

Reprinted from the Financial Times (February 2008)

A fair division of charity's spoils

By Sarah Murray

Intel hit the headlines early this year when its relationship with One Laptop Per Child, a non-profit project providing cheap laptops to children in developing countries, came to an abrupt end.

Nicholas Negroponte, the non-profit's founder, accused Intel of, among other things, promoting its own version, the Classmate laptop, which was designed for developing countries.

The acrimonious end to this collaboration highlights the dangers for companies, non-profits and non-governmental organisations as they embark on joint initiatives, whether they are fighting diseases in developing countries or creating new businesses that are designed to generate revenue and jobs in poor communities.

For companies, such partnerships are a chance to boost their citizenship credentials by tackling social and environmental issues. However, both parties need to agree on ways to share the commercial benefits that result from their joint initiatives.

"There will soon come a time when people become more sceptical of companies entering partnerships, and that's the last thing you want," says Sonila Cook, partner at Dalberg Global Development Advisors.

Ms Cook believes that mechanisms are needed "by which NGOs are reassured that the companies they're working with are not in it purely for commercial reasons but because they also want to make a difference".

Sometimes, the commercial benefits are unexpected. When Vodafone embarked on M-Pesa, a pilot project delivering financial services to Africans via mobile phones, it did not anticipate the impact of rapid growth in mobile phone use in developing markets.

"The initial thinking was around the need to develop products and services for people at the economic bottom of the pyramid," says Chris Burgess, head of corporate responsibility at Vodafone. Today, the corporate responsibility team is only involved in

monitoring the social and economical impact of the rollout. "Now it is a commercial initiative," he says.

Ms Cook believes that such developments are positive. "You want companies to be in it because development makes sense for them from a business perspective, because they're not going to keep doing it otherwise," she says. "The question is, how to do this in a fair way?"

Several models are emerging. The TB Alliance, a not-for-profit that works for the development of tuberculosis drugs, works with dozens of companies, including multinationals such as GlaxoSmithKline, each with different conditions. "In some cases, we keep the intellectual property," says Maria Freire, its chief executive. "Or they retain the IP but we get access to all the background intellectual property we need to move forward."

If a partnership leads to development of a profitable drug, the alliance benefits. "We're working only on TB, so if this could be useful for something else, then they can take it and run with it," she says. "But because they're using our data and information, we do get a return for that." In some cases, the relationship resembles that of consultant and client.

Vodafone's Mr Burgess cites the company's relationship with Forum for the Future, a UK-based organisation that offers advice on sustainable development to businesses, higher education and government. "We are effectively a member of that organisation - there's an annual fee that's paid and we get support and advice," says Mr Burgess.

In another model, Washington-based Environmental Defense, a non-profit group, accepts no payment from companies and does not retain rights to associated intellectual property. When it worked with FedEx to develop a hybrid electric delivery truck the technology was developed by a third supplier, which retains ownership of the design. But the agreement stipulated that FedEx would share all information on the truck's performance, emissions reductions, fuel economy gains, maintenance requirements and operational challenges - information that other companies would need to consider when introducing such vehicles to their fleets.

"It's a different kind of relationship, because we're not a consultant or a supplier," says Gwen Ruta, director of the corporate partnerships programme at Environmental Defense. "When we first meet companies, we say: 'You should know that if this works, the first thing we'll do is go to your closest competitor and tell them what we just did!'"

For Environmental Defense, the fact that companies may profit from the results of the partnership is important. "We want our partner companies to benefit from the innovations so that they will be sustained over time and adopted by others," says Ms Ruta. However, when it comes to businesses jointly formed by companies and local communities, sharing benefits are more complicated. Such businesses are being developed under a new incubation process, the "Base of the Pyramid Protocol", based on the ideas of academics Stuart Hart and C.K. Prahalad.

In Kenya, for example, SC Johnson is working with NGOs and communities in a Nairobi slum to establish a distribution network for its cleaning products.

The new business is designed to generate income locally, give young entrepreneurs training and experience, and introduce SC Johnson products to a new group of consumers.

Once established, the pilot community will introduce the model to many more communities. The question then, says Prof Hart, is how the start-up team should benefit. "Their entrepreneurial returns should be a function of where they help to spread it, and they ought to get a stake in the communities that they help spread it to," he says.

Prof Hart admits that, in this early stage of developing the model, an answer has yet to emerge. "When you're talking about a jointly created process where you are partners in a community, there is jointly created intellectual property," he says. "The question is how to respect that - that's a really important question and one we're grappling with."

It is a conundrum more companies will face as they embark on ventures addressing issues such as poverty, healthcare or education and as, with their non-profit partners, they generate knowledge and information that has not only social and developmental but also commercial value.

"It's about innovation in new business models, and that gets you into very interesting governance issues," says Adrian Hodges, managing director of the International Business Leaders Forum.

"If assets are created out of the exchange, to what extent are they shared with the institution the learning came from? That is uncharted territory."

Models for business and philanthropy

Spin-off benefits. While giving non-profit organisations access to intellectual property is often part of a philanthropic strategy, commercial benefits may also accrue. Deals made by the TB Alliance, which works to accelerate the development of new tuberculosis drugs, include arrangements whereby companies retain the ability to manufacture a drug or to develop its compound for non-TB treatments.

Consultancy services. Through schemes that may involve membership or other fees, organisations such as the UK's Forum for the Future offer companies customised programmes that help them integrate sustainability principles into their operations.

Open source obligation. Some NGOs regard partnerships purely as a means of getting companies to address social or environmental problems. Environmental Defense, a Washington-based non-profit, accepts no payment from the companies it works with but requires information about the financial and operational benefits to be freely available to other companies and organisations.

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