Unlocking Macro-Value Through the Tri-Sector Mindset: The Case of the NJ CEO Council

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Abstract

Tri-sector collaborations involving public, private, and government sectors can be uniquely utilized to address a variety of social issues. This can be evidenced in New Jersey's response to supply chain issues brought about by the COVID-19 pandemic. Following the tri-sector model, the New Jersey state government, the CEO Council, and the Rutgers Procurement Center for Excellence collaborated to increase procurement spend in the state, demonstrating the benefit of this model for all involved parties. This article outlines the specifics of the collaborative effort, shares examples, best practices, and managerial implications of tri-sector collaborations.

Introduction

The Tri-Sector mindset is a collaborative approach between public, private, and social sectors that advances societal welfare through joint action, including but not limited to corporate social responsibility (CSR) initiatives.[1] It is based on the idea that value co-creation, or mutually beneficial effort, is significantly more impactful than just value exchange between sectors.[2] There have been numerous occasions in which this approach has been validated, especially during the COVID-19 pandemic more recently. This is because cross-sector collaborations were necessary for solving complex issues brought about by the unprecedented circumstances of the pandemic, including social and environmental issues. For example, with scarce business and tourism travel, vacant hotels were used during the pandemic to shelter homeless populations.[3] This was a result of joint efforts of both social welfare policymakers and hotel owners.

The COVID-19 pandemic also revealed vulnerabilities in supply chain systems around the globe, and the state of New Jersey was no exception. Notably, New Jersey hospitals had trouble sourcing, storing, and distributing personal protective equipment (PPE) to their employees.[4] Small and local businesses were hit especially hard by the pandemic. Minority or women-owned businesses were also significantly impacted.[5] As necessity is said to be the mother of invention, and the extraordinary inefficiencies and hardships caused by the pandemic necessitated identifying a synergistic solution between sectors in the state of New Jersey, aligned with the framework of the Tri-Sector mindset.

The application of the tri-sector mindset to assist in solving the supply-chain issues of the state was quite successful. Particularly, the New Jersey State government and several large corporations collaborated to form the CEO Council, a cohort of CEOs from various New Jersey-based corporations, to increase procurement spending with diverse suppliers throughout the state, as a part of the state's post-pandemic plans set forth by Restart and Recovery Council.[6] This joint effort, along with the support of the Rutgers Procurement Center for Excellence, represents a great example of the value that can be unlocked through a tri-sector mindset. In October 2020, the initial target was to increase local spending by $250 million in the first five years to aid in the post-pandemic recovery efforts of the state. As of Summer 2024, the total spending was $860 million.

The rest of this article is organized as follows. First, we introduce and discuss the tri-sector collaborative mindset and how it relates to creating shared value for stakeholders. Second, we present the case of the NJ CEO Council as a successful example of tri-sector collaborations. We conclude with implications for future macro-level collaborations in NJ and elsewhere.

The Tri-Sector Mindset

The Tri-Sector mindset is based on the idea that aligning the interests and activities of three key sectors instead of one or two can be especially impactful in complex problem-solving and accelerating value co-creation. It can be applied to various business models, industries, products, and services, and at any point in an organization's value chain.[7] The Tri-Sector approach's rationale is that aligning these sectors' interests allows them to share resources and networks in order to overcome barriers and co-create value.[8]

By definition, tri-sector collaborations require the joint efforts of the public, private, and non-profit (social) sectors to succeed. The public sector can include state and local governments, agencies, or other organizations focused on education, healthcare, or public infrastructure. Private sector organizations include businesses of all sizes and industries, and non-profit sector organizations include those that provide societal benefits but do not distribute profit to any private individuals. Each of these sectors brings unique perspectives, goals, and capabilities to the tri-sector collaboration.[9]

The Tri-Sector mindset has previously been applied to solve multi-faceted social issues. It was used for example, in Grand Rapids, MI, in the development of Employee Resource Networks (ERNs), functional communities that reduce barriers to employment, foster information sharing, and promote job retention. These networks were launched as a result of collaboration by the Kent County Department of Human Services (public), Cascade Engineering (private), and the Delta Strategy (non-profit) to address the joint needs of these organizations to increase employment and retention, decrease employee turnover, and address job loss and welfare needs of the community.[10]

The Tri-Sector approach was also used internationally on a larger scale, by Novo Nordisk, a global healthcare company, that recognized the limitations of the Chinese Healthcare system in diabetes prevention and care. Novo Nordisk collaborated with the World Diabetes Foundation and various local government agencies, to support the establishment of physician training programs, telephone hotlines, and a Research & Development hub in China. Not only did this address the needs of the overall Chinese healthcare system, but it also allowed Novo Nordisk to gain a leading market position.[11]

In New Jersey specifically, the tri-sector approach has been diffused within the business model of Newark-based financial technology company MoCaFi. The company was launched with the intended purpose of addressing the racial wealth gap and providing underserved populations with financial access and services. To reach this goal, the organization partners with social organizations such as United Way, as well as local cities to access government databases to reach their intended audience.[12]

Each of the examples above shows the success of the Tri-Sector mindset in different industries in addressing various social issues. It is important to emphasize that this success is dependent on the joint effort of the three sectors to align individual objectives and capabilities to create shared value.

Creating Shared Value

The Tri-Sector approach is well-aligned with extant approaches to value co-creation such as the collective impact, which is based on the seminal work by Porter and Kramer on shared value.[13] Collective impact explains that social problems arise from and persist because of a complex combination of actions and omissions by players in all sectors—and therefore can be solved only by the coordinated efforts of those players, from businesses to government agencies, charitable organizations, and members of affected populations. It allows all parties to share perspectives, resources, and accountability. The success of collective impact depends on all sectors having a common agenda, shared measurement system, mutually reinforcing activities, constant communication, and dedicated backbone support. Much like the tri-sector mindset, the coordination of these factors requires an alignment of goals and complementary resources. The model of collective impact was used, for example, to address the public health issue of food access in Tenderloin, a low-income community in San Francisco, California. Using the idea that a coordinated effort between sectors is necessary for success, backbone organizations, health department partners, University partners, and local community partners formed the Tenderloin Health Corner Store Coalition. Specifically, the Vietnamese Youth Development Council and Tenderloin Neighborhood Development Corporation provided administrative support for the coalition, the San Francisco Department of Public Health contributed to community assessments and data collection, U.C Berkeley and U.C. San Francisco provided research support, and community-trained "Food Justice Leaders" served as advocates for food systems and access.[14] Ultimately, it was the collaboration between these groups that led to improvements in access to healthy food for neighborhood residents, as well as city-wide health policy.

Another driver of shared value is open innovation, defined as "the use of purposive inflows and outflows of knowledge to accelerate internal innovation and to expand the markets for external use of innovation, respectively."[15] It emphasizes the importance of engaging with internal and external stakeholders in creating value. Its applications were especially prevalent during the COVID-19 pandemic, in which businesses were led to collaborate with other organizations to drive the benefits of the societies they operated in.[16] A well-known example of this approach was facilitated by Netflix, which launched the Netflix Prize, a public open innovation challenge that encourages teams to find solutions to the platform's filtering algorithm. In encouraging this co-creation, Netflix was able to solve a business problem, encourage collaboration between internal and external stakeholders, and create shared accountability.[17]

The concept of shared value is becoming increasingly applicable as businesses face pressure to deliver value to all stakeholders, including the environmental and social needs of their communities.[18] The Tri-Sector approach, however, can be viewed as an extension of the co-creation frameworks highlighted above to make the efforts more impactful. The impact of the Tri-Sector approach lies in the alignment of resources between sectors. For example, government agencies can provide the necessary data and support to enact large-scale change. The nonprofit and social sector organizations can provide access to groups of people, and expertise on a range of social topics. Finally, private sector organizations have large networks of operation, generally impacting the environment and communities around them, and therefore, have the ability to enact significant change through improvements in their operations.[19]

Tri-Sector Collaborations in Practice: The Case of the NJ CEO Council

The focus of this article is to demonstrate the success of the Tri-Sector approach through the collaboration involving New Jersey State Government, various New Jersey-based corporations, and Rutgers Business School's Center for Supply Chain Management and their efforts to support the small and diverse businesses within the state by significantly increasing local procurement.

The catalyst of this partnership was the COVID-19 pandemic, which revealed core issues in the state's supply chain system. Small businesses were hit particularly hard by the pandemic, and in December 2020, it was reported that 3 out of every 10 small businesses in the state that were open at the beginning of the year had closed.[20] Upon witnessing these inefficiencies among other economic and social issues, Governor Phil Murphy launched several initiatives focused on New Jersey's recovery. As part of these efforts, an informal coalition of CEOs from some of the state's largest companies, including BD, Campbell Soup Company, Johnson & Johnson, Merck & Co., Prudential Financial, PSEG, RWJBarnabas Health, Verizon, and Zoetis, was formed.[21] This public-private partnership was launched in 2020 with two specific goals of focus: hire or train more than 30,000 NJ residents by 2030 and spend an additional $250 million on procurement with state-based, diverse companies by 2025.[22] To take this goal one step further, the CEO Council also called on other, smaller New Jersey-based vendors and corporations to prioritize hiring more residents and spending more with New Jersey-based small businesses, using their own commitments as a framework.

With the partnership between the public and private sectors established and main goals declared, corporations needed an outside organization to provide guidance on procurement best practices and aid in reporting progress toward the overall spending goal. This is where the expertise of the

Rutgers Business School's Supply Chain Management program proved essential.

John Impellizzeri, who directs the Rutgers Center for Supply Chain Management, had a previously established relationship with the New Jersey Governor's office, having served as an advisor on the previous challenge of PPE distribution in the state during the pandemic. Recognizing the opportunity to include Rutgers in this shared value creation, Impellizzeri led the launch of the Procurement Center for Excellence, which focused specifically on aiding the spending goal of the CEO Council.

The tasks of the Procurement Center for Excellence were as follows:[23]

1. Vet minority suppliers being considered by companies
2. Maintain databases of suppliers to match them with opportunities
3. Measure and report on progress in increasing procurement spend small and diverse suppliers
4. Share best practices
5. Raise awareness on the process of registering as a diverse business, provide training to small businesses to increase procurement bidding skills

The engagement, commitment and alignment of the Chief Procurement Officers from each of the CEO council members was an early challenge. John Impellizzeri chaired a biweekly steering committee comprised of the CPOs to gain their confidence and trust. This was a critical first step as the success of the project necessitated the sharing of highly proprietary information with the PCOE team at RBS. Internal database portals were designed to ingest data and assure confidentiality to the participating companies. The steering committee agreed that each company would be able to view its own progress as well as the total team. NDAs were put in place to give further assurance.

In addition to the aforementioned tasks of the PCOE, the assessment of the "maturity" of each company's diverse spend competencies was critical. No surprise, the level of existing best practices varied among the council members. PCOE resources were carefully planned to aid the companies needing the most assistance. In addition to varied levels of competencies, a significant effort was needed to harmonize the 11 companies' data. The CEO council needed accurate yet concise scorecard reporting, and the initial consolidation revealed over 20 different diversity categories by the member companies. For such a collaboration to be successful it requires a delicate balance between accepting the existing companies' structures and imposing a consistent format for all entities. Fortunately, many of the council members allowed Rutgers Supply Chain Management graduate students direct access to their reporting systems and this helped greatly in getting the necessary alignment.

Perhaps one of the most significant "tools" created by the PCOE, was a "pipeline" analysis. The internal portal has a dashboard feature that allows any participating member to search suppliers and product categories of all other members without disclosing the identity of the other member company. So, if a company identifies a particular spend category where they have little or no diverse suppliers, they can quickly see if other member companies have a potential match for their need. This is not just an efficient approach to diverse sourcing, but more importantly, de-risks the sourcing process knowing that the identified supplier is already tested and proven reliable.

As aforementioned, The CEO Council set what they considered to be an ambitious yet attainable goal in 2020 to increase procurement spending with small and diverse suppliers by $250 million by 2025. Based on the joint efforts of the CEO Council, Center for SCM, and the NJ government, the $250 million in procurement spend with small and diverse suppliers in New Jersey goal was achieved as early as 2023 and total spending currently stands at more than $860 million.

The secret to the overwhelming success of this initiative lies clearly in the tri-sector mindset that was deployed. The Governor, recognizing the influence and economic impact of the state's biggest headquartered corporations, initiated a forum in which company leaders can share knowledge and resources. Both sectors, recognizing the necessity of an arm in procurement expertise, tapped into Rutgers University's research capabilities.

In the final analysis, this collaboration succeeded in the creation of shared value for all sectors. First and foremost, the economic health and development of the state improved with the support of small and diverse businesses. These businesses were also able to gain valuable information and support from Rutgers University and join a network used by all corporations involved in the CEO Council, removing a potential barrier to creating supplier relationships. This initiative also positioned New Jersey as a leader in Supplier Diversity, as reported by the Supply Chain Management Review.[24]

Corporations, in increasing procurement spend with small and diverse suppliers, were able to advance many of their CSR commitments. They also benefitted from the outsourced tracking and reporting done by the Procurement Center of Excellence, which acted as an information hub for sharing best practices, measurement tactics, and data analysis. Along with this, each corporation gained access to a network of vetted suppliers that have already worked with their peer corporations, removing some of the risks that are associated with onboarding potential new suppliers.

The Rutgers Procurement Center for Excellence was also a beneficiary. It was able to apply the expertise of Rutgers University's supply chain faculty to a real-time issue and contribute to an important economic initiative of the state. The initiative also allowed the center to expand student involvement, allowing students to apply their learning, gain experience, and further establish Rutgers Business School as a leader in Supply Chain Management.

Managerial Implications and Conclusion

The Tri-Sector collaboration journey in NJ is arguably only beginning. The procurement network was built with the intention of not only being measurable but also scalable. The CEO Council has grown since its launch in 2020 to include CEOs from other state-based corporations, including American Water, Bristol Myers Squibb, and Hackensack Meridian Health, and continues to set new targets to address the needs of the state. Along with this, the database built by the PCOE to aid the supplier diversity initiative continues to grow with the introduction of new corporations and new suppliers, and with the analysis of supplier diversity trends and best practices in the post-pandemic environment.

The success of this Tri-Sector partnership has also led to other, similar partnerships between the New Jersey State Government, the CEO Council, and other non-profit organizations. As aforementioned, along with increasing procurement spending with small and diverse businesses in the state, the other main goal of the NJ Statement government and CEO Council partnership was to increase the hiring and training of New Jersey residents. To progress this goal, in 2022, both organizations announced a partnership with Social Finance,[25] a non-profit organization focused on impact investing, to launch the New Jersey Pay It Forward Program. This program aims to promote post-secondary education and career advancement through various financial supports such as no-interest loans and living stipends.[26] Currently, the Pay It Forward revolving workforce fund lies at 14.8 million, with over 100 participants.[27] This is just another example of the continuous success of Tri-Sector collaborations in the state of New Jersey and provides a catalyst for more programs focused on the needs of the state.

The success of the Tri-Sector approach in mitigating the supply chain issues of the state can be translated to other social issues. For example, public health, as seen in the above example from San Francisco, and also in the national response to the pandemic. It can serve as a valuable resource if applied to other, high-priority public health issues in the state, such as access to primary care, childhood immunization, and obesity.[28] Outside of public health, the Tri-Sector approach can be used to solve other prevalent social, economic, and environmental issues in the state such as access to housing, segregation in schools, and climate change.[29]

The Tri-Sector approach can also be scaled up to enact change in a more significant way, such as in a larger geographic area. This was seen in the Novo Nordisk example aforementioned, in which the company was able to impact a country-wide issue in China through Tri-Sector collaboration. Scaling up, in the case of New Jersey, could mean recruiting more private corporations that operate within the state into the CEO Council, tapping into more schools or universities to provide expertise on certain issues, or working closely with local government agencies (rather than just the overall state government) to identify community-specific needs and enact change. It could also mean inspiring surrounding states (e.g., tri-sector approach across tri-states) to use this mindset when faced with large-scale social and economic issues.

Overall, we can see through this case study that the Tri-Sector approach, although not the only method of shared value creation, has proven to be a very valuable approach to solving large-scale issues. There are many lessons to be learned from this case. First and foremost, the alignment of individual interests and resources in the public, private, and social sectors is key to the success of the Tri-Sector mindset. Next, we can see how collaboration between sectors, rather than competition, has the potential to positively impact each sector as well as communities. In a world that is becoming increasingly concerned with social and environmental value-creation, it is important to work with those who are directly involved, or impacted by these issues, and the tri-sector approach allows for that to happen.

Authors

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John Impellizzeri retired from a 36-year career in industry where he established himself as a C-suite executive with a reputation as an innovative strategist, effective communicator, and dynamic leader with a strong commitment to excellence. During Impellizzeri's corporate career, he was CFO, CPO, and VP at Schindler Elevator. He had a proven track record of coordinating complex business details, overseeing multiple functional areas simultaneously, and building consensus

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