

Private Sector Firm Identification Tool

Private Sector Engagement Toolkit:

Purpose

To identify and map private sector firms working in targeted sectors.

Description

In some situations there may be dozens or hundreds of potential private sector partners that we may engage with to meet program goals. In others there may be very few. Understanding who our potential partners are and narrowing that list to a manageable number of options is a critical step. This is done by defining partnership criteria and researching the environment to identify high potential private sector partners.

It is important to recognize that this can be a gradual, iterative process. Often the best partners are not immediately obvious; it requires in-depth market analysis and extensive networking, to determine the most appropriate partners. Who is the best partner also depends on what our program goals are, the level of effort it takes to nurture a relationship with them, cultural and political issues, and other matters outside our influence, including a potential partner’s capacity and other goals and objectives they have unrelated to our programming. This tool is designed to provide a starting point for the networking required to find the best private sector partner and build a productive relationship.

Engagement Stage(s) this Tool Supports

TOOL	ENGAGEMENT STAGE					
	Context Analysis	Assessing a Specific PSE Opportunity	Partner Assessment	Partnership Development	Engagement Agreement	Ongoing Management
Firm Identification	•		•			

Stage 1: Context Analysis/Prepositioning: maps private sector firms to focus general outreach activities

Stage 3: Partner Assessment: identifies specific firms to be assessed for concrete partnership opportunities

Expected Output

Firm Identification Report that lists potential private sector partners including the criteria used to assess them.

Key Activities

1. Define partnership criteria
2. Research potential firms
3. Conduct background checks
4. Analyze findings

1. Define partnership criteria

There are four baseline criteria. These will not be used for a quantitative ranking, as the relative weighting of criteria is highly context- dependent. (i.e. if we have a very strong *existing relationship*, that may elevate that criteria, however if we have a specific need to engage with a partner in a particular *business sector*, that criteria may be paramount). Other criteria may be added depending upon the context.

- Business Sector: What private sector firms are engaged in priority business sectors (as identified in the *Business Sector Scan Tool*)? How highly is this business sector comparatively ranked?¹

¹ If this tool is being used for Partner Assessment (stage 3), rather than for Context Analysis (stage 1) then it is likely that the sector has been identified.

- **Organizational Strength:** Is the private sector actor a “lead firm” in their respective sector or do they have the potential to be a lead firm? Depending upon the context, some of these attributes may be more important than others. A lead firm:
 - Has forward and backward linkages with (buys from or sells to) other firms, or with program participants
 - Can compete in the marketplace
 - Has demand for their products and services
 - Has financial strength and resources to make business investments
 - May be innovators in their industry
 - May be willing to make investments and/or engage in activities that take extended time to show results
 - Has influence on other lead firms
 - Has capacity to tackle business enabling environment challenges
- **Program Experience:** Do we have past, current or ongoing program experience with the private sector actor? If so, has that experience been in this country, regionally or globally? Has this private sector actor demonstrated commitment to pro-poor development on their own accord or in response to government or contractual mandates?
- **Existing relationships and access:** Do we have an existing relationship with this private sector actor? Do we have a connection with them that can be leveraged either to partner with them, or to get access to other private sector actors who may be good program partners?

2. Research potential firms:

How this research is done is dependent upon the context and the Engagement Stage. If this tool is being used in the first stage of the Engagement Model (Context and Pre-Positioning), it may be limited to a high-level of research using only some of these channels. However if this tool is being used in response to a specific program concept or response to a donor call (at the Partner Assessment stage), more extensive research may be appropriate. Much of this research is similar to that conducted for the *Business Sector Scan* tool; however it is more narrowly focused on firm level. It may also be part of a broader market system analysis; specifically the levels of that analysis that focus on understanding where the market is not working for the poor, and identifying the underlying reasons for market underperformance and possible intervention points.

2.1. Desk Research: Given the relatively narrow focus there may be a limited amount of existing studies, reports, or statistics identifying a specific firm or group of firms operating in a business sector. Nonetheless, desk research can be worthwhile and is a good starting point toward building a picture of the private sector in a particular setting. At the same time, it is important to remember that just because there may be little information on a firm; it does not mean they will not make a good program partner.

- **Government documents:** Government data on business sectors may also identify individual firms operating in those sectors, typically large-scale national or multi-national corporations. . This data may be available from Statistics offices, Ministry of Agriculture, Ministry of Trade, Ministry of Finance.
- **General internet research:** Likely only useful for companies that are a large corporation or multi-national.
- **Specialized databases:** Many business sectors keep records of relevant companies. Good sources of information may include national/local chambers of commerce, sectoral associations, clubs or organizations. If they are active in the country, the American/British/International Chambers of Commerce may house information on local companies that are high value and export oriented as well as multi-national companies with a presence.

- Multi-lateral agencies (The World Bank, IFC, regional development banks, etc.) may have documentation on specific firms if they have been implementing relevant business development programs.
- Mercy Corps documentation: Reports and evaluations from previous programs in the country may include references to specific private sector actors.

2.2 Networking: Networking is perhaps the most important channel for firm identification. Developing relationships with “connectors” – individuals who can connect you to other informed actors and make introductions – is particularly helpful. Meetings with key informants, including relevant government agencies and other stakeholders (i.e. value chain entrepreneurs, business service providers), may reveal lead firms or contacts that should be pursued. Effective networking can be time consuming because it is based on developing trust and relationships so time needs to be budgeted for this step.

2.3. Market Observation: Market observation can provide information on what brands, products or services are available and what firms or private sector actors provide them. The most common brands may indicate potential partners. This channel does not, however, provide a detailed picture of the sector or firm and should be triangulated with other data.

2.4. Internal Mercy Corps Staff: If Mercy Corps has had previous experience with the private sector in country; the team may be able to identify strong (and weak) private sector actors. The team may also have observational experience on specific private sector firms. The best way to gather this information may be to hold mini Focus Groups to brainstorm who the key firms are and their informal reputations.

2.5: Expression of Interest: An *Expression of Interest* outlines our program goals, what kind of partner we are seeking to engage with, and how we envision that engagement to be constructed. Advertising or distributing this within the community we are working can help discover private firms we otherwise would not find. An *Expression of Interest* is much more general than an RFA and can be useful if we know precisely which sector we want to engage in, and are prepared to initiate an engagement.

2.6. Networking with Target population: This may be conducted simultaneously with Market Observation and involves asking people what private sector actors buy what they produce; sell inputs or consumption items they purchase; what firms provide services including access to finance, training, health, education, infrastructure and construction, amongst others and their level of satisfaction with the actor.

2.7. Stakeholder Meetings: It may be worthwhile to facilitate a structured meeting of market stakeholders in a business sector. This can be a good way to map firms in a sector and get a sense of firms' reputations. At the same time, it is important to remember that some of this information may be biased by the competitive nature of the business sector and the self-interest of the participant. This type of meeting may be quite complicated due to the questions that may arise from private sector participants about what we have to offer or how the program would support their interests. Because of that, it is an activity more suitable for *Partner Assessment* (stage 3) and not for *Context Analysis* (stage 1).

3. Conduct Background Checks:

Once a group of potential partners is identified, background checks and feasibility checking should take place. This may include cross checking information, identifying their competitors, checking with their suppliers, or interviewing their customers. Assessing the reputation of the firm is an important part of the background check including; understanding what people think about the firm in general, is its brand recognized, are they respected in their sector and community, are there negative images of the firm and if so what are the issues.

As we are considering a partnership with these firms, we should make sure the background checks are as transparent as possible, and may include asking the firm for permission to talk to their business contacts.

The goal is to collect information about the firm without being deceitful about it. (Note: The *Due Diligence Assessment Tool* outlines specific steps to help structure this type of research, however for the purpose of this tool, this is a very abbreviated version of due diligence).

4. Analyze findings

The list of potential partners can be documented in the **Firm Identification Report**. This includes summary information on how the firm fits the criteria and captures useful information uncovered by background checks and at a more in-depth phase, the due diligence process. Firms should be listed on this report in a rough order of priority to help prioritize ongoing outreach to them.

Firm Identification Report (sample)

Firm	Description	Business Sector Analysis	Organizational Analysis	Pro-poor Program Analysis	Relationship Analysis	Background Check	Other Key Comments

- Firm: Identify the firm including primary address and a key contact. This could also include key background information such as where and how they are registered.
- Description: Give a short summary of what the firm does and the relevance to our programming.
- Business Sector Analysis: List which business sector(s) the firm is engaged in.
- Organizational Analysis: Document why the firm is considered a lead firm. If they are not a lead firm, why they would be a strong partner.
- Pro-Poor Program Analysis: List the firm’s relevant experience or ‘shared value’ with our programming objectives.
- Relationship Analysis: Describe any new or long-standing relationships with the firm that might help outreach or deepen the relationship
- Background Check: Document any findings from the background check.
- Other Key Comments: Document any relevant additional observations, opinions or facts.

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