

Cross-Sector Collaborations in the New Normal

By KEVIN TAN and SIKAI CHEN



Covid-19 is accelerating the convergence between the private, public and people sectors. Boards must skillfully push their organisations to find their unique roles in this new normal.

The economy has traditionally comprised three distinct sectors: private, public and people (or social). Each sector has its role, values and practices to complement the others towards a thriving economy.

In the past decade, there has been an increasing convergence of the sectors. Covid-19 is accelerating this at three levels: Mindsets, Models and Muscles.

Mindsets

In many aspects, the sectors are beginning to think alike.

Private businesses have begun to adopt the broader goals of the people and public sectors. Before Covid-19, issues such as income inequality and climate change were already driving a reorientation towards social and environmental impact with the sustainability movement. The crisis, however, revealed the severity of these problems and heightened pressure on all parts of society to solve it. For example, Blackrock, the world's top asset

manager, intends to increase its pressure on corporate boards on climate issues.

At the same time, in the face of increasing pressure to do more with less, nonprofits and governments are adopting the efficiency-focused mindset of the private sector. The government has spent over S\$100 billion and drawn from its reserves. Many nonprofits are facing a fundraising crisis even as Covid-19 has made their services more necessary than before. In response to the pandemic and its restrictions, the people sector is undergoing the same wave of digital transformations that swept the private sector to increase efficiency and, sometimes, simply to function.

Models

The three sectors have been borrowing tools from each other and finding new ways to work together. And Covid-19 is accelerating this.

For example, in recent interviews with over 20 leading corporate social responsibility units and philanthropies in Singapore on how they plan to adapt their giving, Tri-Sector Associates found

a significantly increased appetite for innovative giving and collaboration tools inspired by the private sector toolkit. These included syndicated grant-giving, recyclable grants and blended finance loans for impact.

At the same time, the government is borrowing from the people sector toolkit and acting as a community organiser. For example, under the SG Together banner, various action networks have been convened to mobilise cross-sector action in areas such as environmental sustainability, housing, youth and social mobility.

Muscles

To put these models into action, new muscles and talent are needed. Not surprisingly, the sectors are borrowing, even poaching talent from each other.

Many international nonprofits in Singapore now have team members with a private sector background who are exploring new modalities of philanthropy and impact investing.

In the private sector, the world's largest wealth managers have hired professionals from the nonprofit sector to design products that can meet the impact needs of the next generation of wealth owners.

The public sector has also begun to increase private sector hires into its rank. As an indication of the challenge involved, Prime Minister Lee Hsien Loong in an address to 900 elite civil servants in January 2020 said: "We should not make mid-career entrants conform to what we already are. We don't need another person who is just like us ... Instead, we should help them settle in, integrate into and win the trust of the group, while retaining their unique experiences and differences and making an extra effort to take in their ideas and perspectives."

Organisationally, most large corporations now have sustainability units, which act as a liaison to the other sectors and an internal champion.

The public sector also has agencies which help to internally advocate for cross-sector partnerships and train groups in new models of collaboration.

Comparative advantage

Boards and leaders have a delicate dual role in this new reality.

The first role of boards and leadership is to create the organisational mental space needed to accept the cross-sector convergence. Such mental space is a prerequisite to challenge old thinking, test new models, and build new teams. In a crisis, when resources and bandwidth are scarce, creating this mental space is no easy task.

Given the strong forces of convergence, however, organisations must guard against being pushed into the latest fads, resulting in worse outcomes overall. For example, private firms are ultimately for-profit entities, and there is a danger that the pressure to show social impact leads to a corporate whitewash. Conversely not every nonprofit programme can or should be turned into a social enterprise. On the government front, while cross-sector engagement is laudable, there is a risk that blurring the lines of engagement could lead to confusion, if not cynicism.

Boards and leaders, therefore, have a critical second role to help their organisations thrive as the sectors converge. This is to push for comparative advantage.

The concept of comparative advantage was first used in economics to resolve a puzzle: why do countries still trade, even when one of those countries is better at producing every good than the other?

The answer is counterintuitive. It turns out that what matters is not how good a country

is at producing something, but its opportunity cost of production relative to others. The point is that there is always something to be gained from specialisation and collaboration, even in circumstances where one party is better at doing everything than the other.

Approaching cross-sector collaboration with a comparative advantage lens opens new vistas (See box, “Example of Comparative Advantage in Public and Private Sectors”). Even if it seems like governments can produce all social goods better than businesses, the correct question is: which social goods would businesses have to give up less than government or nonprofits in order to produce? In those areas, collaborating will lead to better collective outcomes than going it alone.

A collaboration model

One collaboration model that typifies the comparative advantage mindset is “Pay for Success” (see box).

In this case, the government first specifies a set of social outcomes it is willing to pay for. Next, people sector organisations come up with innovative bottom-up ideas to achieve these

outcomes. Execution is done with the help of risk-taking capital provided by private sector venture philanthropists and social impact investors. Finally, a rigorous third-party evaluation is conducted, and the government repays the private-people sector coalition based on the value of the outcomes achieved.

In this model, each sector plays to its comparative advantage. The public sector brings to the table its scale and agenda-setting ability; the private sector its innovation mindset and expertise in organisation building, and the people sector its knowledge of the ground and focus on intent.

Tri-Sector recently helped to launch the first Pay for Success project in Hong Kong, in the issue of early childhood education, and is developing several projects in Singapore across a range of social issue areas.

Applying comparative advantage

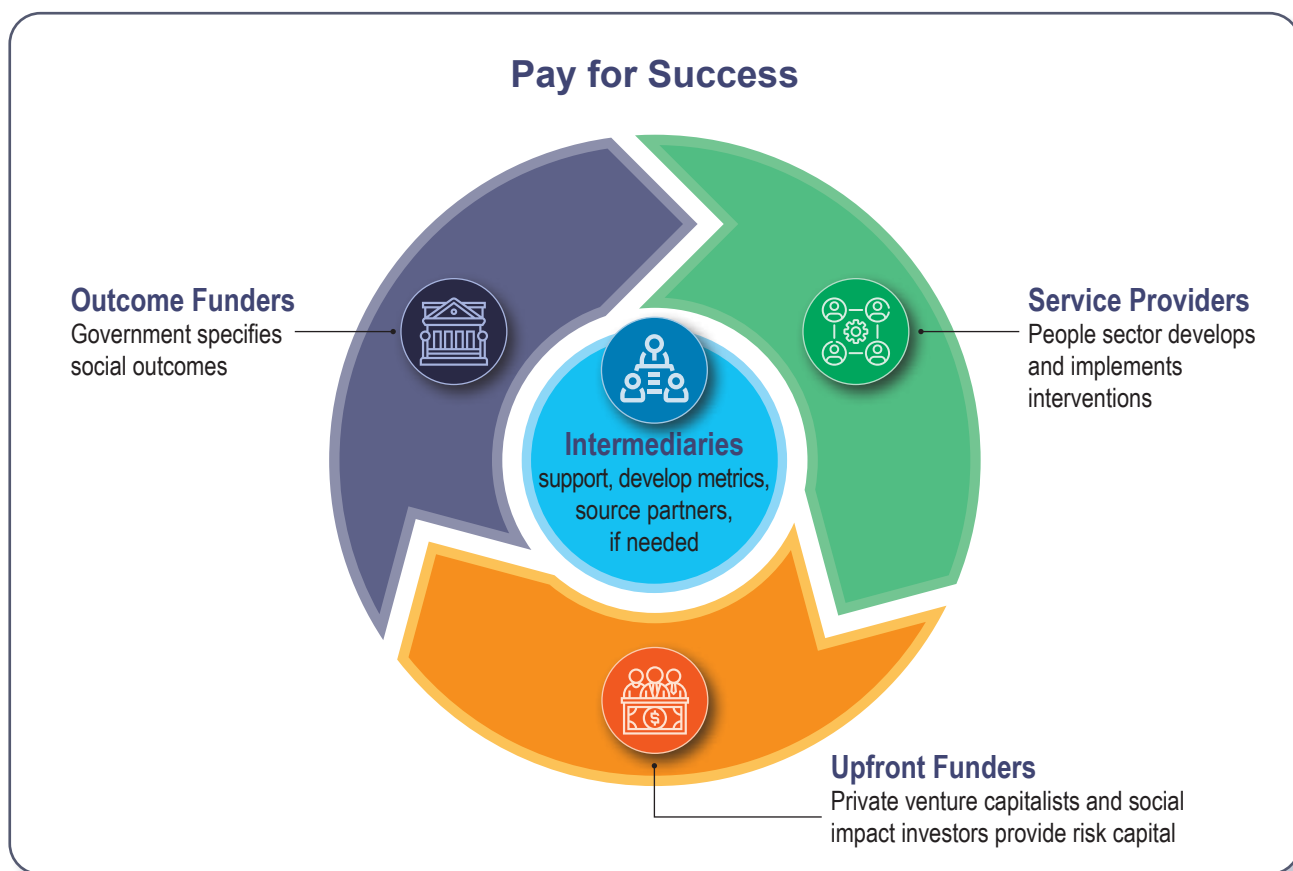
To put this concept into action, boards and leaders must be clear-eyed about opportunity costs of all stakeholders, focused on where to specialise, and creative in how to collaborate.

To begin, here are three questions directors can ask:

Example of Comparative Advantage in Public and Private Sectors

	Public Sector	Private Sector
Assumptions on level ability		
Agenda Setting Ability	High	Low
Programme Design Ability	Medium-High	Medium
Resulting recommendation based on mindset taken		
Absolute Advantage Mindset	Do both agenda setting and programme innovation	Do nothing
Comparative Advantage Mindset	Specialise in agenda setting and collaborate	Specialise in programme innovation and collaborate

Source: Tri-Sector Associates



1. **Mindsets:** *What is our theory of change, and how does that reflect our comparative advantage?* Nonprofits have long created theories of change, which are strategies that show how their specific intervention will affect a system and thereby lead to an intended social impact. Alongside a business strategy, it is now important to have a theory of change that similarly reflects an understanding of the organisation’s role relative to others in the system and to ensure that this role is in line with one’s comparative advantage.

2. **Models:** *Are we really collaborating with others in a way such that the whole is more than the sum of its parts?* Once the theory of change is set, implementation is the next step. Collaboration has become a catch-all term; and directors should push for models that allow each stakeholder to specialise in their comparative advantage and collaborate in a way that maximises collective impact.

3. **Muscles:** *What new talent do we need to build to better specialise and collaborate?* Almost every organisation will need to build new muscles. Existing specialists may need to be retrained so that people are not working in silos, and real collaboration occurs. The role of boards and leaders here is to be hard-nosed in overcoming any ingrained muscle memory, yet open-minded as organisations learn to flex their new abilities.

Each organisation has unique comparative advantages and therefore needs to adopt unique mindsets, models, and muscles. The opportunities and need to collaborate across sectors are greater than ever before. Organisations should make the most of this crisis to prepare themselves for the needs of the future. ■

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