities supported by Fundação Telefônica they cite our project as an interesting experience, an experience that is very rich. This is important. The representatives of Instituto Vivo, at that time* (before Vivo was bought by Telefônica)*, spent four days here, got to know the whole structure of the Saúde & Alegria project, got a good understanding of our relation with the communities, returned here several times, even the president of Fundação Telefônica has already been here in the region. These are relations that despite the distance demonstrate a firm and consistent institutional decision to support the development of this action here in the Brazilian Amazon."*

Hence, the interviews revealed that it is important that both leaders of NGOs and companies demonstrate commitment to the partnership, making sure that adequate resources are provided. Besides this, a company who engages with many NGOs as part of one project may organize conferences where all NGO leaders have the possibility to discuss results, problems or suggest improvements with the company's leadership. However, it does not necessarily require leadership of the participating organizations to be frequently involved with each other.

4.4.5 Strong personal relationships

Several authors considered the establishment of strong personal relationships across organizations important. Austin (2000) mentioned that increasing the points of connection between organizations, for example through employee volunteer programs, leads to frequent interaction, which increases trust and alliance sustainability. The results of the present research suggest that the establishment of relationships across the organizations is indeed important. According to I11 (**Recanto Esperança)**, both the professional and the personal relationships need to be very good: *"There is no point in having just the professional aspect if there is no good personal relationship and vice versa, there is no point in being friends with everyone if things don't work."* However, it does not need to be tight, personal relationships. Mostly it is relationships between individuals who are required to interact and communicate with each other as a result of their tasks and responsibilities. Still, these relationships do not go beyond the professional environment, as explained by several participants. I5 (**Saúde & Alegria**) mentions that for them, it is not necessarily important to have personal relationships with the staff of Telefônica. The relationships they establish *"are relationships of people who want to create something together. It is not networks of employees, but rather, say, something more formal and bureaucratic."* However, he continues, *"I see that they vibrate with the project, that they aren't employees that stay beyond...among others, they carry out this project, it is people that have the interest and who have made a personal decision to be sensitive to this field."* I9 (**Núcleo Coração Materno**) similarly states: *"Dialogue I think is important but close personal relationships, this is not the case. But I say that the relationship, our conversation, is institutional."* In the case of **Coca Cola**, there is a dedicated professional figure, the *analista do campo* who acts as interlocutor between the bottler, the institute and the NGOs. *"It is necessary that the analyst sticks to this role as mediator in order to collaborate with the NGO with what it needs"* (I6).

Therefore, the interviews revealed that establishing relationships across the organizations is doubtlessly important as it is these connections that facilitate cooperation by enabling communication and interaction. Besides the formal mechanisms that determine the generation of such relationships, there should be a sincere interest in collaboration and a demonstrated sensitivity for a project's social aspects. However, the relationships do not necessarily need to go beyond the working field.

4.4.6 Effective Communication

Several authors have pointed to the importance of communication in cross-sector partnerships between the organizations and externally. Communication between the organizations is necessary as to enhance trust and produce progress of action (Austin, 2000; Morgan and Hunt, 1994). Publicizing the alliance externally is beneficial as it enhances visibility and has a positive impact on the reputation of the collaborating actors (Austin, 2000).

All interviewees agreed with the crucial importance of communication, with some organizations particularly emphasizing the need for transparency in communications. As we saw above, clarity about objectives and intentions and transparency have been identified as precursors of trust and commitment. Especially because *"the perspective that business and social outcomes can be shared is not yet mature,"* (I8) alliance partners need to be clear and honest in communicating their goals and objectives to each other. I4 (**Instituto Ethos**) also emphasizes the importance of transparency: *"The more transparent a company is in its relations with the community, the more it will have a comfortable terrain of action."*

I5 (**Saúde & Alegria**) cites *"frequent communication and genuine openness"* as the most important factors in maintaining alliances, specifying that it is essential to constantly discuss proposals and solve upcoming issues together, which is only possible if the corporate supporter acts as a partner and not as someone who is only interested in final numbers but does not know the reality and what is really happening in terms of social transformation. Internal communication occurs differently depending on the intensity of the relationships. In the case of **AES Eletropaulo** (I3) and **Itaú** (I7) it doesn't follow any rules or pre-defined schedules but rather is adapted to the needs of each relationship. I7 from **Itaú** clearly states: *"There are no rules for communicating and interacting…we adapt these processes to each project."*

In the case of **Telefônica** and **Coca Cola**, where the collaboration with the NGOs is more intense and activities are more interrelated, the communication processes follow a more structured path. I6 from **Instituto Coca Cola** states: *"We have a social technology all designed, with all the processes and all the activities. Who does what? With what frequency?"* I5 from **Saúde & Alegria** similarly mentions: *"We have rules on how often we need to send reports, but there is no contract that regulates this. It is an agreement that we respect because we want to make instances in a good way."*

I8 (**Uniethos**) mentions as a major difficulty that companies often *"have difficulties in explaining to an NGO how a business can create social benefits. The company has trouble in understanding the NGO and vice-versa"*. He further mentions that, if this problem exists, *"it can be overcome through an exchange of professionals. Companies usually communicate well with NGOs if they have people that lived in this environment."*

External communication is equally important. While its main benefit is to raise awareness and enhance visibility, initiatives that create Shared Value also have the potential to significantly improve the reputation of participating actors with various stakeholders: consumers, communities, media, employees, etc. I5 from **Saúde & Alegria** mentions that *"sometimes, during activities supported by Fundação Telefônica, they cite our project as an interesting experience, an experience that is very rich."* This is important for us. Communication of the analyzed projects within target communities mostly occurs through word-of-mouth, distribution of informational material and, where possible, online communication. Outside the target communities, the projects are presented to important associations of the municipalities where they are carried out, on the websites of the participating organizations, in corporate documents such as annual and sustainability reports, newspaper articles, press-events, corporate blogs and during conferences.

4.4.7 Ability to generate value

The ability to generate value for both partners is considered crucial for the creation and sustainment of a partnership. In fact, according to the resource-based view, it is the value-creation potential of firm resources pooled together that leads to alliance formation (Das and Teng, 2000). Whereas mostly, the term 'value' commonly refers to economic value, Business-NGO partnerships assign critical importance also to the creation of social value. Indeed, all participant alliances have been established with the clear goal to pursue the creation of Shared Value, both social and economic. The potential to create this Shared Value is determined by the vastly different resource- and skill-sets that NGOs and Businesses possess, as concisely mentioned in the following statement (I8): *"The main strength of the NGO is to know the needs of these populations. The main strength of Businesses is to translate these needs into business opportunities."*

The next section will first analyse the resources and capabilities that both actors bring to the partnership as to enable value creation and compare the empirical results to the existing theory. Subsequently, the economic and social benefits that result from the combination of these R&C in each partnership will be presented.

<u>**NGO's Contribution**</u>

Intangible Resources: Local Knowledge, Relationships, Reputation, Legitimacy

The main contribution of NGOs to the partnership is represented by intangible resources. The NGOs that are approached by companies all rely on a history of engagement within their region through which they acquired a deep knowledge of the low-income area, established relationships with its inhabitants and gained legitimacy of action in the region. These resources are extremely valuable, as no corporation would be able to acquire or develop such knowledge, relational capital and legitimacy in the short-term. I5 (**Saúde & Alegria**) clearly states that they see their strengths in *"their knowledge of the reality, legitimacy of action in the region and relationships of trust established with the community and local authorities"*. The **Conexão Amazônica** project has been carried out in two conservation areas, subject to a specific regulation concerning the respect of traditional populations and ways in which the area can be explored. This is to ensure that natural features and cultural heritage are safeguarded. I5 explains that, *"without our intermediation between **Fundação Telefônica** and local authorities, it would have been impossible for them to establish a 3G antenna in a legal way."* I1 (**Coca Cola**), I3 (**AES Eletropaulo**) and I7 (**Itaú Microcrédito**) all confirm that the relationships characterized by trust with the low-income communities and their local expertise and knowledge are the most valuable resources that NGOs possess. I3 (**AES Eletropaulo**) recognizes that the NGO *"is aware of the problems and opportunities that exist in the area. We use this knowledge to define how we will work inside a certain community."* In this case, NGOs also assist the company in the establishment of the required logistics for the execution of the project, indicate local labour that can be contracted to carry out certain activities, help to define a way of communication that is in line with the culture of the community and transmit contributions and complaints from residents to employees of the company. I7 (**Itaú microcredito**) considers the NGOs reputation and relationships with locals its most important resource: *"The NGO is fundamental for the invitation of people living in a certain low-income area. If we send out an invitation with the name of the bank, the number of people that will attend the event would be much less, because they probably don't trust us. If it is the NGO that invites the people, this changes a lot. People trust the NGO. They know that, if it is the NGO that invites them, the company's interest isn't to take their money but to generate income inside the community."* Also I1 (**Coca Cola**) mentions that *"from the moment in* *which the NGO accepts a partnership with us, we gain credibility inside the community."* Similarly, I4 (**Instituto Ethos**) explains that *"In general, the NGO is very close to the community, there is a continuous dialogue and the NGO can thus facilitate the company to gain legitimacy inside the community".* Ideally, the NGO directly works with or serves the people who constitute the target population of the project that will be implemented, as it is these people that need to be accessed. I6 from **Instituto Coca Cola** explains: *"the NGO needs to have already worked with young people. I need it to indicate young people that have the potential to become educators of Projeto Coletivo, which are mostly people who have already participated in some of their projects."*

Whereas the knowledge of low-income communities could be transferred from NGOs to Corporations, other intangible resources, in particular reputation, legitimacy and trust relationships are not transferable nor replicable in the short term.

Tangible Resources: Physical space

However, NGOs are an indispensable partner when it comes to serving low-income communities not only for their intangible resources. They mostly also provide the physical space inside the low-income areas, where educational courses, as is the case for **AES Eletropaulo** and **Coca Cola**, or other events, as the entrepreneurship fairs and workshops that **Itaú Microcredito** organizes, are held. I7 (**Itaú Microcredito**) clearly points out that *"besides helping us to gain acceptance of our brand inside the community, the NGO provides the physical space where we hold our events."* Similarly, I6 from **Coca Cola** states that *"the NGO needs to have a physical space of a certain size, able to host 20 participants".*

Human Resources

A further valuable resource that is provided by NGOs is its human resources. Even if no corporate participant explicitly mentioned this aspect during the interviews, the analysis of the cases based on other sources of information revealed that the employees or volunteers of NGOs dedicate their time to the coordination of activities with the companies and act as mediators between the company and people living in the community, to which they have established personal relationships. Depending on the project, the NGO's people carry out different tasks for which their skills in accessing, communicating and working with the poor are imperative. These tasks include sending out invitations, providing educational activities, identifying people who could be interested in participating at courses or events and identifying individuals that could be contracted for carrying out certain project-related tasks.

<u>Business's Contribution</u>

The most important contribution of Corporations to cross-sector partnerships are ***financial resources, experience and expertise with different business practices, operational equipment, institutional partnerships and a strong brand.***

Financial Resources

As for the costs, in all four cases, these are exclusively covered by the companies. I1 (**Coca Cola**) specifies that *"we cover the costs of maintenance, human resources and all equipment such as didactic material, computers, printers, etc."* I11 (**Recanto Esperança**) confirms this: *"Coca Cola contributes with 100% of the financial resources. They told us from the beginning that the project won't bring any loss for us."* Even in the other cases the NGOs don't need to mobilize their own financial resources for the respective projects to be implemented. I3 (**AES Eletropaulo**) mentions: *"All the investment is ours."* I5 (**Saúde & Alegria**), who collaborates with Telefônica also specifies: *"The financial resources invested in the project are from Telefônica, but the counterpart is ours. We have the boat, we have points of support for the communities."*

Only in the case of Projeto Coletivo, there seems to be a commitment to helping the NGO gain financial sustainability, as outlined by I6: *"There is a tendency to help the NGO gain sustainability. If they want, they can charge a registration fee, which can be a way to raise funds."*

Experience and Expertise in different business practices and Operational Equipment

All projects are characterized by a clear link with the core business of the participating companies. None of them is about philanthropy; all partnerships are about creating Shared Value by pursuing business opportunities, which is why there is a clear employment of the companies' core competencies.

In the case of **Projeto Coletivo,** all training courses offered in collaboration with the NGOs are linked to a different part of the companies' value chain. This allows the project to fully exploit the expertise and experience that **The Coca Cola Company** possesses in the following areas: service or product development; distribution; commercial and marketing and customer service. The content of the training courses is based on Coca Cola's knowledge of these different business practices, as explained by I1: *"We are disseminating knowledge that is ours. We empower young people to work in sectors where we have a good level of* *knowledge of.”* Upon successful completion of a course, participants are referred to selection processes of the Coca-Cola system or other local partners.

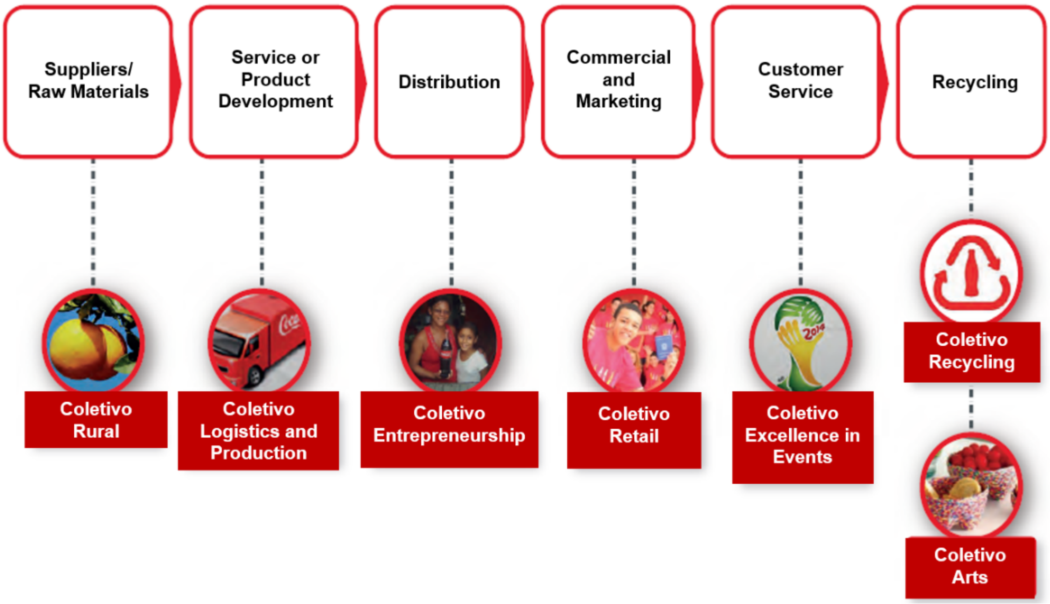

Figure 6 – The link between Projeto Coletivo and Coca Cola’s value chain
Source: adapted from Coca Cola Brasil (2013). *Coletivo: faça acontecer*.

In the case of **AES Elteropaulo**, the NGOs are continuously consulted in the process of converting free electricity consumers into paying customers. The program development and execution, however, is entirely carried out by AES Eletropaulo. Before the regularization, educational activities on the adequate, rational and safe use of energy are organized in the form of community events or door-to-door visits. Besides this, informational material is distributed. In order to help families to reduce their energy consumption and improve safety, operational teams of the company substitute inefficient refrigerators with new ones, upgrade internal electrical wiring if the existing one presents security risks and replace incandescent lamps with compact fluorescent lamps. The project consists thus in replicating the company’s business model in a different environment, whose difficulties are affronted via consultation of NGOs and other opinion leaders. However, the infrastructure and equipment as well as the technical and operational capabilities needed for the regularization of electricity and the efficiency improvement are entirely provided by **AES Eletropaulo**. So too are the informational material and the content of the educational activities. I3 explains that *“In the beginning, I was looking for the NGO to help me enter the community. Over time, this collaboration becomes a continuous exchange of information, discussion of opportunities, etc. We help the NGO to direct its effort where it can be more efficient.”* He further states that *“acting together with an NGO that already has a relationship of trust, this helps. But the*

NGO being the executor is not a relevant factor." This statement confirms that the implementation is made by the company, whereas the NGO facilitates the entrance and acts as a continuous advisor. The two-way flow of value is evident. AES Eletropaulo benefits from the NGOs' knowledge and relationships throughout the whole implementation process. In turn, the NGO benefits indirectly from the social and economic improvements inside the community which are a result of the activities carried out by the company and directly from **AES Eletropaulo's** advice on how the NGO can improve its own capabilities.

Itaú Microcredito provides micro-loans to entrepreneurs in low-income communities. Level 1[23] loans are directly provided by the bank to micro-entrepreneurs. While it is the NGOs that help the bank enter the community and raise awareness of its microcredit operation through co-organization of dedicated events, the service itself is provided by Itaú. The bank's loan-officers visit potential customers, analyse their businesses and, in case of positive evaluation, offer micro-loans. The initial events, such as the entrepreneurship fairs or the microcredit workshops, are instead organized in collaboration with the NGOs. Here, it is mostly employees of the company that mount the event and establish its content, whereas the NGO is responsible for sending out invitations. Level 2 loans instead are provided to entrepreneurs in an indirect way. Here, the bank provides loans to an NGO that offers a microcredit service itself. I7 explains that *"before receiving the required financial resources, the NGO undergoes an evaluation process. If the result is positive, the bank enters with technical advisory."* Hence, for this loan type, the experience and technical knowledge of the bank is used to improve the NGO's operational efficiency and effectiveness. This example again shows that the NGOs often lack the financial resources and technical knowledge to carry out a project that generates shared value by themselves. These resources and capabilities are provided by Itaú, whereas the NGO opens the doors to the community.

In the **Conexão Amazônica** project, the main contribution of the companies, **Telefônica** and **Ericsson**, is clearly the technological know-how and infrastructure. Telefônica established the antenna that brought broadband internet access and 3G mobile technology. I2 explains: *"We mobilized all our business partners as to lower the implementation costs of the antenna. Ericsson supplied all the 3G equipment."* Besides installing the antenna, Telefônica supplied mobile phones to the leaders of each community with limited credit. After that, the

[23] Level 1 refers to *"loans for a mixture of working capital, upgrades and fixed assets provided to formal and informal business people engaged in small business activities"*. Level 2 consists in providing *"loans to micro-entrepreneurs through civil society organizations registered with the National Productive Microcredit Program (PNMO)." (Itaú Unibanco Holding S.A., 2012, p. 36).*

community had to organize itself as to buy additional credit that was sold by a local manager. The NGO Saúde & Alegria, that already carried out community development programs in the Amazon region and provided health services with a boat, saw significant improvements of its own activities, including the health and educational services provided by its boat, after they entered into the partnership with Telefônica and Ericsson who provided the region with connectivity. I5 affirms: *"Telefônica helped us through a renovation and potentiation of technologies. Before, we distributed a journal once a month. Today, we can communicate several times a day via e-mail and mobile phones. This really facilitated and improved the quality of our work very much."* Telefônica also provided the NGO with information and communication technologies and advice on operational processes that allowed the NGO to enhance and monitor the quality and reach of its activities and to track its results, as acknowledged by I5: *"Today, we can monitor our activities in a way that wasn't possible before"*.

Strong Brand

For an NGO, entering into an alliance with a large, internationally operating company may also be beneficial when it comes to attracting new partners, be it donors or allies with a higher level of engagement. As mentioned before, there are many NGOs who lack a structure or resource-base which enables them to develop their work in a proper and continuous way. Cases of corruption have also harmed the reputation of many NGOs. Therefore, when an NGO manages to attract a big Business partner with a strong brand, this partnership signals to other organizations that it is a serious, reputable NGO as it has passed the due diligence of the company. The NGO thus gains significant credibility with the public and private sectors. I7 from Itaú Microcredito confirms this, explaining that *"the backing of a company with a well-respected brand opens doors to NGOs, enabling them to look for other investments elsewhere"*. In addition to that, it may also achieve greater visibility if the partnership is properly marketed by the company.

Other Partnerships

In all the analysed cases, the Businesses mobilize their private or public partners as to amplify the economic and social impact generated by the projects.

The corporate partners of **Coca Cola** constitute a relevant part of the Coletivo project. One of their roles is to provide employment to students who have successfully completed a course. Among the company's partners that act as potential recruiters are both local firms and large international organizations, such as McDonald's and FIFA. The concessionaires of the latter mainly recruit students who have passed the *"Excellence in events"* course, which has a focus on the FIFA Confederations Cup 2013 and World Cup 2014. Some courses also include lessons of applied English, which is possible due to Coca Cola's partnership with Wise Up, a Brazilian language school specialized in teaching English. Microsoft, another institutional partner since 2012, passes its expertise of the use of the software on to the Coletivo team who transmits it to the participants of the Retail, Logistics and Entrepreneurship courses. Additionally, software donations totalling an investment of 5 million R$ are part of the agreement[24]. These partners, that considerably amplify the results of the project, would not be easily accessible if an NGO was acting on its own because the small scale and visibility of a single project would not justify the required investments in terms of time and resources.

In the case of **AES Eletropaulo,** a crucial part of the project is carried out in collaboration with a public partner. The streets of the low-income areas, locally named Favelas, usually do not have names and consequently people have no addresses. Together with prefectures, the company installs street signs and house numbers. I3 specifies: *"The first address that favela residents have is the one on the energy bill. An energy bill with our name on it opens many opportunities. In Brazil you can only be formally employed if you have an official address."* Besides this, a legal address facilitates people of low-income communities to obtain credit.

Even for **Itaú Microcredito,** connecting the NGO with other institutional partners is necessary due to the particular characteristics and needs of slum residents, who often lack the education about basic financial services and don't have bank accounts. Besides this, most businesses that operate in Brazilian favelas are informal. As to deal with these specificities, Itaú takes Redecard and Sebrae with them when organizing an event inside a community. Redecard is a Brazilian company that provides debit and credit card products and services. *"They explain to participants how the apparatus of the card works and provide them with financial knowledge",* states I7. Sebrae instead is a Brazilian non-profit institution that provides support to micro and small enterprises with the aim to encourage entrepreneurship in the country. I7: *"Sometimes people living in low-income communities carry out an activity that is not legalized, therefore they can't get credit. Sebrae talks with them about the formalization of commercial activities."*

[24] „Projeto Coletivo Coca Cola." Retrieved from http://www.microsoft.com/pt-br/about/impacto-no-brasil/educacao-e-capacitacao/casos-de-sucesso/projeto-coletivo-coca-cola.aspx

As for **Telefônica,** the main partner they brought into the collaboration is Ericsson. This was mainly to reduce the implementation costs of the radio base station by sharing the infrastructure investment. I5 from their partnering NGO **Saúde e Alegria** affirms: *"They are an organization with a big quantity of partners, which gradually arrive with some interests, be it as to get to know better, be it as to study the expectations of these markets."*

In all four cases the established partnerships that companies possess with other institutions – public, private or civil – are revealed to be a crucial ingredient of the projects for a series of reasons. In some cases these partners offer educational support which is needed due to a general lack of knowledge about basic services or products. In other cases, they help to reduce implementation costs by making donations of technical infrastructure or operational equipment or by carrying out certain tasks in collaboration with the other main organizations involved.

Human Resources

In the same way as NGOs contribute to the projects with their human resources, companies dedicate part of their staff to the conduct and coordination of activities with the NGOs. People trained in the corporate sector often possess very different knowledge and competences as those working in the civil sector. Hence, when combined, they constitute a very valuable asset equipped with an integrated range of skills which includes technological and operational know-how as well as a thorough understanding of local specificities.

Table 7 provides a summary of the R&C that, as a result of the present research, proved to be the most valuable contributions of NGOs and Corporations.

NGOs	CORPORATIONS
TANGIBLE RESOURCES	**TANGIBLE RESOURCES**
• Physical space inside the low-income region	• Financial resources • Operational equipment
INTANGIBLE RESOURCES & CAPABILITIES	**INTANGIBLE RESOURCES & CAPABILITIES**
• Profound knowledge of the area, its people, complexities and opportunities • Personal relationships • Credibility with the target population • Reputation of integrity • Legitimacy of action	• Experience and expertise in different business practices: management capabilities, marketing and sales expertise, production and service capabilities, technology, etc. • Other partnerships • Strong brand
HUMAN RESOURCES	**HUMAN RESOURCES**

Table 7 – Resources and Capabilities that each actor brings to the collaboration
Source: elaborated by the author

Creation of Shared Value

The next paragraph will explore the economic and social benefits that result from each cross-sector partnership, demonstrating that Shared Value is actually created.

The main social benefits that are created by **Projeto Coletivo** consist in the increased income generation among participants and the boost to their self-esteem, as they become more confident regarding their future (Coca Cola Brasil, 2013). I6 from Instituto Coca Cola clarifies: *"The objective of the Retail, Logistics and Events courses is employability. The project is geared towards young people that want to start working. The entrepreneurship course instead is geared towards the formalization of businesses that already exist inside the community."* According to Coca Cola Brasil (2013), the Coletivos, which have increased from 150 units in 2012 to 450 (up 200% year on year) in 2013, impacting around 75,000 people, have resulted in a 50% increase in family income among beneficiaries. 30% of participants managed to get a first, formal job and self-esteem has increased by 20% among young people that participated in the courses.

As for the economic aspect, the projects result in clear benefits to The Coca Cola Company. I1 from Coca Cola mentions that the projects help them to *"enter an area where there will be a big growth"*, bringing these populations closer to Coca Cola. It is a way to *"become increasingly important for this community. We train young people, for example, on how to manage a retail market. When they apply this knowledge at the point of sale, they can* *improve it and in the end, they end up also improving the sales of Coca Cola products."* Hence, the company gets access to a market that is hard to serve and increases awareness of and loyalty to its brand. The affective relationship that these consumers establish with the Coca Cola brand together with the increased income generation inside low-income communities may result in a considerable increase in current and future revenues. The company's image improves not only at the Base of the Pyramid, but also in higher income market segments where consumers positively value the company's commitment to social development. These benefits are confirmed by past sales figures. Coca-Cola holds the leading position in the Brazilian soft-drink market with an off-trade value share of 41% in 2012. Net sales rose from R$ 17.7 billion in 2010 over 19.5 in 2011 reaching 22.6 in 2012 (Euromonitor International, 2013b).

The project **Transformation of Consumers into Clients,** which consists in regularizing clandestine energy connections**,** implemented by AES Eletropaulo in collaboration with NGOs, among other actors, *"has as an objective not only to take energy to low-income communities, but to act as an agent of transformation in the social conditions of these populations,"* explains I3. By the end of 2012, the program had benefitted more than two million people in 1,288 communities (AES Eletropaulo, 2011).

The improvement of the local energy infrastructure brings 3 immediate benefits to the community:

1. Reduction in the number of accidents, such as fires and flaring of home appliances, as a result of safer, higher quality energy
2. Reduction in inefficient consumption due to educational programs
3. Acquisition of Citizenship, as AES Eletropaulo installs street signs, house numbers and provides residents with a proof of their residential address (via the energy bill) that can be used to open a bank account or even to obtain a formal job (I3)

These benefits result in the emergence and attraction of new businesses to the favelas, which create work opportunities and increase income generation among residents.

The aforementioned social benefits are directly related to the economic ones, as I3 explains: *"25% of the people in the favela do not pay the energy bill. If I do not help the community to develop itself in the medium long- term I do not have any chance to change this financial result. The interest of AES Eletropaulo is, the more the communities develop themselves, the* *higher is my probability to receive the bill in the future; it is business, it is not philanthropy."* He further specifies: *"Since we started this program in 2004, we invested 380 million R$. As of today, we already raised 1 billion R$. The payback is very good, despite the massive investment that the project requires. Serving the low-income market is more expensive, requires more work, but it is a very big market, therefore companies opt for this market with a growth strategy – individual profitability is certainly not the same as in the traditional market"*.

Itaú Microcrédito generates significant social benefits in low-income communities. Brazil's informal economy is estimated to account for about 18% of the country's GDP[25]. Informal businesses inside urban slums account for a big part of this. When the bank's loan officers enter a certain community, they provide residents with financial education and advice on more convenient credit lines. Subsequently, they assist interested entrepreneurs in the formalization of their activity, which enables them to get access to credit. Finally, they grant loans and provide monitoring, thereby enabling owners of small businesses to grow their activity and eventually hire new employees. This fosters entrepreneurship and local development, resulting in increasing *"generation of wealth in the community"*(I7). Since its beginning in 2003, the bank's microcredit operation has granted more than 41,000 loans to micro-entrepreneurs, totaling about 131 million R$ (Itaú Unibanco, 2012).

Besides these social benefits, the micro-credit operation generates considerable economic ones, as I7 confirms: *"We win new clients, the NGO helps us to establish contact with the people of the community."* He further argues that it *"is a business that pays for itself, that is sustainable. It is important that the business is sustainable as to be able to grow."* Besides being a sustainable business that brings new clients, which can help the bank to drive future growth, I7 mentions the following benefits: Image and Knowledge acquisition. The operation has a considerable impact on the image of the bank and allows the bank to *"gain experience, to learn how to serve this segment which the bank doesn't serve"* (I7). Since its beginning, the bank's microcredit operation has experienced significant growth. Between December 2011 and 2012, lending notably increased by 60% (Itaú Unibanco, 2012).

The social benefits that resulted from the **Conexão Amazônica** project, which provided digital inclusion to residents of a remote area in the Amazon, include better access to health and education services and economic growth. The improved technology allowed for the

[25] "Microcrédito para o desenvolvimento." Retrieved from http://ww2.itau.com.br/sustentabilidade/_/produtos-servicos/para-voce/voce-microcredito2.html

expansion of mobile applications, which fostered entrepreneurship and created more job opportunities. According to data provided by Fundação Telefônica, as a result of the project, 43% of people living in the target area began to research the internet, 20% enrolled in e-learning courses and 10% began to visit the digital library. A study conducted instead by an independent entity, the *Agencia de Apoio ao Empreendedor e ao Pequeno Empresário*[26], claims that 92% of the interviewees believed that mobile telephone and internet services play a fundamental role in the development of the region.[27].

I2 described the project as being *"profitable, a good business that pays for itself in the long term, but above all it was an engine of development from various aspects: economic, educational, health, environment, etc".* This statement clearly shows the win-win situation created by **Conexão Amazônica**, that enabled the company to enter a region to which it had no access before and to also benefit from the improved economic conditions. During the Mobile World Congress, the world's largest exhibition and conference for the mobile industry, the project was awarded the Global Mobile Award 2013 for the category "Best Product, Initiative or Service for Emerging Markets."[28]

Table 8 provides a summary of the main economic and social benefits created by the projects, which are the result of cross-sector collaborations:

[26] Translation: Agency of Support to the Entrepreneur and Small Businessman
[27] Retrieved from http://www.telefonica.com.br/institucional/noticias-e-midia-center/noticias/conexao-amazonica-vence-o-global-mobile-awards-de-2013
[28] Retrieved from http://www.telefonica.com.br/institucional/noticias-e-midia-center/noticias/conexao-amazonica-vence-o-global-mobile-awards-de-2013

	Economic Value	Social Value
Projeto Coletivo	• Brand value • Access to qualified labor • Acquisition and higher loyalty of new customers → higher current and future revenues • Knowledge acquisitions (on low-income consumers' needs and ways to address them)	• Increased Income Generation due to: - Employability (as a result of better educational levels) - Entrepreneurship • Increasing self-esteem of young adults and confidence in future
Transform Consumers into Clients	• Brand value • Acquisition and higher loyalty of new customers → higher current and future revenues • Knowledge acquisition (on low-income consumers' needs and ways to address them)	• Increased income generation due to: - Establishment of business activities - Creation of job opportunities • Less accidents (safer, high quality energy) • More efficient energy consumption • Acquisition of citizenship
Itaú Microcrédito	• Brand value • Acquisition and higher loyalty of new costumers → higher current and future revenues • Knowledge acquisition (on low-income consumers' needs and ways to address them)	• Increased income generation due to: - Access to cheaper credit lines - Formalization of business activities - Entrepreneurship, higher productivity of existing businesses - Creation of job opportunities
Conexão Amazônica	• Brand value • Acquisition and higher loyalty of new customers → higher current and future revenues • Knowledge acquisition (on low-income consumers' needs and ways to address them)	• Increased income generation due to - Entrepreneurship, higher productivity of existing businesses - Creation of job opportunities • Digital inclusion, enriched social live • Better access to health services • Better access to information and educational activities

Table 8 – NGO-Company alliances creating Shared Value
Source: elaborated by the author

While the projects allow companies to acquire knowledge and expertise with an unexplored market segment and to generate clear economic benefits which mainly rely in the acquisition of new customers and the enhanced brand value, the social benefits that result from the projects help the NGOs to advance their mission of community development. Further benefits to NGOs mentioned by participants include greater visibility inside the community, enhanced credibility with potential investors due to their collaboration with a well-known company and a possibility for learning best practices from companies due to frequent interaction, allowing them to enhance their own capabilities. However, only I6 from **Instituto Coca Cola** mentioned that they are also aiming to help the NGO gain more financial sustainability, allowing it for example to charge a registration fee for the courses it offers. Hence, whereas according to theory co-creation between Companies and NGOs allows the latter to gain greater financial sustainability, this did not seem to apply to the analysed cases as the financial benefits are mostly captured by the involved companies.

4.4.8 Balance in the exchange of value

According to Austin (2000), for a strategic alliance to endure the value that each partner accrues should be equitably balanced. The results of the present research, however, suggest that this is not a major concern of businesses and NGOs that engage in collaboration as to develop projects that target low-income communities. I3 (**AES Eletropaulo**) clearly explains why: *"Achieving a balance in the exchange of value is not important, it is not the main concern. The main concern is that the community will be benefited. What I will analyse is the benefit that accrues to the community. What I am going to prioritize is what brings greater benefits to the community. I want to understand whether these benefits indeed reach the community, in which way and how many people will be benefited. What is the size of the benefit?"* In all cases, the partners engage in co-creation in the pursuit of a two-fold objective: create economic and social value. Whereas the company captures most of the economic value, which mainly consists in the acquisition of new customers who belong to a growing market segment, the target communities capture the social value, which principally lies in the improvement in social conditions and increasing income generation within low-income areas. The latter is also the major benefit for NGOs, being their mission, the purpose of existence of all interviewed NGOs, to contribute to social and economic development. Obviously, it is these social improvements that allow for the emergence of new customers, which finally benefits the company. Thus, it is neither in the NGOs nor in the Company's interest to get more than the other out of the collaboration, as long as the communities are benefited.

5. Discussion and final considerations

5.1 Discussion of the Results

The objective of this research was to address *how Companies and NGOs can leverage their respective resources and capabilities so as to achieve economic and social value simultaneously by serving low income markets.* The findings, based on an in-depth analysis of four cases and additional interviews with field experts, provide insight into the major difficulties and success factors in the creation and management of NGO-Business alliances initiated with the purpose of creating shared value at the BoP. The results show how the identified success factors were established by the participating organizations in order to overcome obstacles and what resources and capabilities were mobilized by both Companies and NGOs so as to serve low-income consumers and simultaneously contribute to social progress. The present chapter summarizes the major conclusions and offers a critical analysis of the results collected.

The initial web-based research and interviews with field experts revealed that, whereas there is consensus on the substantial value creation potential of these cross sector alliances initiated at the BoP, few organizations in Brazil have established such cross-sector partnerships whose aims go beyond CSR. The main reasons for this were found to be a difficulty in locating appropriate partners, negative stereotypical perceptions and a certain diffidence or lack of trust towards engaging with each other on both sides. The participant organizations, which managed to overcome these initial barriers and actually engaged in a partnership faced further difficulties mostly related to the difference in organizational structures and processes and, in some cases, inability to deliver effectively. Opportunistic behaviour, identified as a hurdle to NGO-Business alliances in the context of CSR, was not considered a difficulty by participating organizations. This is probably due to the existence of a clear alignment of interests in all cases, as the value that both NGOs and Businesses capture is directly dependent on the socio-economic progress generated in the low-income area.

In order to deal with the aforementioned difficulties and establish successful alliances, the following factors have been identified as key: choosing the right partner; fit in terms of mission, strategy and values; establishing trust and commitment; effective communication and lastly, the alliance's ability to generate value for both partners. Several factors, however, that theory on cross-sector alliances has identified as critical were considered to be less relevant by participants. These factors were leadership engagement and institutionalization of the partnership, strong personal relationships across the organizations and achieving a balance in the exchange of values. The lesser importance assigned to leadership engagement and strong personal relationships for NGO-Business alliances in the context of BoP markets when compared to those established in the context of CSR can probably be linked to the prevailing type of NGO-Business partnership at the BoP. Whereas those established in the context of CSR are mostly tight partnerships between one company and one NGO, three out of four partnerships analysed in the present study were initiated so as to roll out projects for shared value creation in many disconnected communities and hence required the companies to establish relations with many NGOs, each of which is embedded in a certain target area. This obviously has an implication on the way in which each single relationship is managed and explains why leadership engagement and the establishment of tight, personal relationships – even if still present and relevant - assume a smaller importance. While establishing tight personal relationships is not always possible, assigning a professional team or figure with the responsibility for coordinating activities with each NGO as well as demonstrating goodwill and sensitivity for its social purpose is important. Similarly, while company leadership cannot be engaged personally with all NGOs, it still needs to demonstrate commitment to the partnerships and should allow for direct communication between top-level management by organizing meetings with all NGO leaders where results, problems and opportunities can be discussed. Establishing a balance in the exchange of value, a factor that is considered key to alliance creation and maintenance by existing theory, revealed to be relatively insignificant for the participant organizations. The reason for this seems to be, here again, that the primary interest of both, NGOs and Businesses, is to benefit the community as much as possible as it is the community's socio-economic advancement that finally benefits both actors involved.

The result analysis further showed that NGOs and Business do indeed have complementary resources and capabilities, which can generate several significant benefits in the context of low-income markets, if properly combined. In the analysed partnerships, the main contribution of corporations was represented by financial resources, experience and expertise with different business practices, operational equipment, institutional partnerships, a strong and reliable brand and finally, human resources. In turn, the most important contributions of NGOs consisted in the physical space that they made available inside the low-income region; their profound knowledge of the area, its people, complexities and opportunities; human resources; personal relationships and finally their credibility, a reputation of integrity and legitimacy of action within the target communities. Hence, the analysis made clear that the principle role of the NGOs involved in the analysed projects consisted in acting as a bridge between the company and low-income communities, whereas the operational capabilities required for implementing a business model were provided by the companies, who also captured most or all of the projects' economic returns. This is in contrast with the theory according to which partnering with a Company allows NGOs to achieve greater financial sustainability, reducing their dependency on government aid and public charity (Brugmann and Prahalad, 2007). Of the interviewed participants, only one mentioned that the partnership aimed to help the NGO gain this self-sufficiency. This implies that the use of entrepreneurship to promote social progress is not very common among Brazilian NGOs. Instead, their focus is on raising funds, which are used for the provision of services to the poor rather than developing capabilities that enable them to implement a social business model themselves.

Overall, the Brazilian market for cross-sector initiatives that aim to create shared value seems to be growing, but is not yet as mature as others. It appears that there is still little embracement of the idea that economic and social objectives can be achieved simultaneously. As precisely mentioned by one interviewee, *"there are many initiatives of shared value creation and social businesses being developed in India. In Brazil, it is starting now. In order to develop and consolidate the idea, you need concrete cases, it is hard to speak theoretically about this (...), you need a demonstration of practical examples."* The concrete cases presented in this work as well as the conclusions, drawn from the interviews conducted with interlocutors in both sectors, should therefore provide an inspiration and guidance to both Companies and NGOs interested in building mutually fruitful partnerships.

The following table shows the identified success factors and challenges, each of which was assigned a number as to provide an idea of its importance for NGO-Business alliances at the BoP. The table further shows how each of the success factors contributes to reducing one or more of the major difficulties.

	Finding an appropriate parter (5)	Overcoming negative stereotyplical perceptions and lack of trust (5)	Different structure, culture and processes (4)	Inability to deliver effectivley (3)	Opportunistic behaviour (1)
Choosing the right partner (5)	✓	✓	✓		
Fit in terms of mission, strategy and values (5)	✓	✓	✓		
Trust and Commitment (5)		✓	✓	✓	✓
Leadership engagement (2)		✓			
Strong personal relationships (3)		✓	✓		✓
Effective Communication (4)		✓	✓	✓	
Ability to generate value (5)				✓	✓
Balance in the exchange of value (1)					

Table 9 – Relating Success Factors to Challenges
Source: elaborated by the author

5.2 Managerial Implications

The present research represents a relevant tool for both executives of corporations and NGOs. As conversations with industry experts revealed, most NGO-Business relations in Brazil are of donor-recipient nature. Only a few NGOs based in low-income areas have established relationships with businesses that pursue the creation of both social and economic value. However, as demonstrated by the present research, such relationships have a significant transformational power due to the complementarity of these actors' R&C. This paper, whose results are based on interviews with NGOs and Corporations that engage in such relationships, provides significant insight into the challenges that these organizations face when engaging in co-creation and how these can be overcome as to guarantee fruitful collaborations. Hence, NGOs who are interested in establishing such relationships can use the present study to verify whether they possess the characteristics that businesses desire (such as a formalized activity, credibility and trust relationships with locals, a data base with relevant information,…). In the same way, businesses who aim to position themselves in low-income markets for longer-term growth can use it as a guide on how to approach locally based NGOs and benefit from the knowledge and resources that the latter possess. Knowing how to best leverage their respective R&C by avoiding major pitfalls and establishing the factors that have facilitated the creation and maintenance of existing cross-sector collaborations should encourage both parties to engage in co-creation at the BoP.

5.3 Theoretical Implications and further research suggestions

There is a substantial amount of theory on doing business in BoP markets, as well as on the viability and value-creation potential of cross-sector partnerships. However, little research has been conducted on NGO-Business partnerships in the specific context of BoP markets. The present research was therefore aimed at providing a thorough understanding of the relationship of these two actors and how they can best overcome major challenges and establish a collaboration that allows for the creation of Shared Value in these undeveloped markets.

Several paths for future research are suggested for academics. First, a quantitative study with a larger sample of Business-NGO partnerships at the BoP should be conducted as to validate the findings and enhance generalizability. Second, a geographically broader study may seek to identify whether the findings of the present research only apply to the Brazilian context or whether they are also viable in other geographical areas. Third, as this study focuses on the one-to-one relationship between Corporations and NGOs without considering the contributions of other actors, further research should be conducted as to assess the challenges, opportunities and each actor's contribution in multiple-actor relationships. Lastly, in order for the present analysis to gain sharpness, a quantitative assessment of the social and economic impact generated by NGO-Business partnerships in BoP market should be carried out.

5.4 Limitations

The results of this study need to be considered with caution, as the relatively recent appearance of the co-creation concept between Companies and NGOs at the BoP has an important implication that needs to be accounted for when interpreting the findings.

The number of Business-NGO alliances initiated as to create shared value at the BoP is low, which significantly reduced the sample size for the present study and required the use of a case study approach, hence limiting external validity and generalizability of the findings. Furthermore, the analysed projects have been initiated quite recently and the brief analysis of social and economic results they generate was based on statements and reports of participants. However, a considerable lapse of time would probably be necessary as to verify the validity of these projects' potential to enhance a company's revenues and promote socio-economic development. Also, as the focus is on the Brazilian BoP market, it cannot be sure whether the findings would also apply in low income markets of other geographic regions.

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APPENDIX

APPENDIX I – How Shared Value differs from Corporate Social Responsibility

Source: Porter & Kramer (2011)

APPENDIX II – Interview Guide

DESCRIPTION OF THE PARTNERSHIP

1. Are you engaged in partnerships with NGOs/Companies? If yes, which is the most intense (scope of activities, resources involved, frequency of interactions) and strategically the most important one?
2. Can you briefly describe the partnership? What value does is create for both organizations? And for the low-income communities?

IDENTIFYING R&C THAT EACH PARTNER MOBILIZES

3. What are the resources and capabilities mobilized by each partner in this alliance?
4. How are resources and capabilities mobilized to generate this value? Did you leverage existing capabilities of the NGO or configure new resources and capabilities?

IDENTIFYING SUCCESS FACTORS

5. What do you think are factors that determine the success of this cross sector collaboration?
6. How does the selection process of Companies/NGOs with whom to partner work? What challenges do you face when identifying the right partner (in the "due diligence" process)? Is it difficult to find information on potential partners?
7. How and why did you identify organization X as a good partner? What are the characteristics that make a NGO/Company a good partner?
8. Do you consider mission fit important? Is there a fit between your mission and the one of your partner?
9. Do you consider value fit important? Is there a fit between your values and those of your partner?
10. How does it contribute to your strategy? Is there a link with your core business?
11. Do your think that your needs match up with your partner's capabilities, and vice versa? How?
12. Do you consider the establishment of trust and commitment important? How did you manage to create trust and commitment?
13. Do you consider leadership engagement important?
14. Do you have a team/professional figure that is responsible for managing the relationship with your partner and that is accountable for its results?
15. Do you consider the establishment of tight personal relationships between the managers of both organizations important? And throughout the organization? Are they present in your alliance?
16. Are there rules in place that regulate interaction, communication and decision making? How do these processes occur?
17. Do you believe that achieving a balance in the exchange of values is important? If yes, was it hard to achieve this?

IDENTIFYING CHALLENGES

18. What are, in your opinion, the main differences encountered in cross-sector collaborations?
19. What are, in your opinion, the major challenges encountered when partnering with an NGO/Company? So far, did you have to deal with significant conflict? What was the issue? How did you solve it?
20. Did you face any difficulties related to

- Finding an appropriate partner
- Different organizational structure, culture, processes
- Lack of trust
- Opportunistic behavior
- Mismanagement/Inability to deliver effectively

SNOWBALL

21. Do you know other people working in companies or NGOs engaged in cross-sector partnerships. If yes, it would be of great help if you could pass me their contact.

APPENDIX III – Pictures from *Projeto Coletivo*

APPENDIX IV – Pictures from *Transform Consumers into Clients*

APPENDIX V – Pictures from *Itaú Microcrédito*

APPENDIX VI – Pictures from *Conexão Amazônica*