

Chapter 22

Cross-Sector Partnerships for Sustainable Supply Chains

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22.1 Introduction

Sustainability issues are so immense that no single organization can face them alone. Global business, in order to deal with the pressure coming from governments and society, seeks to better manage their supply chains with regard to social and environmental impacts, and contribute to society. They often work with multiple stakeholders such as NGOs, through cross-sector partnerships. Many examples of cross-sector partnership-based initiatives exist such as the TNT and World Food Program partnership, or the partnership between the humanitarian Logistics Cluster and logistics companies (Stadler and Van Wassenhove 2013).

This chapter focuses on how supply chains can be used to create sustainable value through cross-sector collaboration. The objective of this chapter is twofold. First, we conduct a case study research by using three examples of cross-sector partnerships to identify challenges that arise in the process of value creation. Second, we discuss how these challenges could be addressed by using Operations Management (OM)/Supply Chain Management (SCM) research.

To achieve the first objective, we select three examples of cross-sector partnerships between pharmaceutical companies and healthcare focused NGOs, since we had the opportunity to follow their development over more than 1 year and they provide good illustrative examples of typical challenges. The pharmaceutical industry has been growing rapidly for the past decades, saturating developed markets, and exploring growth opportunities in emerging markets. Health supply chains in emerging markets face a number of challenges that require local market knowledge

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like retail distribution and pricing. Collaboration with NGOs can help pharmaceutical companies improve their corporate social responsibility (CSR) performance and close their local knowledge gap, while at the same time support healthcare systems in developing countries. From a supply chain management perspective, the private partners may engage in cross-sector partnerships in order to assess the potential of developing markets, build their reputation and motivate their employees.

The first case involves the Janssen Pharmaceutica haematology department unit of Johnson & Johnson, a multinational medical devices, pharmaceutical, and consumer packaged goods manufacturer. The other two of our three cases involve Tibotec, a pharmaceutical company belonging to the Johnson & Johnson group, with a focus on research and development for treatment of infectious diseases. The first partnership was built between Johnson & Johnson and International HIV/AIDS Alliance in Zambia, the second between Tibotec and International HIV/AIDS Alliance in Ukraine, and the third between Tibotec and International HIV/AIDS Alliance in Uganda. International HIV/AIDS Alliance¹ is a global partnership of nationally based governmental and non-governmental organizations that support community organizations in addressing HIV/AIDS issues in developing countries.

All three cases were part of an Executive Development Programme (EDP) run by INSEAD, a global business school and PEPAL, a global foundation that fosters partnerships between businesses and nonprofit organizations to achieve scalable and sustainable social change in developing and emerging markets². Hence the NGOs participated in the EDP, together with business executives, in order to get exposed to supply chain and other management-related tools that would help them improve their skills. This program was implemented in collaboration with the International HIV/AIDS Alliance (IHAA) headquarters and its regional partner organizations that took part in the program. The EDP involved two 1-week sessions of executive training at INSEAD, one at the beginning and the other at the end of the program and a 1-year project in-between aiming to address challenges identified by NGO participants.

The chapter is organized as follows. In Sect. 22.2, we present an overview of literature on supply chain, cross-sector partnerships and introduce a theoretical framework depicting factors that affect partnership success. Section 22.3 describes the three cases. Section 22.4 uses the framework to analyze the case studies, summarizes the main findings and practical implications and discusses possible avenues for value creation using OM/SCM research. Finally, Sect. 22.5 presents our conclusions.

22.2 Literature Review

In order to address our question—what are the challenges affecting the success of cross-sector partnerships in value creation for the partners—we first consider the supply chain partnership literature. According to the Supply Chain Management

¹<http://www.aidsalliance.org>

²<http://PEPAL.org>

Institute “supply chain management is the management of relationships in the network of organizations, from end customers through original suppliers, using key cross-functional business processes to create value for customers and other stakeholders” (Lambert 2014).

Supply chain partnerships develop through different levels (Lambert 2014). At the first level, the partners articulate their objectives. At the second level, the partners need to align their expectations by setting the partnership’s objectives and then at the third level they develop the action plan and assign responsibilities. When the action plan is implemented, the partners review performance (fourth level) against expectations in order to decide how to proceed with the partnership.

In the case of cross-sector partnerships, private companies typically engage in such collaborations in order to improve their reputation, motivate their employees, and develop or assess potential markets (Maon et al. 2009), while the NGOs’ drivers are the opportunity to increase their resources and the exposure to SCM and management-related tools (Van Wassenhove 2006). Cross-sector partnerships refer to the partnerships that involve government, business, nonprofits and philanthropies, communities, and/or the public as a whole (Bryson et al. 2006; Cooper et al. 2006; Austin and Seitanidi 2012a, b). Figure 22.1 presents the cross-sector supply chain partnership.

The supply chain partnership model was originally built to describe business-to-business collaborations. While partnerships between private companies face multiple challenges, like incentive misalignment or information asymmetry, these challenges are even more complex in the case of cross-sector supply chain partnerships. Health management in developing countries faces a lot of uncertainty due to constraints in funding and skills of the people employed (Thomas 2005; Gustavsson 2003). Hence, NGOs often do not have the necessary resources to acknowledge the importance of supply chain management, regarding it as an auxiliary function (Arminas 2005). While the partnership model provides a good understanding of the private supply chain partnership, it ignores the complex environment of cross-sector collaboration. For this reason, we consult literature on cross-sector collaboration between business and nonprofit organizations.

A clear difference between the typical partnership model, described by Lambert (2014), and a cross-sector partnership is that private partnerships are seen as static while Austin (2000a, b) argues there are three stages of collaboration in cross-sector partnerships: philanthropic (unilateral transfer of resources), transactional (reciprocal exchange of resources), and integrative (based on a very close organizational

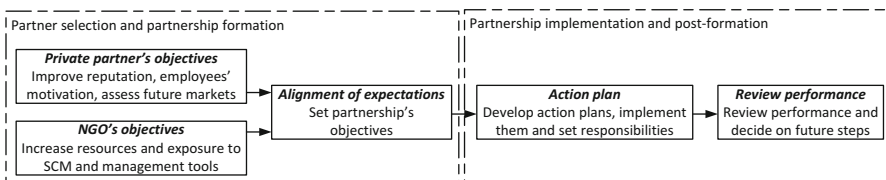


Fig. 22.1 Cross-sector supply chain partnership

coordination and co-creation of value). Austin and Seitanidi (2012b) build on the work of Austin (2000a, b) and suggest collaboration may evolve to a fourth transformative stage (aimed to co-create change at the societal level). This implies that cross-sector partnerships are dynamically evolving over time based on the nature, intensity, and form of interaction.

No matter at which stage partners commence their collaboration, they go through several phases. Selsky and Parker (2005) distinguish three phases of partnership lifecycle: (1) formation, (2) implementation and (3) outcomes, looking at project-based cross-sector partnerships to address social issues. Austin and Seitanidi (2012b) divide partnership lifecycle into the following phases: (1) partnership selection and formation, and (2) partnership implementation and post-formation management. Similarly, Kale and Singh (2009) suggest three phases of alliance: (1) partner selection and alliance formation, (2) alliance governance and design and (3) post-formation alliance management. The expected benefits should be articulated to the partners and society (Austin et al. 2000) and, eventually, decide if the partnership should be continued or terminated. The processes describe how the actions and the dynamics take place during the phases. Finally, the outcomes reflect the value created as the impact of the partnership. Measurement systems and key performance indicators (KPIs) could be of help in achieving this.

Austin and Seitanidi (2012a, b) argue that value of partnering originates from resource complementarity, resource nature, resource directionality and use, and linked interests. It eventually materializes into one of the following types of values: associational, transferred resource, interaction, and synergetic. Associational value is a consequent benefit accruing to a partner from having a collaborative relationship with the other one. Transferred resource value arises by receiving a resource from the other partner. Interaction value depicts the intangibles that derive from the collaboration like communication or leadership skills. Synergistic value reflects the value that arises by combining partners' resources; this value is higher than the one that would be accomplished if they would have acted separately.

We use the literature on cross-sector partnerships and supply chain partnerships to build a framework that will help us identify factors leading to successful cross-sector partnerships. Specifically, we look into the literature for factors that influence partnership formation and selection management, partnership implementation management and outcomes. We also examine the managerial challenges and complex environment in which these partnerships occur.

In Sects. 22.2.1 and 22.2.2 we focus on the two phases of partner selection and formation, and partnership implementation and post-formation management, respectively.

22.2.1 Partner Selection and Partnership Formation

Decisions at the partner selection and formation phase influence partnership's future potential to evolve and create value. This phase allows partners to align expectations and determine if a potential relationship is worth time and investment. It

includes a range of activities such as problem-setting processes (Gray 1989; McCann 1983), initial conditions of the partners, for example resources they possess (Bryson et al. 2006), and assessments indicating benefits likely to be produced by the collaboration (Clarke and Fuller 2010; Gourville and Rangan 2004). As identified by Lambert (2014) it is also crucial for the supply chain partnership to set objectives and match expectations.

Austin and Seitanidi (2012b) show that initial articulation of the problem, linked interests and resources, partners' motives (Seitanidi and Crane 2009) and missions, history of past interactions and visibility fit are key measures of partnership formation and fit potential. Visibility fit reflects the desire to gain visibility (Gourville and Rangan 2004) that may enhance reputation (Tully 2004), and public image (Alsop 2004; Heap 1998; Rondinelli and London 2003), which are benefits that can be attributed to associational value. Visibility fit is a very important aspect in Corporate Social Responsibility (CSR)-based relationships.

One indicator of the potential for value creation is the identification of linked interests through the initial articulation of a social problem relevant to both partners (Bryson et al. 2006; Gray 1989; Waddock 1986). Addressing the social problem often becomes the key objective for the partnership itself. The process of articulation can be challenging and show the incompatibilities between partners signalling the need for realignment (Austin and Seitanidi 2012b). Moreover, when the social problem is linked to the interests of the partners, the probability that they will benefit from the partnership is higher (Le Ber and Branzei 2010). So matching the interests of the partners shows that they better fit with one another and may increase partnership success.

Partners' motives and missions reveal possible linked interests and expected benefits (Seitanidi 2010). According to Kale and Singh (2009), partner complementarity shows how partners contribute non-overlapping resources to the partnership and it may include both tangible and intangible (knowledge, capabilities, management practices, and skills) resources. It also refers to the fit between partner working styles and cultures (Austin and Seitanidi 2012b). Corporations willing to enter developing regions have to understand the unique conditions of this environment and try to fit culturally (Dahan et al. 2010). Checking for compatibility and complementarity early on, by verifying the past history of interactions and visibility fit (Austin and Seitanidi 2012b), can reduce the probability of misunderstandings, misallocation of costs and benefits, mismatches of power, lack of complementary skills, and mistrust (Berger et al. 2004). Social partnerships are inherently fragile also because of individuals involved in the collaboration for whom partnerships may be of secondary concern when compared to their daily jobs (Waddock 1988).

Once the formation measures are set, the next step concerns the partner selection using predefined partnership criteria and the measures of partnership formation and fit the potential discussed above. Specific criteria may involve factors such as the industry of interest, resource availability, and scope of operations and may facilitate the process of assessing potential partners. There are cases where some organizations may not agree with all of the activities involved in the partnership formation and selection process or some activities may overlap.

22.2.2 *Partnership Implementation and Post-Formation Management*

The implementation of the partnership commences when the needs and problems of the partners are clear and the partnership is formed. At the beginning of this phase, the partnership is designed and then the operations follow. Partnership design processes include setting objectives and structures (Austin 2000b; Bryson et al. 2006; Googins and Rochlin 2000), rules and regulations (Das and Teng 1998; Gray 1989), leadership positions (Austin 2000a; Waddock 1986) and agreements on partnership management (Seitanidi and Crane 2009). Moving from design to operations is often followed by experimentation, adaption (Austin 2000a; Gray 1989), operationalization, and institutionalization of processes as partners improve and readjust their coordination mechanisms and structural arrangements (Austin and Seitanidi 2012b). This process is facilitated by frequency in communication, professional leadership, evaluation of progress, and the ability to set objectives (Googins and Rochlin 2000; Austin and Seitanidi 2012b).

While setting the objectives is an important factor for partnership success (Googins and Rochlin 2000), rules and regulations can also emerge as partnership evolves (Austin and Seitanidi 2012b). Informal communication is more likely to be effective in dealing with tensions between the partners and harmonizing different organizational cultures (Orlitzky et al. 2003). Austin and Seitanidi (2012b) find by conducting a literature review that harmonizing two different organizational cultures, leadership, forms of communication that enable trust, mutual respect, openness, constructive criticism, and open dialogue play an important role in cross-sector partnerships. Shah and Swaminathan (2008) emphasize that commitment is crucial for partnership success especially when partners have clear expectations from the partnership but vague processes regarding how to achieve them. In this case, partners should be willing to dedicate more resources to the relationship and pledge to work with each other even when they realize that some adaptation might be required.

The value created by partnerships should then be measured. For example, a group of companies, including pharmaceutical companies like, Abbott, AbbVie, Astra Zeneca, GlaxoSmithKline, uses a framework to assess the real value and impact of their community investment to both business and society.³ Other practitioner studies, such as IFC, Community Investment Guidelines⁴ and TPI, Current Practice Evaluation⁵, provide guidelines on how to measure and communicate community investment for strategic advantage. In this respect, Googins and

³LBG Model: <http://www.lbg-online.net/about-lbg/the-lbg-model.aspx>

⁴Strategic Community Investment: A Good Practice Handbook for Companies Doing Business in Emerging Markets: <http://www.ifc.org/wps/wcm/connect/60a5be8048855226aab4fa6a6515bb18/12014chapter8-.pdf?MOD=AJPERES&CACHEID=60a5be8048855226aab4fa6a6515bb18>

⁵The Partnering Initiative: Current practice in the evaluation of cross-sector partnerships for sustainable development http://thepartneringinitiative.org/wp-content/uploads/2014/08/WP1_Evaluation.pdf

Rochlin (2000) raise a question that is common among practitioners: how partners can measure results of their partnerships. On an organizational level, by reviewing best practices of social programmes, Sept et al. (2011) proposes four methods for evaluation: impact evaluation, performance monitoring, process evaluation, and social return on investment evaluation. Koza and Lewin (2000) discuss the importance of monitoring performance outcomes. Specifically, they find that in partnerships with less well-defined objectives such as exploration alliances, monitoring progress and performance outcomes, and setting clear partnership goals is greatly complicated and requires the design and execution of process controls. This often happens because the performance goals are generally stated in much less specific, causally ambiguous, open-ended terms such as acquiring new capabilities and learning new technologies. Key performance indicators (KPIs) can also be used to show whether the partnership is moving towards its objectives. At that point, the partners need to decide if they should exit the partnership or develop a continuation strategy.

The key processes of the post-formation management and implementation phase described above are used in our framework, presented in Fig. 22.2. These processes highlight also the challenges that partners may face at every phase, like lack of commitment, trust and an open relationship. The two phases are followed by the decision to assess value created and to exit or continue the partnership (continuation strategy). Hence the framework presented in Fig. 22.2 captures the factors that according to the literature affect partnership success. In Sect. 22.3 we use this framework to analyze our three cases.

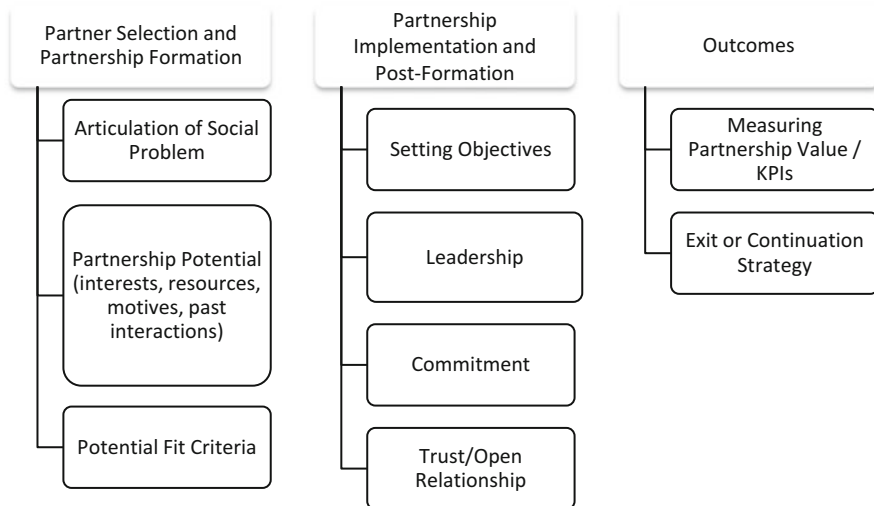


Fig. 22.2 Framework depicting potential factors affecting cross-sector partnership success

22.3 Empirical Study: Case Description

In this section we present three case studies of partnerships between pharmaceutical companies (headquartered in Belgium) and healthcare focused nonprofit organizations operating in developing countries. The three partnerships were built and implemented in 2009–2010, during the 12 months Executive Development Program (EDP) commissioned by PEPAL, a social enterprise and carried out by the INSEAD Humanitarian Research Group. Using the framework, (Fig. 22.2) developed in the previous section, we identify main challenges that arise in the process of building and implementing the cross-sector partnerships and then we compare the three partnerships.

Partnerships underwent several phases (Austin and Seitanidi 2012b). First, a partnership formation and selection phase took place during which, with assistance of PEPAL, potential candidates were identified and matched. PEPAL following discussions with both NGO and private partners built a list of criteria to match the partners. Thus the three partnerships were formed based on the skills of the private partners, their previous collaboration experience, the mutual interests of both partners and the chemistry developed between the individuals forming the partnership. Table 22.1 presents the partner selection criteria.

Second, partnership implementation and post-formation management followed, throughout which partners carried out partnership management activities as part of the 1-year program. Our three partnerships had no formal governance structure. The collaboration was based on mutual trust and informal relationships. Lastly, the

Table 22.1 Partner selection criteria for the three cases

Criterion	Partnership in Zambia	Partnership in Ukraine	Partnership in Uganda
Industry of interest	Previous experiences of both partners in healthcare	Previous experiences of both partners in healthcare	Previous experiences of both partners in healthcare
Previous collaboration experience	No previous cross-sector collaboration experience of either partner	No previous cross-sector collaboration experience of either partner	Previous experience of private partner in healthcare and developing countries
Interests	Mutual interest: healthcare in developing regions	Mutual interests: healthcare in developing regions, cost effective relationship (money/time/ investment vs. outcomes)	Mutual interest: healthcare in developing regions
Personal factor	Personal chemistry with some people across the two organizations	Personal chemistry between the core people of the two organizations	

outcomes of the partnerships are also discussed looking at them as the result of the collaboration rather than a separate phase. After 1 year, partners evaluated their progress and outcomes, and made decisions with regard to the future of their collaboration [the full cases can be found in Balaisyte and Van Wassenhove (2011)].

The structure of the mini-cases is as follows. We first describe how the partnership was formed. Then we briefly discuss the evolution of the partnership. Finally we summarize the challenges encountered and outcomes achieved by the partnership.

22.3.1 Case 1: Partnership in Zambia

Around 68 % of Zambians live below the recognized national poverty line (United Nations Statistics Division 2014). The country is experiencing a generalized HIV/AIDS epidemic, with a national HIV prevalence rate of 17 % among adults, with the NGO sector being a crucial player in providing health services to the community. Lack of resources, capacity and training in the public sector for the healthcare services create demand for NGO services.

22.3.1.1 Formation of the Partnership

International HIV/AIDS Alliance in Zambia, established in 1999, has been a partner organization for the Zambia Integrated Health Program (ZIHPCOMM)⁶. Since it was founded, International HIV/AIDS Alliance in Zambia was challenged by decentralization since it has grown with a need to make the transition from a country office of the International HIV/AIDS Alliance to a fully independent Zambian NGO. Change management and capacity were required to handle this transition. International HIV/AIDS Alliance in Zambia joined this EDP while seeking to benefit from marketing expertise to build the image of the evolving organization, to increase the available resources of its supply chain, and gain benefits through the associational value (by improving its image) and interaction value (acquiring marketing skills from interaction).

At the same time, the private partner, backed by its organization, was looking for a 1-year engagement within an NGO operating in the healthcare sector. The private partner had worked in the pharmaceutical industry for the past 10 years, mostly in developed countries, and had extensive experience in the domains required by the NGO. So the private partner could help the NGO improve the management skills of employees and the NGO's operations and hence no longer regard their supply chain as an auxiliary function (Arminas 2005). The private partner was interested to build an understanding of how the healthcare system functions in a less developed context and how the pharmaceutical industry could contribute. Thus the expected benefits of the private partner through this partnership included interaction value

⁶<http://bixby.berkeley.edu/bixby-internship-zambia-2003/>

(learning how a nonprofit organization operates) and satisfy his interest in learning how to operate in a developing country. With the support of PEPAL, the two partners were matched and introduced to each other based on the objectives of the partners and potential fit criteria. For example for the NGO the skillset that the private partner possessed, industry (healthcare) expertise, and interest in developing regions were important criteria.

22.3.1.2 Evolution of the Partnership

The private partner joined Alliance Zambia as an advisor to the senior management team, which allowed him to take a leadership position. Partnership management tools and performance metrics initiated by the private partner through the form of semi-annual surveys were used. Partners established trust, compatibility, complementarity and commitment-based relationships. The relationships were straight, equal, and built on trust. With the private partner being on the ground for the 1-year period, partners had an opportunity to build close relations through daily communication. For example, the private partner supported Alliance Zambia team to prepare for one of the largest events, the National Prevention Convention by supporting and empowering its employees to take on new roles such as public speaking and succeed during the event. This is an example of how with the help of the private partner, the skills of the NGO's employees can be improved and their knowledge gap of business practices can be addressed (Samii and Van Wassenhove 2003).

22.3.1.3 Challenges and Outcomes

Unfortunately, in the midsummer the NGO experienced funding challenges. As a result, there was a change in management and the new Executive Director had different priorities. This is a common phenomenon in NGO supply chains which often face difficulties to attract and retain employees with management experience because of funding issues (Thomas 2005; Gustavsson 2003). The financial difficulties the International HIV/AIDS Alliance in Zambia faced jeopardized project goals. Taking the limited available resources into account, the partners decided not to continue with the collaboration and terminate it at the end of the programme at INSEAD.

22.3.2 Case 2: Partnership in Ukraine

Ukraine's major developmental challenges include underdeveloped infrastructure, unstable political environment, corruption, and excessive bureaucracy. The country has one of the highest HIV/AIDS prevalence rates in Europe, an area in which the NGO community is very active. The primary issues faced by the supply chains of most NGOs operating in the area, including International HIV/AIDS Alliance in Ukraine, were limited resources and strong competition for funding.

22.3.2.1 Formation of the Partnership

Five years after its foundation, Alliance Ukraine expanded by establishing a subsidiary that hosts the Regional Technical Support Hub (TS Hub) for the Eastern Europe and Central Asia region. The TS Hub provides technical support services to a wide range of NGOs, acting in this way as a new product that Alliance Ukraine can offer to other NGOs, and serves as a mechanism for the International HIV/AIDS Alliance to obtain additional funding for their operations.

Before joining the EDP, the Alliance Ukraine team was struggling to turn the hub into a sustainable business entity. Alliance Ukraine easily identified the TS Hub as the project for this partnership. The potential benefits of engaging in the partnership were of resource nature (to increase their funding) and interaction value (acquiring marketing skills and project development from interaction).

The private partner Tibotec has a strong CSR culture. It was a good match for Alliance Ukraine's needs in terms of skillset and expertise, as they had extensive experience in marketing and project development. Tibotec was interested in the partnership as a career development opportunity for its senior staff. Moreover, the corporate partners saw this partnership as an opportunity for improving their understanding of the epidemic in Ukraine which may facilitate their future operations in this new market as well as collaboration with the NGO sector. Tibotec partners supported Alliance Ukraine with market growth strategy expertise by sharing market analysis and its strategic planning knowledge. The potential benefit for the private partner was interaction value (learning how a nonprofit organization operates, employees' personal interest and motivation).

22.3.2.2 Evolution of the Partnership

With the support of PEPAL, the two partners were matched and introduced to each other based on their objectives and potential fit criteria. For example for the NGO the skillset that the private partner possessed, their social mission and the interest of the private partner in developing regions were important fit criteria. Table 22.1 presents the partner selection criteria for this partnership.

During the kick-off week at INSEAD, the project team divided roles, leadership and responsibilities, and also agreed on the interaction patterns. The project team had established a routine of bi-weekly telephone conferences that helped partners build a strong relationship and confront all issues openly. After the first 2 months of the partnership, the hub manager left the organization and a temporary manager from the International HIV/AIDS Alliance in Ukraine was assigned.

After the new TS Hub manager joined the HIV/AIDS Alliance in Ukraine, the private partners came to Ukraine and spent 1 week working with the new TS Hub manager and her team in order to readjust project goals. The project team developed good relationships. The partners shared the leadership of the project, with the private partner taking the lead on communication and mentoring, and the NGO partner leading the direction of the project.

22.3.2.3 Challenges and Outcomes

The first 2 months of the project were challenging since the International HIV/AIDS Alliance team in Ukraine did not have a clear direction regarding the hub, a typical characteristic of NGO supply chains (Maon et al. 2009). However, partners managed to overcome this challenge by developing their strategic direction. One year later, the partnership proved to be very collaborative with strong commitment and trust coming from both sides. The TS Hub became a fully functional and revenue generating unit and partners maintained good relationships.

22.3.3 Case 3: Partnership in Uganda

Uganda is a landlocked country in East Africa with more than 35% of its population living on less than \$1.25 a day⁷. Currently, 7.2% of Uganda's population is suffering from HIV/AIDS⁸. The high poverty of the population combined with the lack of public resources spent on health services, increases the demand for NGO services.

22.3.3.1 Formation of the Partnership

The International HIV/AIDS Alliance in Uganda has been present in the country since 2005 with an objective to improve access to HIV/AIDS prevention means, care treatment and support services to orphans and vulnerable children. Being a young organization, the International HIV/AIDS Alliance in Uganda suffered from their staff lacking project and program implementation skills, a common characteristic of NGO supply chains (Thomas 2005; Gustavsson 2003). Therefore, a partnership with the private sector was considered a good opportunity to improve project management skills and acquire a commercial sector perspective. Tibotec was ready to offer these capabilities and welcomed the project as an opportunity to engage in a meaningful CSR initiative. Through this partnership, Alliance Uganda was seeking to acquire increased resource base (in order to improve the skills of their employees). The benefit for the private partner was associational value (through the CSR initiative).

With the support of PEPAL, the two partners were matched and introduced to each other based on the potential fit criteria and their interests. Past experience of the private partner in working with NGOs and in developing regions was considered an advantage. Table 22.1 presents the partner selection criteria.

⁷<http://data.worldbank.org/indicator/SI.POV.DDAY>

⁸http://www.avert.org/hiv-aids-uganda.htm#footnote3_we9dl36

22.3.3.2 Evolution of the Partnership

The partnership evolved through several phases. Partnership formation occurred during the EDP at INSEAD where partners agreed to work on the project through frequent communication over the phone and e-mails. At the beginning of the project, private partners made a first visit to Uganda, which was an eye-opening experience. They realized that defining clear goals was not an easy task. The first 4 months of the project were spent on discussions about how Tibotec could help Alliance Uganda. Then financial challenges arose for the NGO. The International HIV/AIDS Alliance in Uganda office was downsized, including management. The executive director left the NGO, leaving Tibotec without a leadership partner on the ground.

Following 2 months of struggle, a temporary project manager from the headquarters of International HIV/AIDS Alliance stepped in to support the partnership and Alliance in Uganda while the headquarters of the HIV/AIDS Alliance was supporting the hiring of the new executive director and project manager for the partnership. Because of this change, the partners were forced to redefine the goals of the supply chain partnership. Due to the financial challenges, International HIV/AIDS Alliance in Uganda decided to develop a Technical Support Hub (TS Hub), designed to generate revenues as an additional service that Alliance in Uganda could offer to other NGOs. Preparing a business plan and conducting market research became the new partnership objectives. Nine months after the beginning of the project, a new manager arrived at the NGO. The partners had to go through the whole adjustment and relationship-building cycle again, which negatively affected the project development dynamics, as described in the next section.

22.3.3.3 Challenges and Outcomes

To sum-up, despite a number of adjustments, it was hard for both sides to work on the project with no leadership support coming from the Alliance Uganda side. There was a lack of clarity in responsibilities and understanding by the Alliance Uganda team on how to accomplish the goals of the supply chain partnership, and misalignment of expectations on both sides. When the new executive director was hired, due to financial challenges and other priorities, he was not in a position to engage in the partnership to the full extent. Therefore, without active leadership, commitment, and support from the executive director, the project was not able to make progress.

After 1-year of not being able to find a common ground for collaboration, the partners re-evaluated their efforts and decided to terminate the partnership. They used the Programme's final training week at INSEAD to meet face-to-face and take this decision.

22.4 Propositions and Research Implications

Four stages of collaboration in cross-sector partnerships are identified by Austin (2000a, b): philanthropic, transactional, integrative, and transformative. Our three cross-sector partnerships are based on transfer of resources to one another. However, our partnerships are not yet so advanced in order to co-create value or to make changes at the societal level, even if these are their future goals. So our three partnerships fall into the transactional stage. The forms of value identified in our partnerships are associational, transferred resource, interaction and synergetic value as presented by Austin and Seitanidi (2012b, 2010a).

In this Section the three cases are analyzed using the findings from the literature. Section 22.4.1 presents the propositions that arise, while Sect. 22.4.2 discusses the research implications.

22.4.1 Propositions

In this Section we use the framework developed in Sect. 22.2 (Fig. 22.2), which depicts potential factors affecting the success of the cross-sector partnerships, and the case studies conducted to identify the factors that affected the outcomes of the three cross-sector partnerships.

Our analysis of the three cases revealed that during the partnership selection and formation phase setting clear objectives for the supply chain partnership (relevant to all cases), and having compatible and complementary partners regarding skills and available resources (relevant to all cases) improves chances to achieve partnership goals (Fig. 22.3). These findings are supported by the literature on the

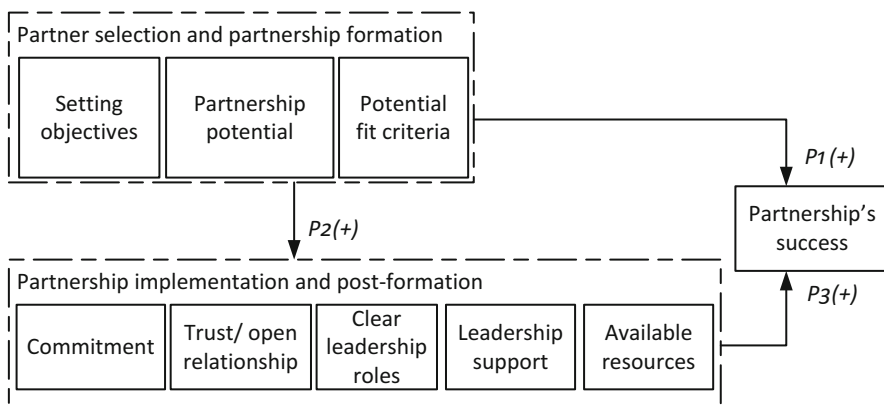


Fig. 22.3 Factors affecting success of cross-sector partnerships. Positive signs (+) indicate that the factor/s at the beginning of the arrow and the variable at the end change in the same direction; for example if the partners put more effort on setting clear objectives for the partnership, then there is higher probability that the partnership will be successful

importance of cultural fit (Dahan et al. 2010), compatibility and complementarity of skills (Austin and Seitanidi 2012a, b; Berger et al. 2004) and resources (Kale and Singh 2009). Taking into account these findings, we form our Proposition 1.

Proposition 1 (P1) During the partner selection and partnership formation phase, improving

- *Setting objectives*
- *Identifying the partnership potential (clear benefits to all partners)*
- *Identifying fit criteria (between partner working styles and cultures, and clear understanding of the skills and weaknesses on both sides)*

will have a positive impact on the success of cross-sector supply chain partnership

In all three case studies we found a link between the success of the partner selection and partnership formation, and the partnership implementation and post-formation management. For example, we find that if the partnership potential is not adequate during the partner selection and partnership formation phase (e.g., regarding available resources of the supply chain partnership) then the partnership during the implementation and post-formation management phase faces challenges (all three cases) and objectives, processes and responsibilities may need to be readjusted. These results are in accordance with the findings of Kale and Singh (2009), Austin and Seitanidi (2012b) and Le Ber and Branzei (2010).

Taking into account these findings, we form our Proposition 2.

Proposition 2 (P2) Improving the planning of the partner selection and partnership formation phase will have a positive impact on the partnership implementation and post-formation phase of the supply chain partnership.

The success of the three cross-sector partnerships depends on factors linked to the partnership implementation and post-formation management phase. In all three cases we find that sustaining the commitment (evident in the Zambia and Ukraine cases) (Shah and Swaminathan 2008), building trust and open relationship (as was the case for all three partnerships) (Austin and Seitanidi 2012b), having a detailed map of leadership roles and responsibilities (evident in the Ukraine case) (Googins and Rochlin 2000; Austin 2000b; Bryson et al. 2006), establishing leadership support (as in the Ukraine case) (Austin 2000a and Waddock 1986), and having available resources for the partnership implementation (which was a barrier for all three cases) (Kale and Singh 2009) has a positive effect on achieving partnership objectives. Based on these observations, we form our Proposition 3.

Proposition 3 (P3) During the partnership implementation and post-formation phase, improving

- *Commitment*
- *Trust and open relationship*
- *Having a detailed map of leadership roles and responsibilities*
- *Establishing leadership support*
- *Having available resources for the partnership*

will have a positive impact on the success of the cross-sector supply chain partnership

By comparing the literature findings (Fig. 22.2) with our three case study propositions (Fig. 22.3), we observe that articulation of the social problem did not challenge the partnership's success; perhaps this is due to the set-up of the EDP that allowed clarifying the social problem early in the program. However, there was a difference in the timing of the objectives. The partnership objectives were instrumental for the partner selection and were set before the partnership implementation started. On the contrary, the literature suggests that objectives are typically set later.

Finally, all three partnerships were challenged to measure the success of their supply chain partnerships, both on an organization and partnership level. Corporate partners did not establish any specific measures to track partnership impacts on their organizations. For the NGOs, the positive impacts of the collaboration were attributed to the success of the partnership in general. Observing our partnerships we found that the main challenge for setting KPIs and monitoring performance was related to the combination of several factors: partners' inability of setting objectives, and constantly changing available resources and engagement of senior management. Partners often were not sure about their ultimate objectives or these objectives were too broad or ill-defined. Initially all partnerships had very ambitious goals such as creating a new marketing strategy or designing a new business plan, that often proved difficult to achieve. These factors affected the progress of the partnership, resulted in a need to readjust or change objectives, and affected the ability to track partnership performance.

22.4.2 Research Implications

The analysis of the three cases also revealed that business and nonprofit partnerships are characterized by complexity due to the nature of NGO resource constrained environment, uncertainty, and multiple trade-offs (Besiou and Van Wassenhove 2015). Often NGOs are challenged by the resources that are required in advance for the partnership to function properly. Uncertainty is reflected in fierce competition among NGOs for limited funding, which makes the future of the NGO employees insecure. In our cases the business partners were often left without any support coming from the NGO side. Furthermore, due to the uncertainty of resource availability, the objectives of the partnerships, the support coming from the leadership, the roles of the partners and their commitment change dynamically. There are also time delays in building trust between the partners and improving their skills/capacity. Moreover, the partners need to deal with trade-offs between the short-term losses of investing constrained resources and the long-term benefits of the social cause. In "uneasy" partnerships, like the three cases discussed in this chapter, it may be challenging to capture and monetize the value created by the supply chain partnership. Value is often rather intangible, so setting quantitative KPIs may be hard.

We believe that there is an opportunity for OM/SCM research to dive into the interesting environment of cross-sector partnerships. First, OM/SCM researchers

need to go to the field to understand the constraints and the complex environment of these partnerships. After mapping the territory, modeling could be used to better understand the impact of the limited resources (for example lack of funding) on the supply chain partnership.

Then the impact of different decisions and actions could be evaluated to maximize the benefits of working together and building more effective partnerships. Education in OM/SCM could also find research in cross-sector supply chain partnerships beneficial. Examples of cross-sector partnerships could be used contrasting them to examples of commercial partnerships. The students could initially try to explore the impact of constrained resources on the operations of the supply chain partnership at a conceptual level and then capture the right trade-offs with OM/SCM models. From a pedagogical perspective, students could also try to come up with KPIs that could measure the social impact and the success of such partnerships.

Our examples of cross-sector partnerships are characterized by stakeholders with conflicting goals (private companies, NGOs and donors) (Van Wassenhove and Besiou 2013). The private companies engage in such partnerships because of their CSR strategy, while the NGOs use them as means to improve the skills of their employees and improve their funding. Private sector supply chain partnerships also face multiple challenges like incentive misalignment but what makes these issues more challenging in cross-sector environments are limited resources and higher levels of uncertainty. For example NGO supply chains suffer from high turnover due to limited funding (Thomas 2005; Gustavsson 2003). Moreover, as seen in our cases, many of the partners were engaging for their first time in a cross-sector partnership and they had different expectations. So being part of such a partnership may not be straightforward for all the partners, or even desirable for all employees, an unfamiliar context for private supply chains. OM/SCM can also be used to map the stakeholders' dynamic goals and understand this context. For example Stadler and Van Wassenhove (2013) study the partnership between the humanitarian Logistics Cluster and four logistics companies. Even if the four logistics companies are competitors, when a disaster strikes they activate the supply chain partnership and share resources to optimize the social benefit. Broader issues from a supply chain perspective need to be taken into account, like the strong commitment coming from the partners. Collaborative game theory and system dynamics could be applied in order to study the dynamic changes of the partner roles for different levels of decentralization and competition coming from the funding in an effort to maximize the benefit of the partners.

The complexity and the unfamiliar context of the cross-sector supply chain partnerships can lead to counterintuitive behavior (Besiou and Van Wassenhove 2014). In our cases even if the partners had to face many challenges, their commitment was really strong due to their belief in a social cause. Pedagogical cases in OM/SCM discipline could also be used here in order to study how the objective functions of the supply chain partnership would change under such conditions.

22.5 Conclusions and Practical Implications

Today increasingly more companies are under pressure to engage in corporate social responsibility initiatives like partnerships with non-governmental organizations. In response to increased practitioner interest on the topic, this chapter studies three examples of cross-sector supply chain partnerships between pharmaceutical companies and healthcare focused NGOs. In this study we look at the factors that affect the success of such partnerships, and identify the avenues for future research on cross-sector partnerships for the OM/SCM discipline.

We hope that our findings will be helpful to master-level students, academia, but foremost to the actual practitioners in healthcare sector both on business and NGO sides, who are already managing or planning to engage in cross-sector partnerships.

As observed from the three partnerships, engaging in cross-sector collaboration requires substantial amount of resources and efforts that may not be straightforward to all partners. Our framework and findings can help practitioners manage the value creation process better through cross-sector partnerships and answer the following questions: How different partnering processes and factors (e.g., setting objectives) affect value generation? How these different factors can be most effectively organized during different phases of partnership (e.g., leadership)? How and in what combination can partners use resources designated for partnering (e.g., available resources)? What actions can help partners improve implementation of the partnership internally, externally and between partners (e.g., communication and commitment)? We hope that this study will support their efforts in setting-up partnerships and will provide insights on how to build more efficient collaboration.

To have a successful partnership, the engagement process needs to be supported by the leadership. The benefits for each partner and for the social cause need to be communicated to all employees; unclear communication and lack of commitment can undermine the partnership's success. If the partners due to external constraints, like lack of funding, lose their direct interest in the partnership, then resetting the objectives of the supply chain partnership or changing the leadership roles may be helpful. For example, in the case of the partnership in Uganda the initial goals concerned how to improve business related skills of employees. However, when the NGO faced funding issues, the partners decided to set sustaining the service of the TS Hub in order to increase their financial resources as the new objective.

In addition, given the specifics and challenges presented by these partnerships, characterized by multiple stakeholders with differing objectives, and the complexity of the system in which they operate, we see ample of space for further research. We believe that the trade-off between short-term goals of spending fewer resources and the long-term goal of capacity building offers interesting research opportunities.

This chapter shows that for research on sustainable supply chains we need to take into account all the other broader issues that should go beyond the traditional supply chain perspective. It is in particular relevant in addressing healthcare management issues in developing countries where actors face uncertainty due to capacity constraints such as funding and skills of their employees (Thomas 2005; Gustavsson 2003).

In addition, the cross-sector supply chain partnerships are very different from the ones developed between private partners. In the NGO context, SCM is of increasing importance but it has been undervalued since NGOs often regard it as an auxiliary function (Arminas 2005). In order to overcome this gap, private companies have an opportunity through cross-sector supply chain partnerships to help NGOs increase their resources and the exposure to SCM and management related tools (Van Wassenhove 2006). In this way, the skills of the NGO employees will improve and their knowledge gap will decrease (Samii and Van Wassenhove 2003). At the same time the pharmaceutical companies engaged in such partnerships will acquire valuable experience of operations in developing markets. Interdisciplinary research combining OM/SCM discipline with behavioral, management and strategy topics could be beneficial to optimize the desired impact of the partnership with the existing resources.

This research has some limitations. First, it is limited to three cases. This was necessary to be able to focus only on one specific industry in order for the results to be comparable, but the generalization of the findings is limited. Second, more research is needed to test the propositions.

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