

Fact Sheet

University of Stellenbosch
The BOP Learning Lab

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The Accenture Development Partnerships - Enabling development sector organisations to maximise their impact at the Base of the Pyramid

Even at the best of economic times, developmental challenges such as fighting poverty, providing access to health and education, protecting the environment and helping to create the right conditions for sustainable growth and prosperity is an uphill task. The worst economic crisis to hit the planet in at least two generations will make this task more difficult than ever, and increase pressure on all stakeholders in the field of development to channel their resources in the most efficient manner possible.

A complex network of vastly different, non-profit development sector organisations pursue a myriad of development programmes all over the globe. These institutions include non-governmental organisations (NGOs), public-private partnerships, community networks, foundations and similar organisations. Some specialise in one particular aspect of development, or with a clear geographical reach. Others are 'generalists' covering several developmental issues. The vast majority of them are local and small, while a few are global organisations with fairly significant resources and reach. While there is debate about the usefulness and real impact of development sector organisations, it can be safely argued that they form an integral part of the international and local "development" landscapes, and this is very unlikely to change any time soon. They address a need, and occasionally even take over basic government responsibilities when state structures are either absent or incapable of

fulfilling their traditional role (a good example is medical and emergency relief organisations which have sometimes become the de facto main health service providers in countries suffering from war and instability). The bottom line is that they form the cornerstone of the development landscape, and that they are likely to remain so in the foreseeable future.

Given the fact that thousands of development sector organisations around the world compete for scarce resources, there is a strong case for introducing some elements of business management, 'best practice' and strategic planning in order to help them reach their goals and maximize their impact. This is not just a matter of striving for efficiency for its own sake : it makes a tangible difference in the lives of people at the base of the pyramid (BoP), strengthens credibility with donors, and will become a fundamental necessity in the current economic climate.

This fact sheet will look at how Accenture, one of the world's leading consulting firms serving many major global corporations, has developed Accenture Development Partnerships (ADP), an original model through which it provides affordable technology solutions and strategic consulting services to development organisations around the world, helping them to improve

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Some Key figures for 2008⁴:

Accenture

Net revenues : USD 23.39 billion
Employees worldwide : 181,000
Presence in 52 countries

ADP Programme

Projects completed	260
Countries	62

their capacity and maximise their impact on the ground by introducing elements of business governance. Through this programme, development sector organisations and their beneficiaries at the Base of the Pyramid get access to top-of-the-range consulting services.

1. Company profile

Accenture is one of the world's largest consulting firms. Its distant origins go back to 1913 with the founding of Arthur Andersen, which over the subsequent few decades became a leading auditor and consultancy. During this eighties, Arthur Andersen's consulting arm became a completely distinct entity called Andersen Consulting.

In the year 2000, Andersen Consulting changed its name to Accenture. Uniquely in the consulting business, it is a listed company rather than a closed partnership. It benefits from a very strong brand name and reputation and counts a high number of top global companies among its customers.

In terms of scope, Accenture serves an extremely varied and broad range of industries across the world, including communications and high technology, financial services, products (for instance manufacturing and health services), resources (such as chemicals and natural resources) and public service (i.e. governments). This vast range of clients on six continents provides Accenture with a unique knowledge base and an impressive overview of trends and forces shaping the world economy.

2. Background: the international development context

While some undeniable progress has been made over the last twenty years, most significantly thanks to strong growth in India and China, global developmental challenges remain as large as ever when it comes to reducing poverty and providing basic health care, education and economic prospects at the base of the pyramid. In fact there are some other parts of the world, notably in Africa, where the picture is decidedly mixed, and

where living standards have sometimes stagnated or even fallen compared with 1990. Much work remains to be done in order to reach just some of the millennium development goals (MDGs) set by the United Nations for 2015. What forces are currently shaping the development agenda, and what motivated Accenture to launch its ADP programme ?

a. The shifting development landscape and its significance for businesses and development sector organisations

As outlined in a 2008 report by Accenture, there has been a notable acceleration in the shifting of the global economic and political balance of power over the past two decades¹. The trends are clearly pointing towards a more complex and certainly more multi-polar world, with a number of middle powers emerging as significant political and economic players : these countries include China and India, of course, but also Brazil, Indonesia, Mexico, Turkey and South Africa. These trends are changing expectations of businesses as well as non-profit organisations in the global development debate ². Based on the idea that "nobody has a monopoly on the solutions" when it comes to addressing the challenges of development, there is also an increasingly loud call for more and better co-ordination and interaction between all the main actors involved in development and policy making: government in the broad sense of the word, the private sector, and "civil society", including NGOs and other development sector organisations³. This premise echoes similar findings by C.K. Prahalad in his reference work on the BoP, "The Fortune at the Bottom of the Pyramid".

Several more trends are specifically affecting development sector organisations. One the one hand, there has been a proliferation of development actors, in terms of scope and diversity. Internationally, an estimated 50,000 NGOs and development organisations currently compete for resources⁴. At the same time, so-called "donor fatigue", coupled with serious debate about the usefulness of development aid⁵, has also meant that for a number of years already, development actors have been under much higher pressure to achieve measurable targets with fewer resources. One single figure starkly illustrates why a complete review is needed: over the past 30 years, total development aid has amounted to one trillion dollars, and while gross generalisations certainly do not do justice to the many local successes, the critics argue that too many countries have too little to show for several decades of aid⁶.

None of this is particularly new : in fact the debate about the efficiency of development aid and the impact of development strategies has raged for many years. But the shifting balance of power, together with the economic crisis, now constitute a unique opportunity for changing the approach. It appears clearly

today that despite proclaimed commitments by the development lobby, the ambitious "millennium development goals" set by the UN general assembly in 2000 will be missed in many countries, and especially in Africa. According to estimates by the United Nations, based on current trends the world is likely to miss these targets by around 600 million people⁷.

Apart from the scepticism about the effectiveness of aid, another issue, is quite simply, competing for attention in a rich world that seems to have entered an age of anxiety. Issues ranging from climate change, virus outbreaks, not to mention the blurred outlines of the "fight against terror", have now been compounded by the global economic crisis. Yet this crisis is also being seized by many as the perfect opportunity for renewal : of the foundations of the capitalist system ("capitalism 2.0"), but also as a chance to reshape deep-seated habits and challenge accepted practice in the development ecosystem.

In short, there is a growing consensus in favour of a so-called middle ground between proponents of market-based solutions and the "traditionalists". This has been dubbed the "new partnership paradigm" by Accenture⁸, and its fundamental assumption is that businesses and the non-profit sector are complementary in terms of their strengths and weaknesses and can mutually benefit from closer, strategic co-operation⁹.

b. The business case of ADP for Accenture

On the surface of things, a leading consultancy such as Accenture has no obvious reason to look at suppliers of the base of the pyramid as a possible market for its services. Its traditional customer base consists mainly of multinational corporations, which, as global businesses, have very different needs than non-profit organisations active in the development sector. In addition to that, the true cost of services at commercial rates would normally make these services inaccessible for most such organisations. One of the main challenges, therefore, is to make such consulting services affordable for the recipients, while preserving Accenture's business interests.

From Accenture's perspective, turning development sector organisations into customers has several advantages, including :

- **Providing the firm with exposure to new perspectives and problematics** not encountered in its traditional customer base, (including a basic challenge to the view that business is about shareholder value, reverting to more traditional emphasis on long term returns and growth) ;

⁴ United Nations Development Programme, Human Development Report 2002 - Chapter 5: Deepening democracy at the global level (New York: Oxford University Press, 2002)

⁵ For an example of one of the latest additions to works criticising aid, please refer to "Dead Aid", by Dambisa Moyo.

⁶ BULLOCH Gib, op. cit., p8

- **Providing a strong recruitment and retention incentive for talented professionals**, as the so-called “millennium generation” of twenty and thirty-somethings have higher expectations than their predecessors when it comes to work-life balance and personal development goals¹⁰;
- **Enabling Accenture to invest in its own future by gaining valuable experience** in emerging economies that are key growth areas for global businesses, including its own.

The main benefits to Accenture are therefore qualitative rather than immediately quantifiable, and the ADP scheme, far from being corporate social responsibility initiative, is much more of a long-term investment for the firm.

From a development organisation point of view, there are equally compelling incentives :

- **Gaining affordable access to Accenture’s experience and knowledge base, assets and global networks ;**
- **Increasing performance**, by applying market-based solutions and approaches inspired from the corporate sector to maximise resource utilisation ;
- **Creating partnerships with businesses and governments** to encourage a more co-ordinated approach to developmental challenges.

3. The ADP model

The ADP programme was first launched in 2002. It was, according to Accenture’s own account, a bottom-up process in which staff members took initiatives and ended up building the programme eventually convincing senior management of its merits and worthiness of support. It also became increasingly clear that through the programme, Accenture was able to provide its staff members with valuable professional experience applicable in its mainstream business as well.

a. The offering

The basic offering of the ADP programme revolves around two main products, the first one focusing on the organisation itself, the second one focusing on the beneficiaries of these organisations, i.e. families and communities, local

entrepreneurs, and local government authorities.

- Strengthening of institutional capacity

Focusing on the client organisation, this part of the ADP “package” is about helping to identify strengths and weaknesses, and improving internal processes in order to become high performance organisations. It includes strategy, internal development, supply chain and logistics, IT, knowledge management and financial management and fundraising. For the most part, these are fields in which Accenture can claim to have a proven track record of providing premium services.

- Programme and design management

The focus of the second part of the offering is on the actual impact of the organisation’s beneficiaries. This focus is through development programmes, including aspects such as market access and development, cross-sectoral partnerships, as well as project monitoring and evaluation.

b. An original pricing model

In order to respond to the cost challenge, Accenture developed an original pricing model by segmenting the cost structures and spreading costs and contributions along each level of the value chain :

Corporate level : Accenture foregoes its margin and covers overhead costs

Employee level : Individual taking part in ADP project agrees to take a salary cut for the duration of the mission

Beneficiary level : The beneficiary organisation contributes a fee on a cost-recovery basis, at a fraction of the commercial rate.

This three-tiered pricing model is one of the key success factors for the ADP programme. It represents an interesting departure from what could otherwise have been a classic corporate social investment (CSI/CSR) model : The basic relationship is one of business-to-customer rather than business-to-donation beneficiary. There is, of course, a ‘donation’ element in the form of the personal investment on the part of the participating individuals and forfeited revenue by Accenture on employees not available for mainstream consulting missions. In its essence, however, the model provides substance to claims that corporations can engage with the BoP not just through philanthropy but via their core business. And the temporary reduction of revenue is easily offset by long-term benefits in the form of career development and other benefits.

c. Outcomes of the ADP programme so far

According to Accenture, a large number of high-profile international development organisations have already benefited extensively from the ADP programme.

At PLAN, an international relief organisation combating child poverty, the ADP programme helped create an IT solution for its global child sponsorship programme. As a result of the efficiencies created and resources freed up in terms of time and manual processes, PLAN has now been able to direct more resources into its core activity of serving children in need, and made substantial savings on administrative and support functions. At UNICEF, (United Nations Children’s Fund) the ADP programme focused on the organisation’s global supply-chain and procurement functions, and its methodological review of UNICEF’s supply functions has led to a case for change and durable improvements in its supply and procurements chains. Another example is Oxfam, a UK-based development, advocacy and relief agency NGO. Oxfam was seeking to help smallholder farmers in India benefit from increased demand for fresh produce in India’s growing retail market, and the ADP team assisted Oxfam in this process from research to implementation¹¹.

So far, a total of 260 projects are either completed or ongoing in 62 countries around the world, 23 of which are in Africa. In South Africa, ADP has been rolled out with some high-profile international and local organisations such as CARE, the United Nations Development Programme (UNDP), the International Finance Corporation (IFC) and Kicking Out AIDS. Accenture records high satisfaction levels among participating employees¹².

3. Challenges and key learnings

a. Ideological tension and resistance to change

The old dividing lines between the non-profit development sector and what has sometimes derisively described as “big business” have long been blurred. It has become standard practice now for almost any large and medium-sized international businesses to have a CSR/CSI programme. The generalisation of such initiatives and the inclusion of “social responsibility” as part of mainstream business practice has certainly helped

7 United Nations (UN), The Millennium Development Goals Report (New York: The United Nations Department of Economic and Social Affairs, 2007)

11 For another example of how smallholder farmers can be integrated in a global corporation’s supply chain, please refer to our factsheet on SABMiller

12 ARNOTT James, Accenture presentation on the ADP Programme, BOP learning Lab, Bellville, 5 March 2009

15 JURGENS Christopher, Director, International Partnerships, Accenture Development Partnerships, Washington DC.

to stem criticism of big corporates as entities solely interested in pursuing profits at any cost. But a section of the non-profit sector and corporates remain, however, fundamentally skeptical about the usefulness of partnerships and coalitions between the two sectors. NGOs may not just resent the line that they need to 'improve' but resist any attempts coming from the private sector to do so, especially if they feel that creating partnerships could undermine their independence.

The current economic crisis is already being pounded upon by voices calling for the complete abolition of capitalism itself rather than a mere revision of the capitalist project such as is implied the "capitalism 2.0" approach. Against such a background one can be somewhat skeptical about Accenture's claims that the economic crisis only strengthens the case for closer partnerships and for NGOs to adopt market-based approaches¹³. It is perhaps optimistic to believe that non-profit organisations that have long been critical about the role of business in development will, in the current climate, be easily convinced that they should be more and not less market-orientated.

b. Balancing core business priorities with long term commitments

Since the ADP programme is essentially a non-profit initiative, it has an impact Accenture's core business : staff electing to take part in ADP projects become temporarily unavailable for high revenue-producing consulting missions. This opportunity loss can be seen as a long-term investment, as is claimed by Accenture itself. Yet it remains a challenge to maintain the interest and dedicated support from senior management in the light of tough economic times and shareholder pressure

which is likely to be high over the next 12-18 months.

From a human resource and management perspective there is a further operational challenge of matching demand on the NGO side and employee supply on the Accenture side. The right profiles for a specific mission are not necessarily immediately available. This could change in future if the ADP's business case is strong enough to convince senior management at Accenture that the programme's main drivers are skills and leadership development, staff retention and developing new markets rather than corporate citizenship.

Conclusion

Most of our factsheets to date describe how businesses in various sectors integrate the BoP into their value chains through different variations of 'selling to' or 'sourcing from' models. In the case of Accenture, there is no obvious way to design such a model, since its business revolves around knowledge and skills, which are either scarce or unaffordable commodities at the base of the pyramid. The solution was to channel this knowledge through development sector organisations acting as service providers to the BoP, who both had a need for the product and could, once a workable pricing model was designed, afford it. One of the most interesting characteristics of this model is that it gradually emerged by way of a bottom-up process, and had to prove its value and benefits before getting support from Accenture's senior management.

Through the ADP model, Accenture is also part of a larger, very ambitious drive to help define the relative merits of public sector and market-based approaches and explore what works and what does not¹⁴. Accenture clearly believes that it has the expertise and

capacity to make a significant contribution to this effort. Looking beyond the next few years, perhaps the biggest challenge will be to transform ADP from what could currently be described as a "CSR +" model into a for-profit proposal. One possible strategic option would be to make ADP a profit-making affiliate of Accenture specifically geared towards the international development sector. Among other possible benefits of such a model is the fact that Accenture 'Corporate' and ADP could establish a two-way channel for spotting talent and pooling expertise.

At this stage, however, the non-profit model constitutes a key differentiator between ADP and existing development consultancies, enabling Accenture to have an impact while providing career development opportunities for talented staff.

Another unique, mutual advantage of the cost-recovery model is that it allows ADP to serve not only large development sector organisations but a number of smaller ones that would not otherwise be in a position to benefit from high-end consulting services¹⁵.

Overall, even though Accenture is not explicitly pushing for high profitability with the ADP programme at this stage, the cost-neutrality of the model provides evidence that even businesses serving the high-end of the market are able to integrate the BoP in their value chain.

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