OPPORTUNITY International

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SUCCESS FACTORS FOR DIGITAL PARTNERSHIPS

Summarizing findings from a study on digital partnerships in Uganda

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Opportunity International, in partnership with the Mastercard Foundation, has implemented a number of digital tools to expand access to financial services for those living in rural, sub-Saharan Africa. In 2018, Opportunity International commissioned PHB Development to undertake a study aimed at shedding light on innovations taking place in the digital space in Uganda, with a focus on exploring digital partnerships and identifying best practice partnership factors. Over 100 partnerships were identified and representatives from 15 organizations were interviewed to create this list of six key success factors.

1. Look for mutually beneficial, low-cost partnerships

Successful partnerships feature positive sum relationships and should not require either party to compromise the core success factors that their institutional models are built on. Some fintech startups in Uganda have grown rapidly and now boast proven business models and large user databases with strong loan repayment histories. These financial technology companies see their databases as assets and are looking to diversify their service portfolio by partnering with MFIs or banks, seeing their business models as complimentary rather than competing.

For example, a Ugandan for-profit startup selling off-grid solar home systems on a mobile, pay-as-you-go basis. The startup has a close, quickly growing partnership with MTN. The startup's customers pay for their solar lights with MTN mobile money, which increases mobile phone usage and provides much needed cash liquidity in rural areas where people mostly use mobile money to withdraw. As a result, the startup has been able to leverage their strong bargaining position with the telecom company while entering the Zambian market.

2. Work with partners who have a mission compatible with your own

Collaborating with mission-aligned institutions can result in strong partnerships that reduce costs for all parties involved. Many technology startups form mutually-beneficial partnerships with NGOs by offering a digital service in exchange for collecting data on the NGOs' clients—helping the startups further develop their product while providing the NGO with a free service for their beneficiaries and additional information on their clients.

For example, a software development company is developing an app that helps dairy cooperatives manage their records, including farmer loans. The software company works closely with many dairy NGOs whose mission is to promote the development of dairy cooperatives to the point where they can source funding from financial institutions. Because the company helps bring co-ops to this point, NGOs are willing to put significant effort into helping the software company at no cost.

Another example comes from a for-profit company whose core business is to give smallholder farmers access to a peer-to-peer knowledge sharing platform. They partner with various farmer focused NGOs, gaining access to their farmer network. In return, the NGOs get access to farmer insights, an overview of the most common questions they ask using the knowledge sharing platform, which helps NGOs tailor trainings as well as operate an early warning system (e.g. crop disease). Due to the complementarity of these two business models, the partners are willing to put in significant funds and effort to make the partnership work without any money changing hands.

3. Strong partnerships are founded on demand-driven approaches

Strong market research and human centered design approaches help ensure products address key user needs—in turn strengthening partnership business cases and proving willingness to pay.

For example, a company running a knowledge sharing platform for smallholder farmers points towards their demand-driven approach as one of the main success factors of their partnerships with product suppliers. In one such case, the company links farmers with input suppliers which are most recommended on the peer-to-peer knowledge sharing platform. Furthermore, human centered design is conducted with both suppliers and farmers to ensure that products address key farmer needs.

4. Empowered decision makers facilitate innovation

Conversely, overly bureaucratic decision-making processes can stand in the way. Fintechs feel like they hit dead ends when attempting to approach financial institutions with partnership opportunities because the representatives they engage are rarely empowered to okay mutually-beneficial partnerships due to decision-making structures within their institutions.

For example, one for-profit company attempting to enter the Ugandan market with a digital tool providing third party bookkeeping services for SMEs aimed at increasing access to credit. They were able to get meetings with all MFIs but only made headway with one. They claim the managing director had enough power to make decisions by himself rather than being forced to manage a complex and sometimes international decision-making structure.

5. Promising startups move fast—financial institutions need to make sure they can keep up!

For example, one company developed a mobile-based application to help small inventory-based businesses manage their inventory and keep financial records. They use this information to develop credit scores and offer unsecured loans to their users based on the associated risk. The company attempted to partner with MFIs but was eventually forced to use their own capital for lending due to potential partners not being able to make decisions in time.

Startups, in general, are known for their nimbleness, adapting quickly to setbacks and new opportunities. Conversely, financial institutions—as discussed in Success Factor #4—often move more slowly due to more complex decision-making structures as well as the more regulated nature of their work. Startup hubs claim their most promising startups tend to give up on partnering with local MFIs and banks as they need to move faster than the local partners can. For financial institutions wishing to establish partnerships with technology startups, the ability to move more quickly could prove essential.

6. Individuals start partnerships, but institutions make them last

Ensure that valuable partnerships are institutionalized—relying only on relationships between key individuals in each organization is risky. Leaders from startups and startup incubators who have engaged MFIs for partnerships often point towards a lack of strategy and human capacity when it comes to explaining partnership failure. They claim MFIs tend to not know what they want and that their staff have a difficult time understanding innovative, technologically-focused business models. Instead of relying on relationships, formulate a clear digital partnership strategy and ensure high capacity staff can evaluate and pilot potential partnerships.

For example, a Ugandan NGO had a strong partnership with a donor who shared a focus on the same agriculture sector and mission. This partnership worked in both parties' favor (complimentary business models and values), but it fizzled out after a key contact left the donor agency.

Opportunity's Digital Financial Services program recognizes that further research is necessary to capture the unique value-add of digital services in the kinds of partnerships outlined above from a more technical perspective, including the ability to scale at a low cost, designing systems that cross-subsidize, and leveraging network effects.