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# Company's Business Models and NGOs: Inputs from the Partnerships Portfolio

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**Abstract:** Large companies have to deal with societal challenges that threaten their development. To survive, some decide to develop diversified partnerships with non-governmental organizations (NGOs). Drawing on an in-depth case study, we identify different types of contributions of business-NGO partnerships to a multinational's strategy. At the corporate level, they participate in the management of the company's strategic activities, and at the business level, they contribute in a complementary way to the implementation of the various business models. These results open a renewed reflection on the contribution of NGOs to the company's strategy through the concept of business-NGO partnerships portfolio.

**Keywords:** Strategy; business models; non-governmental organizations (NGOs); partnerships; portfolio.

**Résumé :** Les grandes entreprises sont soumises à des enjeux sociétaux qui menacent leur développement. Pour assurer leur pérennité, certaines décident de développer des partenariats diversifiés avec des organisations non-gouvernementales (ONG). A partir d'une étude de cas approfondie, nous identifions différents types de contributions des partenariats ONG-entreprise à la stratégie d'une multinationale. Au niveau corporatif, ils participent au pilotage des activités stratégiques de l'entreprise, et au niveau *business*, ils contribuent de façon complémentaire au déploiement des différents modèles d'affaires. Ces résultats permettent de repenser la contribution des ONG à la stratégie de l'entreprise à travers le concept de portefeuille de partenariats ONG-entreprise.

**Mots clés :** Stratégie ; modèles d'affaires ; organisations non-gouvernementales (ONG) ; partenariats ; portefeuille.

**Resumen:** Las grandes empresas tienen que manejar los desafíos sociales que amenazan su desarrollo. Para sobrevivir, algunas deciden desarrollar colaboraciones diversificadas con las organizaciones no gubernamentales (ONG). A partir de un estudio de caso detallado, identificamos diferentes tipos de aportaciones de las colaboraciones con las ONG a la estrategia de una multinacional. A nivel corporativo, participan en la gestión de las actividades estratégicas de la empresa, y a nivel de negocio, contribuyen de forma complementaria al despliegue de los diferentes modelos de negocio. Estos resultados permiten repensar la aportación de las ONG a la estrategia de la empresa a través del concepto de portafolio de colaboraciones con las ONG.

**Palabras claves:** Estrategia; modelos de negocio; organizaciones no gubernamentales (ONG); colaboraciones; portafolio.

# **Company's Business Models and NGOs: Inputs from the Partnerships Portfolio**

In recent decades, the non-governmental sector has grown in importance and influence over the business world (Harangozó and Zilahy, 2015). Considered as serious regulatory bodies (Dahan et al., 2010; Teege et al., 2004), non-governmental organizations (NGOs) represent a huge market (Yaziji and Doh, 2009). In this context, a dynamic field of research has developed on the relations between NGOs and companies (Pedersen and Pedersen, 2013; Laasonen et al., 2012).

Relationships between NGOs and companies are traditionally marked by defiance or conflict (London et al., 2004; Lewis, 1998). The players are nonetheless encouraged to cooperate through different forms of company-NGOs partnerships (CNP). Indeed, companies find themselves in a binding legal and normative framework, while subject to increasing pressure from civil society (Yaziji and Doh, 2009). CNPs thus serve as a lever for adaptation (Austin, 2000a). At the same time, NGOs face growing competition in their search for donations and subsidies (Weerawardena and Mort, 2006) and CNPs can provide a solution to diversify the sources of funding needed for physical and financial resources.

CNPs are innovative organizational entities, considered to be efficient in their response to the challenges of sustainable development (Austin, 2000b; Murphy et al., 2015). Complementarity between the partners' resources and competencies (Rondinelli and London, 2003; Brugmann and Prahalad, 2007) or business models (Dahan et al., 2010) help to conciliate economic, social and environmental challenges (Rein and Scott, 2009). CNPs are widely viewed as a substitute to offset the inefficiency of traditional forms of regulation like the market or the government.

However, research on CNPs contribution to strategy has failed to take the diversity of partnerships into account, while they cover a multi-faceted reality and are found in numerous

typologies (Pedersen and Pedersen, 2013). It does not distinguish between the diverse contributions associated with different types of CNPs, either in terms of business strategy or corporate strategy (Andrews, 1971). CNPs have been considered in isolation and their complementarity has not been examined to date.

To fill this gap and explore the diversity of strategic contributions according to their different forms, we adopt a global approach to CNPs based on an integrative perspective (Austin and Seitanidi, 2012a, 2012b) that covers the whole range of CNPs practices. In addition, we mobilise the notion of business model (Maucuer and Renaud, 2019) as an operational tool for business (Demil and Lecocq, 2010) and corporate (Aspara et al., 2013) strategy. This concept allows us to adopt a level of analysis (Casadesus-Masanell and Ricart, 2010) that gives a clearer grasp of the contribution of partnerships or alliances to a company's strategic activities (Bouncken and Fredrich, 2016).

Based on an in-depth case study conducted in a large international group, we highlight the diversity and importance of CNPs contributions to a business strategy. At corporate level, CNPs help to redefine the scope of activities around three new strategic segments. At business level, they play an active role in defining and implementing three business models related to the new strategic segmentation.

This paper enriches the literature on CNPs by identifying the role of CNPs portfolio in companies' strategic renewal. We examine the different ways that CNPs contribute to a firm's business model and demonstrate their complementarity. CNPs can act as a steering tool, as well as levers to adapt firm's strategic activities to the context. From a managerial perspective, we highlight the need for proactive strategic management of the CNPs portfolio. This innovative approach supports NGOs partnerships initiatives and recommends managers to carefully consider how they fit in with the firm's strategy.

Our paper adopts a traditional structure. We begin with a critical review of the literature on CNPs. We then present and justify our methodological choice based on an in-depth case study, before presenting and discussing the findings from our empirical work.

## **I. Company-NGOs partnerships and corporate strategy**

After presenting the diversity of CNPs, we move on to the question of their strategic contribution to the firm's activities, defending the need for a business model approach.

### **A. Diversity of company-NGOs partnerships**

The concept of CNP covers a multi-faceted reality that materializes in different types of partnerships (Austin, 2000b; Rondinelli and London, 2003). We can differentiate CNPs geared towards NGO activities from those that primarily serve firm activities (Mach, 2002). The second approach is more consistent with our research interest since it reflects a wide variety of typologies (Dahan et al., 2010; Schwesinger-Berlie, 2010; Baddache, 2004; Elkington and Fennell, 2000; Austin, 1998; Stafford and Hartman, 1996; Waddock, 1991). An integrated model of these typologies is proposed by Austin and Seitanidi (2012a, 2012b), based on the concept of collaboration continuum (Austin, 2000a, 2000b). This differentiates between different CNPs according to the company's level of engagement: i.e., philanthropic, transactional, integrative and transformational partnerships.

Philanthropic partnerships correspond to a low level of engagement and are defined by financial or skills sponsorship operations deployed by corporate foundations (Stafford and Hartman, 1996; Elkington and Fennell, 2000; Baddache, 2004). Nonspecific resources are transferred unilaterally from the firm to the NGO to help it to fulfil its mission. In return, the company obtains a so-called 'associative value' benefit (Austin and Seitanidi, 2012b) which takes concrete form in the shape of additional credibility, reputation, legitimacy, or greater use of its products, services and resources, etc.

The transactional partnership is based on an intermediary level of engagement. It involves formal activities in the field of social responsibility (Baddache, 2004; Schwesinger-Berlie, 2010) such as certification measures, voluntary programs, drawing up charters, or joint organization of events. In this context, Stafford and Hartman (1996) list licensing agreements, sponsorships, product endorsements, task forces and alliances to develop legislation or ‘green’ processes. Elkington and Fennel (2000) also identify themed approaches to dialogue, organized as formal information exchange processes. The flow of contributions is bilateral, and partners share complementary resources. They pursue converging interests, as illustrated by one of the projects at the Ashoka foundation (Dahan et al., 2010) where local farmers increase their incomes thanks to a company’s drinking water services and sanitation installations.

The integrative partnership requires a strong level of engagement and draws the partners into a value co-creation process, with the introduction of strategic activities whose societal impact is of interest to the NGO mission. The partners combine key assets and skills in the framework of a common process (Dahan et al., 2010; Brugmann and Prahalad, 2007; Baddache, 2004; Elkington and Fennel, 2010), particularly in the context of installation projects requiring strong local support (Doh and Teegen, 2002; Oetzel and Doh, 2009; Vachani et al., 2009). Such projects generate immaterial assets for the partners – apprenticeships, confidence, social capital, sensitivity to social problems, potential to forge future relations, etc. – and may result in positive externalities for the company (Austin and Seitanidi, 2012a). However, the reciprocal engagement requires adapted forms of governance to achieve goals (Quélin et al., 2017) and fully grasp all of the relationship’s ambiguity (Sharma and Bansal, 2017).

Finally, the transformational partnership represents the most advanced level of engagement since it is built on long-term collaboration. In this approach, a set of stakeholders is involved in multi-sector collaborations (Dahan et al., 2010) through diverse contractual forms (Elkington and Fennel, 2010). These may take the form of a strategic dialogue on industrial and

commercial issues (Elkington and Fennel, 2010; Baddache, 2004) with the introduction of a joint research and work agenda, or a formal information exchange process including the communication of the findings. The effects of the transformation are both social and organizational (Austin and Seitanidi, 2012a).

Our analysis of the literature shows the great diversity of CNPs. We believe it is possible to combine them within the same company, and it is therefore legitimate to question how their different types of contribution fit in with a firm's strategy.

### **B. Strategic contribution of company-NGOs partnerships**

The strategic potential of CNPs has been widely acknowledged by the management literature (Murphy et al., 2015; Kourula and Laasonen, 2010). They contribute to companies' social responsibility policies (Doh and Guay, 2004; Seitanidi and Crane, 2009; Arya and Salk, 2006) or promote the installation of businesses in developing countries (Doh and Teegen, 2003). In this context, joint operational projects (Dahan et al., 2010; Yunus et al., 2010 ; Stafford et al., 2000) give access to specific resources like knowledge and networks, providing a stronger territorial anchorage (Brugmann and Prahalad, 2007; Oetzel and Doh, 2009) while effectively meeting stakeholders' expectations (Pedersen and Pedersen, 2013).

While such research helps researchers to understand the strategic issues linked to CNPs, they nonetheless have two major limitations. First, the diversity of CNPs within a given company is not taken into account when assessing their specific contribution to the firm's strategy. Thus, the overall strategic impact of their combination within a portfolio is not captured. To overcome this limitation, we adopted the integrative typology of Austin and Seitanidi (2012a, 2012b) that enables us study both the articulation and the strategic impact of different types of CNPs.

Second, the aggregated and sometimes too abstract vision of the NGO's strategic input is insufficient to examine the contribution of CNPs to a company's value creation and capture.

We fill this gap in the literature by adopting the business model concept (Maucuer and Renaud, 2019). Positioned at the interface of strategy and operations (Lecocq et al., 2018), the business model is a unit of analysis (Zott et al., 2011) that provides a clearer understanding of the processes of value creation and capture (Teece, 2010), whether this value is economic (Demil and Lecocq, 2010), social (Thompson and MacMillan, 2010; Yunus et al., 2010) or immaterial (Maucuer, 2013).

Business models are generally represented by four main components, considered as the attributes of a real business (Massa et al., 2017): the value proposition, the resources and competences, the organization, and the revenue model. These components give us insights to assess the internal coherence within a single business model (Demil and Lecocq, 2010) or a business models portfolio (Sabatier et al, 2010; Casadesus-Masanell and Tarjizán, 2012). A diversified company may also be characterized by a corporate business model (Aspara et al., 2013) that reflects the overall strategy behind its portfolio. This approach provides a good framework to understand the strategic role of different types of CNPs and the way they enrich firm's activities. Our aim is to answer the following question: How does the CNPs portfolio contribute to the company's business models?

## **II. Methodology**

### **A. An in-depth case study**

Our case study adopts a grounded theory approach (Glaser and Strauss, 1967; Strauss and Corbin, 1994). Consistent with the innovative nature of our research, this method enabled us to build theories from the continual back and forth between the field and the literature, ensuring close link between the theoretical insights and field practices (Sticesousa et Hendricks, 2006). More specifically, we stayed in line with the approach of Strauss and Corbin (1994) who gave significant weight to 'theoretical sensitivity' (Glaser, 1978) that recognizes the scholar's



subjectivity and theoretical bias. Objectivity is thus achieved thanks to the tools used to manage the data treatment through a standardized coding method.

Our research is based on a unique case study conducted to develop a clear understanding of unusual (Miles and Huberman, 2003) and complex (Yin, 2014) situations. Instead of looking for a statistical generalization, we aim at providing a theoretical construction anchored in empirical observations (Gibbert et al., 2008). This involved identifying emerging trends such as the strategic contribution of CNPs to the company's strategy and business models. We tried to develop a clear understanding of the relations between different types of CNPs and the different aspects of the company's business models. Thus, our case study covers a long timeframe, necessary to observe all the partnerships developed over time. The study background helps us to understand the context.

## **B. The Watercorp case**

Watercorp is a large multinational company in the water supply and sanitation services sector, an area that is particularly subject to NGO requirements and oversight. Its activities are based on public-private partnerships that link a local authority with a private operator in the context of a public service delegation contracts over a defined number of years. Watercorp's customers are thus representatives elected by the service users, and the sustainability of contracts depends to a very large extent on their acceptability.

An internal audit covering a series of national and international contracts concluded that the traditional business model is no longer able to ensure the group's future profitability in its historic markets and is poorly adapted to emerging markets. The audit further showed that the contexts in which it intervenes are highly disparate and require a better understanding of civil society expectations which need to be reflected in the group's activities.

To address this issue, Watercorp created a department dedicated to professionalizing its relations with civil society organizations in order to involve them in its strategic renewal. Attached to the strategy department, the social engineering department is managed by a former NGO director with over 20 years' experience in the international humanitarian sector. From 2007, the group developed a variety of CNPs, with an institutional dialogue mechanism that would serve as a development platform for many other types of partnerships. These CNPs will gradually dovetail with the firm's various strategic activities to address the issues linked to its traditional business model.

### **C. Data collection and analysis**

One of the authors took part in a 5-year participative observation (2007-2012) of a collaborative approach initiated by the company in 2005 to develop and professionalize its relations with civil society organizations, namely, NGOs, institutional donors, local authority representatives, influencers and researchers. It was part of a wider research program and the observation framework was defined in collaboration with the engineering department, including its aims, temporality, data collection, rules of confidentiality, deliverables, etc.

A corpus of primary data (see Table 1) was collected during the observation period from meetings and minutes (see appendix 1.1), semi-directive interviews (see appendix 1.2) and informal interviews formalized by systematic notes.

The meetings formed one of our main sources of data. They were part of a partnership approach that brought company representatives and the NGO together with a view to involving the civil society organizations in the strategic renewal process. These meetings and minutes gave us an overview from the first interactions to the solutions retained and incorporated into the design and rollout of the company's business models.

**Table 1. Primary data**

Type of collection	Role of data	Formats	Number of documents
<b>Observations from meetings (2007-2010)</b>	- Real discussions between NGOs and the company - To understand changes to contributions made by the CNPs.	- Transcribing <i>in extenso</i> (4) - Smoothed verbatim transcript (3)	7
<b>Minutes (2007-2010)</b>	- Drafted by an NGO mediator. - To understand the company's contributions.	- Watercorp (2) - NGO mediator (5) - Business strategy consultant (2)	9
<b>Semi-directive interviews (2008-2010)</b>	- Mainly with an NGO and players from the company. - To understand each partner's vision, unbiased analysis.	- <i>In extenso</i> transcript (16)	16
<b>Informal interviews (2008-2012)</b>	- Conducted with the firm's personnel. - To obtain the most perceptive data to help us understand the case.	- Field notes (20)	20
<b>Total</b>	- To understand the contribution of CNPs to the company's activities. - Triangulation through the complementarity of data.	- Transcripts (23) - Minutes (9) - Field notes (20)	52

The interviews gave us in-depth understanding of the structure and content of the CNPs policy, and its fit with the strategy and business models. They were conducted with the social engineering department and NGO partners. Several interviews were conducted in other companies to assess the specific nature of Watercorp practices. The interview guide has been regularly updated through back and forth between the theory and the field, especially elements regarding the different types of CNPs and the business model components.

Informal interviews helped us to hone our understanding of the case, identify certain ambiguities and obtain strategic information. The meetings were held with representatives from the strategy department, the social engineering department and the company's Foundation. They gave us a better understanding of the strategic issues inherent in the CNPs policy and revealed some informal issues and internal difficulties.

Secondary data were collected to recreate the strategic context of the CNPs: publications and reports produced by the social engineering department (see appendix 2.1), press articles (see appendix 2.2), financial and sustainable development reports, internal and external

communication tools, etc. The triangulation of the primary and secondary data was ensured by their diversity and their complementarity (see appendix 3). Thanks to their synergy, we were able to provide a close analysis of the case (Leonard-Barton, 1990).

Consistent with the grounded theory approach of Strauss and Corbin (1994), data were coded using Nvivo software in a three-stage process: open coding, axial coding and selective coding. The open coding helped us to identify key variables, in other words, the elements related to the company's strategic activities and its relations with NGOs. This coding revealed several recurrent themes (first order concepts), organized around three segments of activity with specific characteristics.

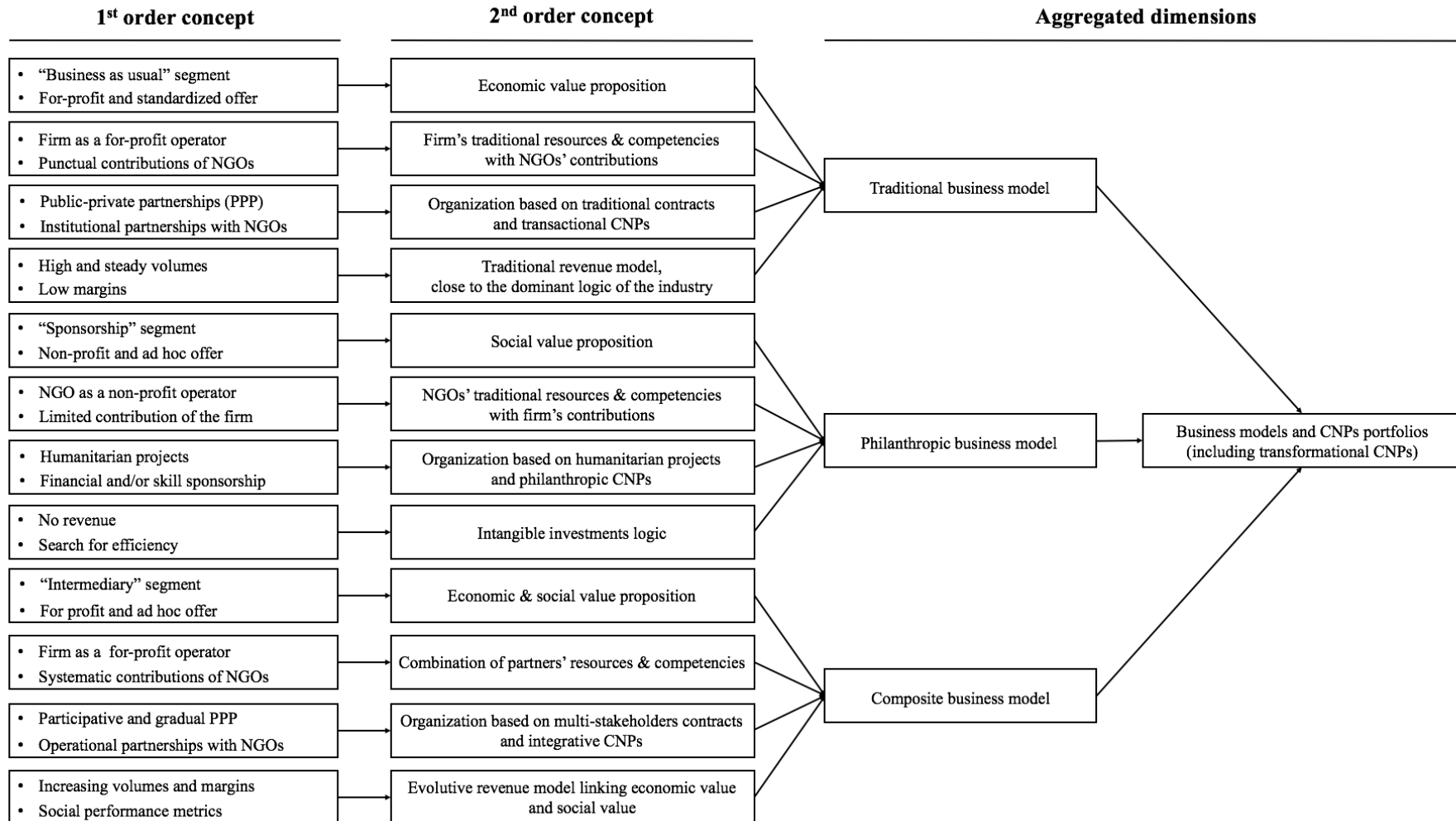
The axial coding allowed us to link these first order concepts with wider conceptual categories (second order themes). The characteristics initially identified were grouped according to the main components of the business model. Inspired by the model of Demil and Lecocq (2010), we took three components into consideration: resources and competencies, organization, and value proposition, adding a fourth component, the revenue model, to take the various value capture logics into account. With regard to the organizational dimension, we attempted to identify the types of CNPs developed, supported by the typology of Austin and Seitanidi (2012a, 2012b). We found three of the four types of CNPs – transactional, philanthropic, and integrative – respectively in each of the three segments of activity.

Finally, the selective coding, which linked the categories to form the theoretical model (aggregated dimensions), enabled us to identify a portfolio of three business models, each characterized by a CNP-specific approach. Thus, the traditional, philanthropic and composite business models incorporate respectively transactional, philanthropic and integrative CNPs. Reflections on the business model portfolio led us to identify a fourth partnership approach suggested by Austin and Seitanidi (2012a, 2012b) that informs all of the company's activities, in other words, a transformational CNP.

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This model allowed us to introduce the concept of CNPs portfolio and to highlight the interest of portfolio strategic management. The data structure (see Figure 1), produced in accordance with the method of Gioia (Gioia et al., 2012), offers a strict presentation of the inductive theorization process.

**Figure 1. Data structure based on the method of Gioia (Gioia et al., 2012)**



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### **III. Results**

Our case study highlights the specific contributions of different types of CNPs to the company's business models. At corporate level, we identified a transformational partnership that contributes to the company's strategic thinking by defining the different segments of activity related to water supply and sanitation: i.e., the "business as usual", "sponsorship" and "intermediary" segments. At business level, we distinguished three types of CNPs that actively and specifically participate in business models derived from the new segmentation: a transactional partnership pertaining to the traditional business model and dedicated to building the corporate social responsibility policy; a philanthropic partnership linked to a philanthropic business model and linked to support for NGO projects; and an integrative partnership tied to a composite business model with the focus on developing new markets.

#### **A. Corporate strategy and transformational partnership**

At corporate level, Watercorp developed a transformational partnership that sought to include NGOs in its strategic reflections in a post-crisis context. An institutional dialogue with NGOs has been launched in the form of a series of regular meetings called "*Stakeholders Sessions*". Faced with challenges threatening its existence, Watercorp examined its corporate strategy and used the partnership to try to develop greater sensitivity to its environment:

*"The Stakeholders Sessions were launched to foster a sustainable development strategy for the company's water management operations by listening to and embracing the stakeholders' analyses of the economic, environmental and social impact of the company's activities" (NGO)*

These meetings brought together representatives from Watercorp's management team with representatives from numerous civil society organizations:

*“These dialogues involve a hundred participants, including both representatives of the Watercorp group and external stakeholders. They come from associations, research, and professional and institutional sectors such as local communities.”*

*(NGO)*

A full account of every meeting is sent to all the participants. These minutes play a vital role in the consultation mechanism. They inform future participants of the contents of previously held discussions and providing a solid basis for reflection for the following meetings. They act both as a control tool regarding the content of the discussions for external stakeholders and a guarantee of the company’s engagements. Finally, they provide a source of knowledge that is essential for Watercorp to put forward new action plans:

*“We expect such consulting bodies to help us to ‘save’ the company, whose business sectors are extremely pragmatic, by helping us to reshape a business model that is no longer valid today. We look forward to getting your suggestions for this purpose.” (Strategy Director, Watercorp)*

Consistent with the aims of this transformational partnership, the first stage of the consultation process with NGOs led to the reconfiguration of Watercorp’s activities:

*“The discussions in the first session led us to redefine the segmentation of drinking water and sanitation distribution markets in which Watercorp operates as an international company. This decision led to the water and sanitation markets being divided into three distinct areas.” (Strategy Director, Watercorp)*

Through a consultation process developed over time, the transformational partnership makes regular and systematic contributions to inform the strategic reflections and their implementations. This is a key mechanism of the corporate business model, leading to the



emergence of three segments of activity called respectively “business as usual”, “sponsorship” and “intermediary segment”. Each of these segments are declined into specific business models.

We now examine them to understand CNPs’ contributions to the company’s business models.

## **B. Business strategy: specific partnerships**

### ***Traditional business model and transactional partnerships***

In the “business as usual” segment, the company commits to its traditional markets, in other words, markets in urban areas of developed countries, i.e. approximatively 80% of its turnover:

*“The ‘business as usual’ segment covers countries where the public service delegation manages these essential services through partnerships between the different kinds of public and private sector entities (...). These organizations are established in many countries across the globe, mainly in Europe, North America, Australia, and even China.” (Strategy Director, Watercorp)*

In this context, the organization implements a traditional business model. Watercorp plays its role as a private commercial operator based on a traditional public-private partnership contract. The offer is standardized, respecting the quality norms of the major industrialized countries, and relies on sales volume.

Over the last few years, several factors have affected the sustainability of this business model. Market saturation combined with high fixed costs has eroded margins and threatened the company’s profitability. In addition, some local authorities have abandoned delegated management since their performance is frequently questioned by NGOs and populations who favor public management. Changing the company’s traditional business model has thus become a question of survival:

*“If we don’t change our practices quickly, some sectors of the industry will disappear. Our reference shareholder is well aware of this. I think that, if we*

*communicate properly, other shareholders will also understand this necessity. They'll have to accept these changes, otherwise the company will disappear.”*  
*(General Director, Watercorp)*

In this context, Watercorp is fully aware of the need to change its traditional business model:

*“We're thinking about how we can develop our offers. Today, we have to move from volume to value.”* *(Strategy Director, Watercorp)*

This means developing new revenue streams that better reflect the societal and environmental performance of the water management:

*“This is what the management has been focusing on over the last few years, to develop and implement other criteria and introduce environmental performance criteria so that, our income isn't just based on volumes.”* *(Director of Institutional Relations, Watercorp subsidiary)*

To move in this direction, Watercorp decided to develop a corporate social responsibility policy with the support of NGOs. Their long-standing engagement and expertise in all areas of sustainable development has made them key stakeholders. The company's Director of Strategy has set up a structure that focuses on the professionalization of the relations with civil society, including NGOs: i.e., the Social Engineering Department.

Developing a corporate social responsibility policy is a key factor in the company's bid to diversify its sources of income. This policy is structured on key issues related to the water sector such as transparency, fighting corruption, respect for biodiversity and resource conservation. Each issue is the subject of specific transactional partnerships. Watercorp teamed up with Transparency International for instance to introduce an anti-corruption charter. It also entered into a partnership with the League for the Protection of Birds to preserve ecosystems. Another partnership with the Surfrider Foundation was set up to protect the coastline, seas and oceans.

These arrangements broaden the company's potential for innovation and boost its tender response process. They ensure that social issues are taken into account by transferring competencies or initiating coordination measures at local level. They also promote technological solutions to preserve environmental ecosystems, leading to some contracts being extended or awarded, as in Australia with the construction of a seawater desalination plant:

*“In Australia, for instance, we do what the customer asks for. It's written into the contracts. It's in the budget, everything is fluid and everything is possible. The type and percentage of participation by indigenous populations, respect for the environment, links with surfer organizations to preserve the coastline, etc.” (Social Engineering Director, Watercorp)*

### ***Philanthropic business model and philanthropic partnerships***

The creation of a philanthropic business model reflects two demands of NGOs: the respect of the right to access to water as defined by the Committee on Economic, Social and Cultural Rights<sup>1</sup>, and the redistribution of a portion of the company's incomes to people excluded or with limited access to the service. It thus ties in with the “sponsorship” segment, that is areas where the company does not *a priori* have a commercial interest in exercising its activity:

*“At the other extreme, there are a whole range of situations where commercial activity is absolutely not an option; it's really assistantship in the sense that it involves populations who need a helping hand.” (Social Engineering Director, Watercorp)*

In this context, the market is insolvent or lacks the infrastructure needed to deploy standardized networks. It concerns rural areas in underdeveloped countries:

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<sup>1</sup> “The human right to water entitles everyone to sufficient, safe, acceptable, physically accessible and affordable water for personal and domestic uses. (...)” (United Nations Economic and Social Council, Committee on Economic, Social and Cultural Rights, E/C.12/2002/11, 2002, p. 2)

*“The sponsorship and humanitarian action segment concerns areas that are too poor and where housing is too dispersed for a market service to be rolled out. Thus, only humanitarian actions can propose a minimum water and sanitation service. It therefore involves non-commercial areas where the company can’t provide services in line with its contractual terms.” (Strategy Director, Watercorp)*

The company acts as a financial backer and a professional trainer through philanthropic partnerships. It provides financial, technical and human resources to specialized NGOs for use in development projects or for water-related emergencies:

*“I would like to mention two GRET projects [NGO partner]: a support for community water management structures in slums in Port-au-Prince and a project to provide access to water in rural areas in Madagascar. We also work with Eau Vive on a food safety and nutrition program in Senegal, where we finance the water and sanitation aspects.” (Social Engineering Director, Watercorp)*

The service covers three main areas: financial and skills sponsorship, assistance in disaster areas, and knowledge transfer. The financial and skills sponsorship operations are supported by an internal NGO that is managed by both active and retired members of staff. This NGO is supported by a foundation which enables it to diversify the projects it takes on: creation of an emergency water supply platform, extension of a water supply service for inhabitants in outlying districts, organization of food and nutrition safety programs, etc. Table 2 lists some examples of these sponsorship schemes.

The service is adapted to the needs of local populations who play an active role in its design through an “informed demand” mechanism. This means requirements can be collected and assessed through local representation systems. These operations are non-income generating but provide sources of learning, extend the company’s networks, and give it a positive image both

internally and externally. Finally, the company systematically receives co-funding from international organizations, enabling it to increase the efficiency and impact of the schemes.

**Table 2. Sponsorship projects (internal document, Watercorp)**

Projects	Financing	Beneficiaries
Nutrition and sustainable food safety program in Burkina Faso	200,000 €	800,000 beneficiaries
Development of a Dlo committee Federation in Port-au-Prince in Haiti	300,000 €	500,000 beneficiaries
Program of access to clean water and sanitation in Senegal	310,000 €	38,950 beneficiaries (clean water) 56,000 beneficiaries (sanitation)

*A composite business model and integrative partnerships*

Watercorp competes in so-called “intermediary” markets at the crossroads of the “business as usual” and “sponsorship” segments. Below, we discuss the composite business model:

*“And then, in the middle, there’s a whole world between the two extremes (...), where people have no access to water or sanitation, and where we need to develop new approaches and new methodologies.” (Social Engineering Director, Watercorp)*

The model is rolled out when the conditions of implementation and sustainability of activities are partially in place. The market is solvent and offers the potential for long-term growth and profitability:

*“There are a certain number of intermediate situations where populations don’t have the means to finance major infrastructures but can, with adapted tariffs, participate in financing them.” (Social Engineering Director, Watercorp)*

Watercorp’s experiences in emerging markets have shown the limits of transferring traditional contract schemes. Indeed, public-private partnerships are ill-adapted to meet the industry’s conditions to anticipate and manage market-related risks:

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*“We know that it’s impossible to set up this type of approach [the traditional business model] in some places. The traditional approach of the industry, with qualified engineers, sophisticated technologies and major investment, can’t be applied everywhere.” (Strategy Director, Watercorp)*

The transfer of traditional contracts led to sharp criticism of the company through civil society campaigns. In 2015, the “*Stop [Watercorp]*” campaign, for instance, regarding the group’s activities in Latin America and organized by a coalition of NGOs, denounced the quality of the firm’s operations, calling the legitimacy of privatized activities into question:

*« (...) the “Stop [Watercorp]” campaign created quite a shockwave in the company at the time and led us to call the quality of our international operations into question. So, that was the first shock, and second, it called into question the legitimacy of our presence in sectors that conflict with public services.” (Social Engineering Director, Watercorp)*

It became vital for Watercorp to adapt its business model to the complexities of local institutional contexts in order to make its activities more sustainable:

*“We hope to find economic models that can meet the challenges of these countries where concessions have been a challenge” (Strategy Director, Watercorp)*

In collaboration with an academic researcher, the social engineering director analyzed the reasons for the worsening international situation in more depth, putting forward a framework to create new operational strategies:

*“The case of this venture [in Latin America] led us to directly question the suitability of our contractual design, as each of the proposed models (management contract, leasing, concession...) appeared stuck in time in the face of an ever-*

*changing and fast-moving economic and social reality.” (Social Engineering  
Director and researcher)*

Consequently, Watercorp developed a business model based on “*a gradual empowerment process of the services*”, in which it plays its role of private commercial operator within a public-private participative partnership (or “4P model”). NGOs are closely involved in the design and roll-out of the activity. They provide their knowledge of local populations and contexts, as well as their creativity and flexibility to come up with technical, managerial and commercial solutions. They also offer the company their capacity to influence negotiations with local authorities and their legitimacy with the populations and institutions.

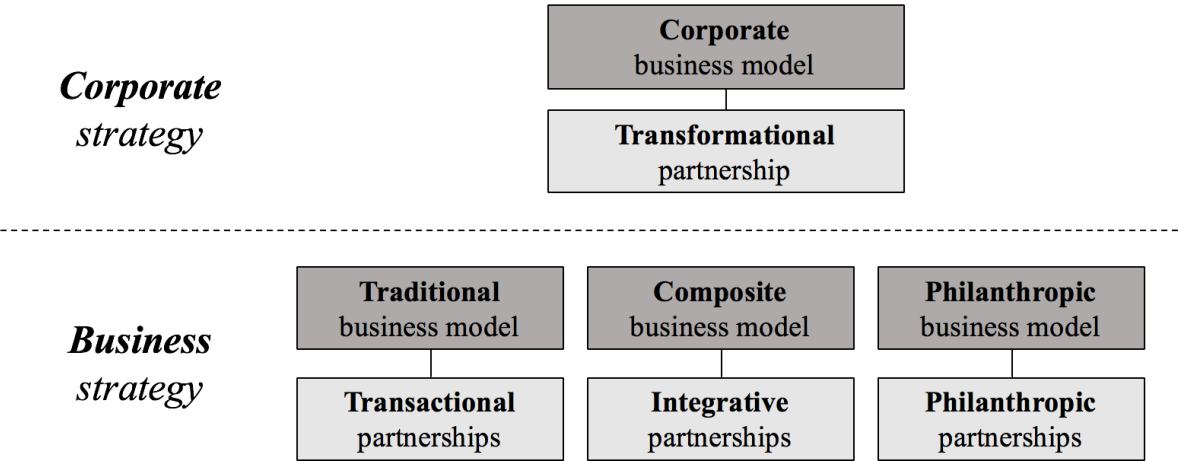
The composite business model is an evolving concept that follows three stages, covering a more or less 15-year window: the analysis phase that aims to create the conditions to implement sustainable activities (technical assistance type contract), the rehabilitation phase designed to empower the service (management contract), and the autonomy phase that involves a traditional leasing contract. The process includes transition phases when the partners collaborate in strategic committees to assess the project’s sustainability according to the results obtained. This local dialogue involves all the partners, whose roles and responsibilities are defined beforehand: local authorities, NGOs, institutional donors and local populations via representation systems.

The Indonesia project is a good illustration of this type of business model. This integrative partnership involves Watercorp’s subsidiary in Indonesia and an international humanitarian NGO. The aim of the project set up by the World Bank is to provide access to clean water for isolated populations in Jakarta. The model is based on a principle that correlates economic performance with social performance: investment undertaken by the company is reimbursed according to the number of connections made. Reimbursement is made by a pool of donors under the auspices of the World Bank. The NGO contributes to the diagnosis and to the

rehabilitation work, identifying the needs of populations and ways to resolve health issues, finding informal networks, and negotiating with the local authorities.

Figure 2 summarizes our findings by illustrating the match between the CNP and the firm’s strategy.

**Figure 2. Strategic alignment model for NGO-company partnerships**



**IV. Discussion**

While the literature recognizes the strategic potential of CNPs for business organizations (Kourula and Laasonen, 2010; Pedersen and Pedersen, 2013), to date, cases studied have not viewed these relationships as a lever for transformation linked to the firm’s key strategic processes. Our findings illustrate the central role that CNPs can play at different strategic levels, from defining their scope of activity to their implementation in the field.

With an approach based on diverse partnerships, NGOs help to hybridize the firm’s strategy by combining several institutional policies in their activities (Paché and Santos, 2013). The company extends its engagement by complementing its traditional commercial activities with non-commercial and socially responsible actions. In this way, NGOs help to move the center of gravity of the firm’s activities, consequently altering its strategic intent (Prahalad and Hamel,

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1994). Watercorp is thus seeking to change its status from simple distributor of drinking water to that of steward of the environment.

Shored up by its permanent constructive dialogue approach at the head office (or “stakeholders sessions”), Watercorp redefined its corporate business model (Aspara et al., 2013) by developing a portfolio of business models (Sabatier et al., 2010) adapted to the diversity of target markets. Alongside this strategic shift, the resulting internal dynamic of the business models (Demil and Lecocq, 2010) is based on partnerships. This dual design/implementation contribution fits in with the notion of inclusiveness that characterizes an open strategy (Whittington et al., 2011), seeking to involve the various stakeholders in the company’s strategic processes (Regner, 2003; Rouleau, 2005) and even the firm’s governance process (Luedicke et al., 2016).

This open strategy is based on a transformational CNP (Austin and Seintanidi, 2012) in the form of a governance body that sets strategic policies at corporate level, influencing the way they play out in terms of activities. Frequent formal interactions with NGOs help to redefine the corporate business model and to envisage areas of activity outside the firm’s traditional perimeter. Thus, the transformational CNP contributes to the incremental and iterative design (Demil and Lecocq, 2010) of three generic business models adapted to the company’s new market positioning: the traditional business model for mature markets, the philanthropic business model for potential markets, and the composite business model for developing markets.

Management of these differentiated business models requires a portfolio strategy that aims to guarantee both the organization’s sustainability and the promise of future development (Sabatier et al., 2010). It is based on a principle of complementarity and interdependence of the activities (Casadesus-Masanell and Tarjizán, 2012), together with sustainable viability, which differs substantially from the strict shareholder logic (Jensen and Meckling, 1976). Thus,

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transformational CNP forms a head office governance mechanism that contributes to the inclusion of civil society demands in its activities, thereby fostering the company's partnership value (Charreaux and Desbrières, 1998).

This opening also shapes the business strategy: the business models arising from the strategic re-segmentation are characterized by a well-adapted partnership strategy. In effect, each business model is based on a specific type of partnership, reflecting fine-tuned coordination between the CNPs and the firm's commercial development divisions. The type of CNPs selected needs to be aligned with local market conditions in order to anticipate the risks. In addition, in a bottom-up approach, CNPs contribute to the firm's global business strategy through feedback that helps the company adjust its strategy in line with learning on the ground. The CNPs portfolio thus forms an organizational support and governance mechanism to manage the group's activities.

Redefining the strategic reflection process engages the whole organization in a profound shift with regard to its practices, with the creation of new resources that align the organizational structure and the strategy (Garreau et al., 2015). This alignment follows a double loop learning process (Argyris and Schön, 1978): transformational CNP implies introducing new practices in thinking, decision-making and strategic communication which gradually permeate the different layers of the organization. In addition to the short-term results, the partnership approach helps the company to enhance its internal processes, to become more agile, and to develop its intangible capital: image, network, skills and capacity for innovation (Hall, 1992, 1993).

From a managerial perspective, we propose the concept of strategic CNPs portfolio management. By diversifying their CNPs portfolio management, organizations can effectively cover several complementary markets with different characteristics and challenges, while at the same time incorporating the idea of market development into their strategic roll-out. CNPs should not be viewed in an isolated and hierarchic way, with some considered more strategic

than others (Austin and Seitanidi, 2012). Diversified CNPs portfolio management can help to build and develop different business models, supporting strategic transformation within the company. To enjoy their full potential, managers should nonetheless view the portfolio in a rational and creative way, playing on the complementarity of CNPs in order to build synergies and overall coherence.

## **Conclusion**

Our study aimed to gain clearer insights into the strategic contribution of CNPs with respect to a firm's activities. Based on an in-depth case study, we showed that, depending on their type, CNPs can play a complementary role in a company's different business models, with respect to both design and implementation. Viewed in terms of their diversity and in a relatively long timeframe, we observe that these partnerships form a strong lever for strategic transformation. Our findings contribute to the literature by showing the interest of CNPs adopting a global approach to all the firm's activities. One limitation of our study, however, is the generalization of our statistical findings, as the case was very specific. Indeed, Watercorp is a delegated management firm operating in a public service sector which is especially subject to surveillance by many civil society organizations. Thus, from a risk management perspective, it develops close-knit relations with its stakeholders and is particularly active in its search for innovative social solutions in collaboration with NGOs. It is thus legitimate to consider it as a company with a policy of particularly proactive partnerships. We suggest launching new research in fields with different sectorial challenges in order to evaluate the extent to which our findings can be generalized. Finally, given the immense social challenges that companies face, we believe that a closer analysis of the influence of CNPs on the place of social value in their strategic activities is crucial.

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### Appendix 1.1. Meetings and minutes

Year	Topics of the meetings	Volume (pages)	Meeting minutes
2007	Water supply: how to do our job? - concertation and power balance - universal access to water and sanitation	61	Delivered by: - Watercorp - NGO as a facilitator - Strategy consulting firm
2008	3 challenges for safe water supply: - developing corporate social responsibility - enriching the commercial offer - contributing to a better governance	40	Delivered by: - NGO as a facilitator - Strategy consulting firm
2009a	Water access: - the sponsorship - the “4P model” - transversal issues	61	Delivered by: - NGO as a facilitator
2009b	Ethic and transparency: - societal performance - reporting - ethical chart - world governance - concrete actions - transversal issues	58	Delivered by: - NGO as a facilitator
2010	Plenary session: - outcome of the process since 2007 - commitments and societal value - building a new CSR policy	60	Delivered by: - NGO as a facilitator - Watercorp

### Appendix 1.2. Semi-structured interviews

Year	Organization	Position occupied	Volume (minutes)
2008	Watercorp (Headquarter)	Societal Engineering Director	46
	Watercorp (Headquarter)	Delegate for Social Responsibility	45
	NGO	Head of CSR Partnerships	61
	NGO	Head of Corporate Commission	59
	NGO	Head of Corporate Partnerships, Legs and Donations	31
	NGO	Chairman	52
	Indirect competitor	Chairman of the Ethical Comity	38
	Indirect competitor	Head of Communication and Sustainable Development	45
2010	Watercorp (Headquarter)	Societal Engineering Director and Policy Officer	54
	Watercorp (Subsidiary)	Project Leader and Policy Officer	54
	Watercorp (Subsidiary)	Head of Communication	47
	NGO	Chairman	99
	NGO	Head of Corporate Relationships and Sponsorship	54
	NGO	Director	62
	NGO as a facilitator	Founder, Director	63
Direct competitor	Director of partnerships	53	

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### Appendix 2.1. Publications and internal reports

Year	Authors	Title	Source
2005	Researchers	The real obstacles to universal access to drinking water in developing countries. Thoughts stemming from how poor neighborhood populations living in Port-au-Prince and Buenos Aires experience access to drinking water.	Working paper, Public-private partnerships and the Poor, Loughborough University
2007	Director at Watercorp	Lessons learned from the drinking water supply program for slums in Port au Prince: Elements for an intervention methodology in countries in crisis.	Unpublished
	Researchers	Water multinationals and southern markets: Why did [Watercorp] leave Buenos Aires and La Paz?	GRET publications
	Researcher	The multinational and the slum. Privatization and poverty in Buenos Aires.	Karthala Editions, Humans and Societies Collection
	Researcher	Experience capitalization - Aguas del Illimani – Crossed looks on the La Paz-El Alto concession (1997-2007).	Internal report
	Researcher	Implementing a social engineering approach. [Watercorp] and the underprivileged neighborhoods of Buenos Aires.	Internal report
2008	Director at Watercorp	Societal engineering, a condition for the sustainability of projects.	Review of the Institute of Delegated Management
	Director at Watercorp and a researcher	Adapting supply to demand in emerging countries: towards a process approach and a shared social responsibility.	Review of the Institute of Delegated Management
2009	Watercorp	The process of consultation with stakeholders (2007-2009).	Internal report

### Appendix 2.2. Press articles (1992-2008)

Sources (French press)	Number of documents
Agence France Presse	92
La Tribune	70
Le Figaro	57
Les Echos	50
DJ Bourse	43
Reuters	27
Le Monde	20
Libération	13
L'Expansion	2
Duplicate	2
<b>Total</b>	<b>376</b>

**Appendix 3. Example of data triangulation  
on the link between dialogue and activity re-segmentation**

Source		Verbatim
Source A	Meeting, 2008 Watercorp, actor A	<i>“The discussions in the first session led us to redefine the segmentation of drinking water and sanitation distribution markets in which Watercorp operates as an international company. This decision led to the water and sanitation markets being divided into three distinct areas.”</i>
Source B	Meeting, 2008 NGO as a facilitator	<i>“The first round of discussions led [Watercorp] to clarify its responsibility and commercial strategy according to the different types of markets. Three main types of situation have thus been defined.”</i>
Source C	Minute, 2008 NGO as a facilitator	<i>“The stakeholders welcome the overall market segmentation effort of [Watercorp].”</i>
Source D	Meeting, 2009b Watercorp, actor B	<i>“The first phase of consultation allowed us to come up with two structuring elements: a practical intervention segmentation and an action plan. Regarding the segmentation, we understood that [Watercorp] had the responsibility to mobilize its expertise to foster water access.”</i>
Source E	Minute, 2009b NGO as a facilitator	<i>“The new market segmentation has been approved by all stakeholders and is part of a key clarification of [Watercorp]’s activities.”</i>
Source F	Interview, 2008 Watercorp, actor B	<i>“And we realize that we have to deal with three types of situations when we are a company like [Watercorp] (...). Everything I’ve just told you comes directly from their comments, criticisms and suggestions.”</i>
Source G	Internal report, 2009 Watercorp, actor C	<i>“The exchanges of the first session led [Watercorp] to clarify its responsibility and its commercial strategy according to the different types of markets.” (p. 47)</i>
Source H	Publication, 2011 Watercorp, actor B and researchers	<i>“This consultation process enabled the group to redefine its CSR policy by refocusing it on its core business (...). A new segmentation of markets was then defined (...)” (p. 192).</i>