

Message from Kermit Moh,
Division Chief of the Global Development Alliance

Approaches to Alliance Building during an Economic Downturn

Everyday we are bombarded by reports of big business revising earnings down, cutting budgets and staff. And it is not just the United States affected by this downturn. Across the globe, economies are absorbing the shockwaves from what U.S. President Barack Obama has characterized as “not your ordinary, run-of-the-mill recession.” To be sure, these are tough times for all of us and the future remains uncertain.

Now more than ever partnerships that share risks and rewards offer an anchor in the storm. At the Global Development Alliance (GDA), we’ve taken the pulse of private sector partners around the globe to get a feel for how businesses are reacting to the downturn. Again and again, we hear that most businesses are reassessing their investment portfolio and scaling back on the investments that don’t make good business sense. What they are holding onto, however, are the investments in emerging markets that speak to their core business interests and needs. In essence, companies are still thinking about their long-term growth strategies and how to gain entry into new markets even during times of distress.

We have also learned:

- Companies are investing more strategically in efforts that DIRECTLY align with their core business objectives.
- Businesses are not retreating from existing commitments, but are reluctant to take on projects that are based solely on Corporate Social Responsibility (CSR) and/or philanthropy.

What does this mean for you?

1. Make alliance building more strategic from a business perspective. This is not the time to cut back on alliance building efforts; rather it is time to seek alliances that are smarter, more efficient, and effective. Partnership efforts should be designed to provide maximum value for the beneficiaries while also delivering benefits and speaking directly to a company’s core business interests. For example, by working through alliances, USAID can provide farmers with access to global markets, strengthen legal and regulatory frameworks, and lay the ground work for a business-enabling environment: outcomes that meet the Agency’s development objectives and help business overcome key challenges to investing in emerging markets.
2. Understand your partners’ needs. To create more strategic partnerships, alliance builders need to understand the business challenges the private sector faces.
3. Approach partnerships with a longer-term view. Take this opportunity to deepen existing relationships and explore future partnership opportunities. Companies have told us they are not withdrawing from emerging markets, but proceeding cautiously, pre-positioning themselves for future growth.

4. Cast a wider net. Broaden your potential partner horizon to include local and regional partners as well as multinationals. It is also important to remember that not all industries are seeing a downturn in their business right now. Some businesses such as discount retailers, food processors, information and communication technology firms, and pharmaceutical companies are still doing well during this down economy. WalMart, for example, is planning to deepen its relationship with USAID in Central and Latin America around agriculture and value chain partnerships in the coming year. And Intel Corporation, which launched six new partnership efforts over the course of 2008, is looking forward to launching three new education-based alliances in 2009.

Although alliance building is never easy, at this time opportunities may actually emerge that strategically address partners' needs. It is important to emphasize that USAID has demonstrated its value as a partner to the private sector. Through partnership, USAID offers resources, networks, and credibility that companies need to successfully navigate an emerging market. Global Development Alliances help both USAID and development achieve mutual goals which contribute to the long-term economic and social growth of developing countries.