

3-Year System Business Plan Companion Document

Action 5.1 – Special funding initiative for new Alliances

<u>Prepared by:</u>	CGIAR System Management Office
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<u>Request to SMB11:</u>	For endorsement , for inclusion as part of the 2019-2021 CGIAR System Business plan.

Contents

Background Information	2
Cost Considerations.....	3
Incentivizing and Supporting Change: A New Alliance Special Funding Initiative	4

Background Information

1. Currently several Centers have entered into bilateral (Center to Center) discussions to explore a range of institutional scenarios that would ‘hard-wire’ much deeper substantive collaboration. In the pursuit of alliances, Centers are motivated by the following potential objectives:
 - a. Significantly increase impact potential by stronger strategic alignment and through building critical mass in their research programs, increasing salience, comprehensiveness and impact of work and in their engagement with NARES and development partners
 - b. Capitalize on legacy investments in knowledge products, expertise, networks, capacity and convening
 - c. Strengthening their combined value proposition by bringing together complementary expertise, systems, and methodologies such that global impact is increased
 - d. Better connect external non-CGIAR actors, investors and initiatives to CGIAR related work
 - e. Raise increasing levels of revenue based on growing needs, demands and expectations of investors
 - f. Optimizing synergies between organizations and standardizing identified best practices
 - g. Improving geographical diversification and coherence of research offerings and support services
 - h. Transfer and dissemination of knowledge, resources and technology
 - i. Seeking economies of scale in governance, management, operations, research support and research to improve institutional sustainability

2. CGIAR has identified the need to address the perceptions of fragmentation across the system. Fragmentation can negatively impact programmatic outreach, brand and operational effectiveness.

Fragmentation Risk	Range of Remedies in 2019-2021 Plan
Research and programmatic drift	CRP’s and Center Alliances
Brand perception and visibility	Establishment of CGIAR Rome Hub
Cost effectiveness and operational efficiencies	Implementation of Shared Services

3. While a range of possible outcomes are being assessed, current discussions amongst several Centers have identified opportunities for alliance and/or joint ventures between two or more Centers. These alliances may maintain their distinct separate legal status but implement transformational change in their governing and leadership roles: e.g. formal agreement to operate with a shared Board of Trustees and an Alliance Chief Executive Officer.

4. Center Alliance discussions will typically evolve through the following stages:

Stage of Transformation		Indicative Timeline
a.	Pre-alliance exploration	3-6 months
b.	Implementation of Change	12-18 months depending on scope of alliance
c.	Post Alliance capacity strengthening, systems and contracting alignment, shifting cultures, etc.	Up to 3 years post implementation

5. The process for identifying areas for operational collaboration will be influenced by the needs of the involved Centers and be informed from the learnings shared across the system.

Table developed by SRI Executive



Cost Considerations

6. Once a clear pathway is chosen, adjustment costs can be substantial. More is currently known about the pre-alliance costs, but costs of implementation are also likely to be substantial depending on the level of ambition. Potential costs relate to the substantial preparation and analysis required to support the following key activities:

A. Pre-alliance exploration	B. Implementation of Change	C. Post Alliance capacity strengthening
<ul style="list-style-type: none"> • Exploration of <u>substantive alignment</u> to increase the salience, comprehensiveness and impact of research • (Re)framing of <u>a common vision</u>, interrogations, challenging of assumptions and examining scenarios. • <u>Addressing ancillary issues</u> related to various forms of institutional alignment • Institutional level <u>due diligence</u> assessments; • Review of <u>legal agreements</u> (funder, host country agreements, constitutions, etc.) • <u>Valuations</u> of business units and intellectual assets • Review of <u>lessons learned</u> from past alliance and shared service activities inside and outside of the CGIAR • <u>Governance</u> support and options assessment • Assessments of <u>cultural fit</u> of organizations • <u>Stakeholder consultations</u> including funders, center leadership, employees, partners, vendors, and community interests • <u>Business valuations of units and/or organizations</u>, • <u>Lessons learned</u> from past alliance efforts • <u>Policy mapping, alignment and transition planning</u> 	<ul style="list-style-type: none"> • Professional support to change management process (should be initiated early in process) • Staff adjustments, depending on level of pooling of skills – e.g. administrative services, management team • Potential relocations costs for staff/services • Potential infrastructure costs of changing offices or adjusting various facilities • Aligning of operational policies and procedures (HR, IT, Finance, etc.) • Aligning of assurance procedures (internal and external audit engagements) • External engagement strategies • Country presence transitions • Culture alignment • Boards and governance model realignment 	<p>Longer run and continual innovations in business model and capabilities – implying reskilling and infrastructure development in various areas</p>
<p>Potential cost range per Center Alliance (to be verified via business case submissions):</p>		
<p>\$0.5-\$1 million</p>	<p>\$2-\$5 million</p>	<p>N/A</p>

Incentivizing and Supporting Change: A New Alliance Special Funding Initiative

7. Successful design and implementation of these significant institutional change management processes requires significant up-front resourcing including external professional expertise in the form of a transition advisor. It is critical that these change processes are professionally managed.

8. The System Management Board is therefore proposing to establish a ‘New Alliance Special Funding Initiative’ that is aimed at creating a significant incentive to support those Centers embarking on this path. It would:
 - a. attract additional Window 1 and Window 3 funding to support new Center Alliances that meet specific change criteria (see below)

- b. be limited to supporting cost categories A and B above
 - c. be provided as matching funding
 - d. have funding target of \$15 million over the 2019-2021 business plan period
9. Access to funds shall be subject to the following criteria with the process project managed by the CGIAR System Organization:
- a. Clear demonstration of intention to unify research programs and enhance impact.
 - b. Submission of a fully costed business case to the System Management Board. Cost budgets must be accompanied by a robust and reliable Return-on-investment (ROI) assessment of the transition process
 - c. Identification of investment co-financing of Center resources (cash and/or in-kind) of at least 25% of total cost of initiative
 - d. Clear demonstration of intention of assessing or implementing substantial change management process that involve a significant structural shift towards common governance, management and operational responsibility between 2 or more Centers
 - e. Commitment to standard financial and narrative progress reports on a quarterly basis