

## A circular graphic composed of four concentric rings in grey, green, blue, and red, each containing white icons representing various aspects of society, technology, and the environment. The grey ring (innermost) includes icons for a globe, a person, a handshake, a person at a desk, a person with a magnifying glass, a person at a computer, a person with a speech bubble, a person with a question mark, a person with a clock, a person with a bar chart, and a person with a pie chart. The green ring includes icons for a person, a person with a bar chart, a person with a speech bubble, a person with a question mark, a person with a clock, a person with a bar chart, a person with a pie chart, a person with a speech bubble, a person with a question mark, a person with a clock, a person with a bar chart, and a person with a pie chart. The blue ring includes icons for a person, a person with a bar chart, a person with a speech bubble, a person with a question mark, a person with a clock, a person with a bar chart, a person with a pie chart, a person with a speech bubble, a person with a question mark, a person with a clock, a person with a bar chart, and a person with a pie chart. The red ring (outermost) includes icons for a person, a person with a bar chart, a person with a speech bubble, a person with a question mark, a person with a clock, a person with a bar chart, a person with a pie chart, a person with a speech bubble, a person with a question mark, a person with a clock, a person with a bar chart, and a person with a pie chart.

## Solutions to overcome internal barriers



wbcsd social capital

## About the World Business Council for Sustainable Development (WBCSD)

The World Business Council for Sustainable Development is a CEO-led organization of forward thinking companies that galvanizes the global business community to create a sustainable future for business, society and the environment. Together with its members, the council applies its respected thought leadership and effective advocacy to generate constructive solutions and take shared action. Leveraging its strong relationships with stakeholders as the leading advocate for business, the council helps drive debate and policy change in favor of sustainable development solutions.

The WBCSD provides a forum for its 200 member companies – who represent all business sectors, all continents and a combined revenue of more than US\$7 trillion – to share best practices on sustainable development issues and to develop innovative tools that change the status quo. The Council also benefits from a network of 60 national and regional business councils and partner organizations, a majority of which are based in developing countries.

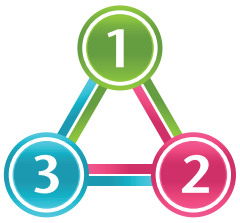
[www.wbcsd.org](http://www.wbcsd.org)





# Table of contents

Why this brief?	page 2
What do we mean by “scale”?	page 3
What are the internal barriers to scale?	page 4
Barrier 1: Opportunity cost of investment	
Barrier 2: Strategic and operational misalignment	
Barrier 3: Capability gaps	
Taking action	page 18



# Why this brief?

**Sustainability challenges including poverty, social unrest, climate change and environmental degradation have become ever more urgent. Business has the technology, innovation capacity, resources, and skills to play a key role in providing the radical solutions the world desperately needs.**

The WBCSD's Vision 2050<sup>1</sup> plots a pathway to a world in which 9 billion people live well and within the boundaries of the planet. To deliver tangible outcomes along this pathway, the Council has launched Action2020<sup>2</sup>, a framework for action aimed at rallying the efforts of companies that feel compelled to deliver on Vision 2050's economic, environmental and social promises. This framework encompasses the need to catalyze and scale up solutions that drive greater social inclusion and sustainable development in emerging markets – *inclusive business* ventures targeting the so-called “base of the pyramid.”

Companies of all sizes, including many WBCSD members, are actively testing and rolling out inclusive business models. But scale has so far proven elusive. In the past few years, more and more observers have begun to point out that relatively few inclusive business models have achieved the potential for scale. This holds true even for ventures developed by large multinational corporations, which might have been considered the ideal vehicles given their vast resources, efficient systems, and global reach.

The barriers are numerous. To date, most of the discussion has focused on *external market barriers* like informality, insufficient market information, inadequate infrastructure, ineffective regulation, uneven cash flows, limited knowledge, skills, and access to finance in low-income markets. The WBCSD and leading institutions like IFC (International Finance Corporation) have dissected these barriers and laid out viable sets of solutions that companies are already applying to overcome them. These solutions range from pre-payment to shared access products and services to leveraging existing distribution channels, and technology is an important cross-cutting enabler (see annex).<sup>3</sup>

Companies also face a host of *internal organizational barriers* to scale that are much less commonly acknowledged or discussed. Yet from what emerges in discussions with WBCSD members and other companies

active in this domain, those internal barriers are just as, if not more, important. Not least because the solutions lie within direct control of companies themselves.

The objective of this brief is to kick off greater dialogue on the internal barriers companies face along the pathway to scale in inclusive business and how to overcome them. Building on the hands-on experience of businesses active in this space and the valuable insights of experts, the following pages identify some of the most common internal barriers and the solutions that leading companies are using to tackle them. We gained new insights by looking at the work of thirteen companies: CEMEX, Grundfos, Grupo Corona, ITC Ltd., Lafarge, Masisa, Nestlé, Novartis, Novozymes, SABMiller, Schneider Electric, The Coca-Cola Company, and Vodafone. We also interviewed two leading academics doing research in this area, Cornell University's Erik Simanis (United States) and Universidad de los Andes' Ezequiel Reficco (Colombia).<sup>4</sup>

Of course, many companies find it a challenge just to get off the starting block and get to break even. But here at the WBCSD we believe that the time is right, because most large companies won't even step up to the starting blocks unless there are prospects for scale. And fortunately, a number of companies are already succeeding at the base of the pyramid. While the sample size is small, there is much to learn from their experience.

1. See <http://www.wbcsd.org/vision2050.aspx>

2. See <http://www.wbcsd.org/action2020/action2020infographic.aspx>

3. IFC (International Finance Corporation). 2010. “Inclusive Business Solutions: Expanding Opportunity and Access at the Base of the Pyramid.” Washington, DC: IFC.

4. See, for example, Simanis, Erik and Mark Milstein. 2012. “Back to Business Fundamentals: Making “Bottom of the Pyramid” Relevant to Core Business.” *Field Actions Science Reports* Special Issue No. 4; Simanis, Erik and Duncan Duke. Forthcoming. “Look Before You Leap: The Smart Way to Enter the Bottom of the Pyramid”; Reficco, Ezequiel and Adriana Rueda. 2012. “There is a fortune at the BoP: why aren't large companies grabbing it?” *INCAE Business Review* 2:6; Olsen, Mette and Eva Boxenbaum. 2009. “Bottom of the Pyramid: Organizational Barriers to Implementation.” *California Management Review* 51:4, pages 100-125; and Newnham, Jack. 2013. “Scaling Inclusive Business: Why Do Some Successful IB Pilots Fail to Scale.” *Business Innovation Facility Inside Inclusive Business* 10.



# What do we mean by “scale”?

**For the companies interviewed for this brief, scale is a combination of the number of people reached, geographic footprint, and sales or procurement volume, depending on their industries and the nature of their inclusive business models. Seen from the business perspective, scale is also very much related to break-even and return on investment, as only commercially viable ventures are truly scalable.**

Organizations focused on poverty reduction, like bilateral and multilateral donor organizations and NGOs, often define scale in terms of reach as well. But for these organizations, scale of impact is paramount. There may be a correlation between reach and impact; for example, each customer that buys a home water purification system might represent a household that gains access to safe drinking water and enjoys better health as a result. But the correlation does not always hold. If those water

purification systems include filters that must be replaced each month, for instance, customers' access to safe drinking water and its health benefits may decline over time. The result could be significant reach but limited impact. It is therefore critical for companies to articulate their targets for scale and impact clearly and measure accordingly.<sup>5</sup>

## What is inclusive business?

*Inclusive business*, a term coined by the WBCSD, refers to business solutions that expand access to goods, services, and livelihoods for low-income communities in commercially viable ways.

Inclusive business can create opportunities for employment and entrepreneurship for the base of the pyramid, either directly or through companies' value chains as suppliers, distributors, and retailers. Alternatively, inclusive business can provide affordable products and services such as food, water, sanitation, telecommunications, energy, housing, and health care to low-income communities as consumers. Inclusive business is about creating sustainable livelihoods. It is not about fighting for a larger share of a small wallet, but about increasing the size of the wallet.

In so doing, inclusive business contributes to social priorities such as the Millennium Development Goals. It also creates value for the company – including market entry, market share, security of supply, product and service innovation, top line and bottom line growth, and competitive advantage.

## The WBCSD and inclusive business

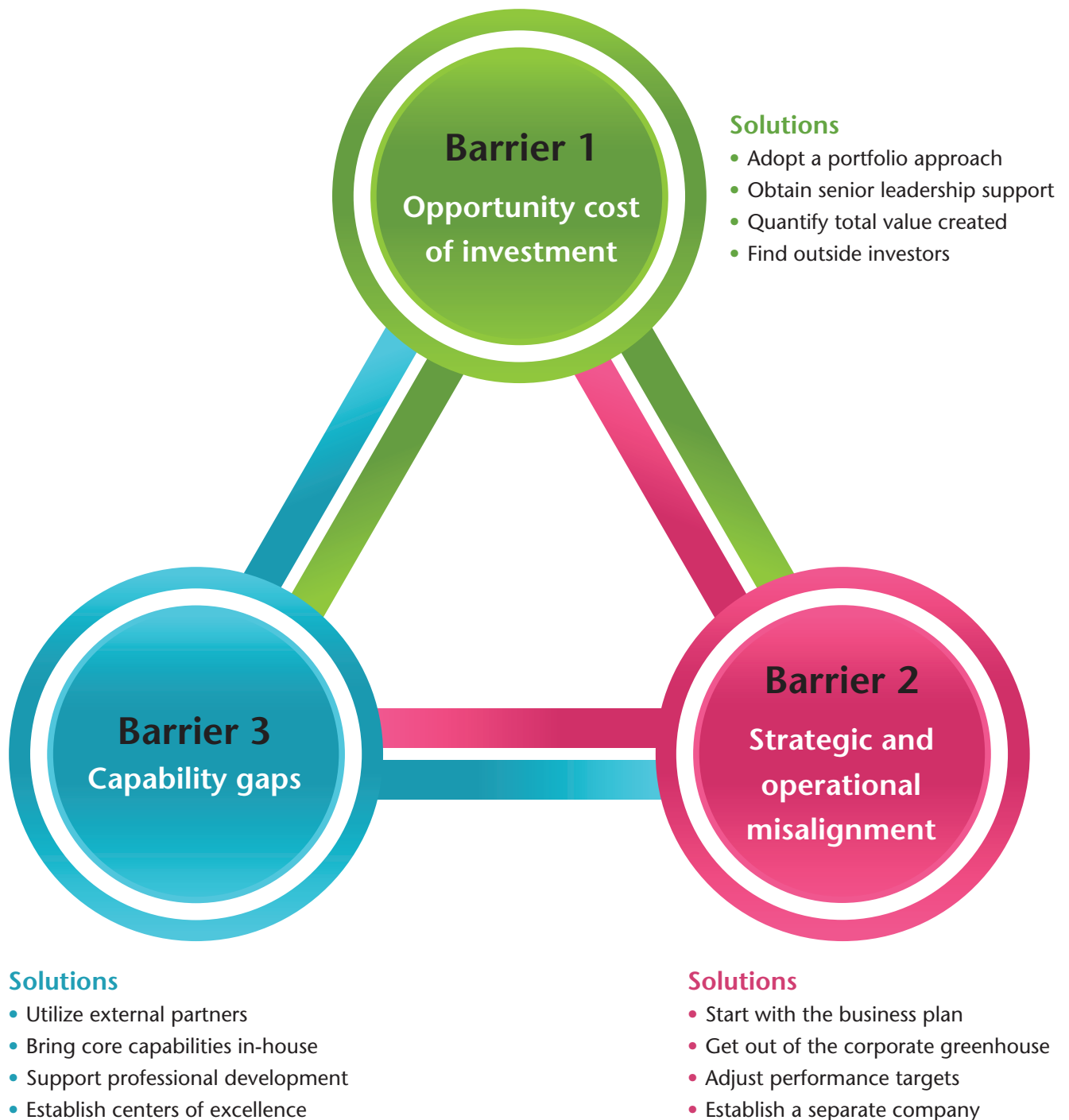
The WBCSD's work in the area of inclusive business is built around four pillars:

1. Illustrating best practices, lessons learned, and success factors;
2. developing toolkits and training programs to support awareness raising and implementation;
3. identifying and brokering opportunities for member companies, in close cooperation with partner organizations; and
4. advocating business perspectives to key international platforms and actors.

5. For an in-depth look at the business case and the landscape of tools available for companies interested in measuring their socio-economic impacts, see the WBCSD guide released in early 2013 at <http://www.wbcd.org/impact.aspx>

# What are the internal barriers to scale?

The internal organizational barriers to scale in inclusive business are numerous, multi-dimensional, and interdependent. In this brief, we categorize them into three clusters.



### Barrier 1

## Opportunity cost of investment

When companies consider investing in starting or scaling inclusive business models, they compare the expected rates of return with those of alternative investments they could make. Inclusive business investments may have lower expected rates of return because the cost or risk of doing business in base of the pyramid markets is high, anticipated margins are low, and/or a long time horizon is needed to break even. Base of the pyramid markets may also be so new and unfamiliar that expected rates

of return cannot be calculated with enough certainty. Companies may wish to “wait and see,” and grow into base of the pyramid markets by acquiring small companies that are successful. These circumstances make it difficult for corporate decision-makers to justify the opportunity cost of investing in starting or scaling inclusive business models when other investments with higher, more certain rates of return are available.

### Barrier 2

## Strategic and operational misalignment

Like any other type of business, inclusive business is a matter of procuring, manufacturing, distributing, marketing, and selling products and services. Inclusive business models cannot be run out of the public affairs department: key functional teams across the company need to be involved, especially to do it at scale. However, an inclusive business model may be so different from a company’s existing business model that existing operating structures and processes cannot easily be

leveraged. Lower expected rates of return – and/or lack of clarity about the relative importance of commercial and social objectives of inclusive business models – can also cause strategic and operational misalignment. Managers’ performance targets and incentives simply point their time and resources in other directions. Simple lack of internal communication and “not invented here” syndrome can also factor in.

### Barrier 3

## Capability gaps

Companies’ capabilities drive their performance. The extent to which capabilities need to be adapted or built from scratch is a critical factor in companies’ ability to scale their inclusive business models. When inclusive business models are very different from existing business models, there will be gaps. These can include the ability to implement any of the solutions outlined in the annex, from managing informal distribution

channels to providing inventory on credit to processing hundreds of thousands of small transactions. It is often possible to acquire the capabilities necessary to pilot an inclusive business model successfully. But to scale, those capabilities need to be widespread.

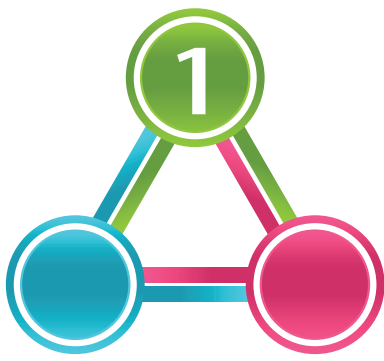
scale  
up

Solutions



portfolio approach  
senior leadership  
quantify total value  
outside investors





## Barrier 1

# Opportunity cost of investment

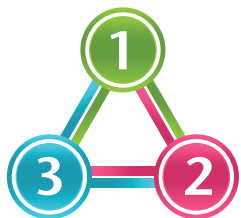
## Solution 1 – Adopt a portfolio approach

Inclusive business opportunities can be found all along the risk-return spectrum. They can be segmented according to the size of the investment required, how long it will take to recoup, and what rate of return to expect. It helps to understand where an inclusive business opportunity falls, and how it fits in to the overall investment portfolio. Companies can take a portfolio approach within the subset of inclusive business investments, balancing radical innovations with more incremental plays that are easier to implement – and yet can create considerable business value, learning, and confidence. A portfolio of business models that collectively target the “whole pyramid” can help to reduce risk.

**Lafarge**, the world’s largest cement manufacturer, is investing in a portfolio of inclusive business opportunities with varying levels of risk and expected return. On one end of the spectrum is a “mature market” project intended to strengthen the company’s competitiveness in the home construction retail channel in Nigeria and Indonesia, where Lafarge already sells the majority of its bagged cement. The company’s primary investment is in a cadre of home improvement counselors that link customers to microfinance loans and provide design and construction advice. In the middle is a “growth market” project intended to create a new distribution channel reaching slum communities in India. Here, the company is investing

in a network of on-site mini-plants and a new formulation and packaging that stand up to the rigors of transport in the slums. At the far end of the spectrum is a “frontier market” project intended to drive sales of cement directly to developers as part of an overall affordable housing solution designed for tight, hard-to-build spaces in urban cores in France and other developed countries. Here, the company is targeting an entirely new market with an entirely new value proposition, and has had to invest in an entirely new business model.<sup>6</sup>

6. Simanis and Duke, forthcoming.



## Solution 2 – Obtain senior leadership support

Senior leadership support can help unlock investment in inclusive business opportunities. Senior leaders and directors can be the only ones empowered to make longer-term strategic bets. They can also create the space for their reports – who might lack the authority, or be constrained by short-term performance targets and incentives – to invest. Senior leaders can also support the core business integration and mainstreaming necessary for long-term sustainability and scale.

Global healthcare firm **Novartis** started Arogya Parivar with key support from the company Chairman and CEO, who was inspired by a presentation by base of the pyramid guru C.K. Prahalad. Arogya Parivar is a social business that helps make health information, medicines, and vaccines available in about 30,000 rural Indian villages, home to more than 40 million people. Several other senior leaders, including the head of corporate strategy and the president of the company's Indian business unit, provided strong, ongoing support for the investment. While the business passed break-even in two and a half years, their support has been critical because starting Arogya Parivar, the company's first for-profit access to healthcare initiative, required a shift in mindset across the organization.

Following **Schneider Electric's** goal to improve its engagement toward surrounding communities and to reaffirm its innovation capacity, the President and CEO decided to tackle the challenge of energy access by setting up a so-called BipBop program (Business, Innovation and People at the Base of the Pyramid). Senior leadership support has also been critical in the development of its

In-Diya home lighting solution for the rural Indian market. Schneider's Country President for India has dedicated a number of staff to the technological and business model innovation that In-Diya requires and set the expectation of scale, even if it ultimately takes longer and margins are smaller than in other lines of business.<sup>7</sup>

Support from the Chairman and CEO and the Central, East and West Africa Business Unit President enabled The **Coca-Cola Company** to invest in Project Nurture, a multi-year partnership with the Gates Foundation and TechnoServe, to bring small-scale farmers in Kenya and Uganda into its fruit juice value chain. Nearly four years in, the company expects to recoup its investment in a total of seven to nine years, a longer time period than would typically have been acceptable.<sup>8</sup>

7. Vermont Desroches, Gilles and Andre Thomas. 2012. "The BipBop Programme: Providing access to reliable, affordable and clean energy with a combined approach of investment, offers and training." *Field Actions Science Reports* 7.

8. Jenkins, Beth and Lorin Fries. 2013. "Project Nurture: Partnering for Business Opportunity and Development Impact." Cambridge, MA: the CSR Initiative at the Harvard Kennedy School.

## Solution 3 – Quantify total value created for the firm

To make the case for inclusive business investments toward the far end of the risk-return spectrum, it can help to take non-financial benefits to the firm into account. These can include establishing brand awareness and loyalty, enhancing corporate reputation, building goodwill, developing key stakeholder relationships, lifting employee morale, and improving employee recruitment and retention. Of course, these benefits do affect the bottom line – and it helps to quantify them wherever possible, making them more actionable for investment decision-makers and implementing managers alike. However, it is important to recognize that while total non-financial value created for the firm may be large, it may also be too dispersed to affect individuals' incentives or behaviors to the extent required.

When it came time to make the case within **Novozymes**, a biotech company, for investing in joint venture CleanStar Mozambique, there were so many unknowns it was difficult even to estimate the risk or return involved. Instead, the company relied on a connection with its wider strategic agenda: to protect the 20% of revenues that came from biofuels, which were on trial in the court of public opinion for the potential to divert crops from food uses. CleanStar would develop sustainable agriculture to

increase food production as well as produce feedstock for ethanol production to replace charcoal as a cooking fuel in urban households, creating jobs and incomes and contributing to food security. Over time, Novozymes has tallied up additional non-financial benefits ranging from recruiting (with a significant increase in the number and quality of applicants) to branding (with media attention valued at US\$20 million over two years).



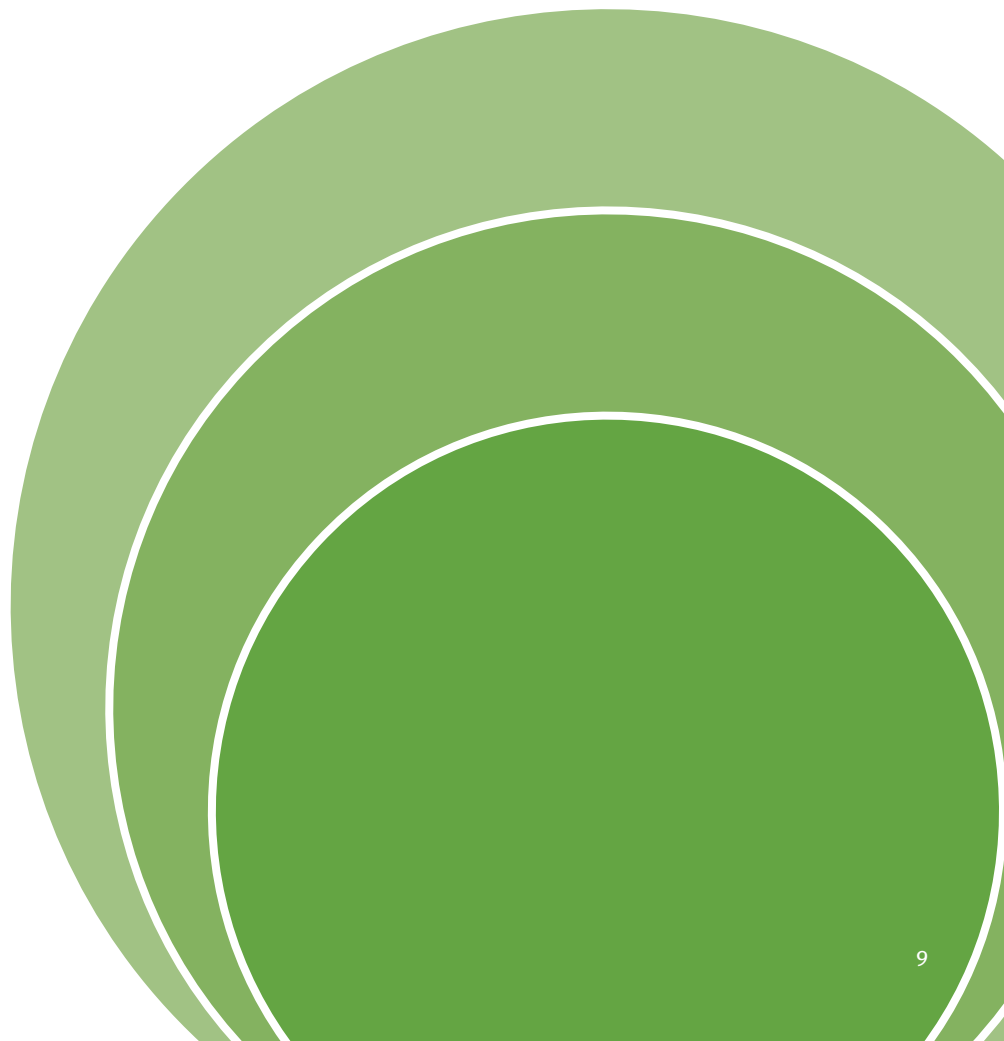
## Solution 4 – Find outside investors

When it is difficult to make the case for an inclusive business investment internally, a company can look for outside investors to share the cost and risk. Of course, outside investors will also want to share the return. Donors and some development finance institutions can be attractive investors because they can accept lower financial rates of return in exchange for the socio-economic impact created. Such concessions can make the financial rates of return for companies more competitive with alternative investments they have available.

**Novozymes** and its joint venture partner CleanStar Ventures attracted outside investment in CleanStar Mozambique (CSM) from Denmark's investment fund for developing countries (IFU), the Soros Economic Development Fund, and Bank of America Merrill Lynch, the latter through a multi-million dollar Certified Emission Reductions financing agreement.

In late 2003, multinational mobile network operator **Vodafone** obtained a £1 million grant from the British Department for International Development (DFID) to pilot an innovative, mobile phone-based payment

service for customers without bank accounts in Kenya. The DFID funds effectively subsidized Vodafone's own investment, enabling the team in charge to obtain £1 million in matching funds despite high levels of uncertainty and internal competition based on projected return on investment. Within one month of launching in March 2007, Vodafone's Kenyan subsidiary Safaricom had registered more than 20,000 M-Pesa customers. The service is now available in eight emerging markets, with over 18 million active users. Each month, £656m are transferred person-to-person over the M-Pesa money transfer service.

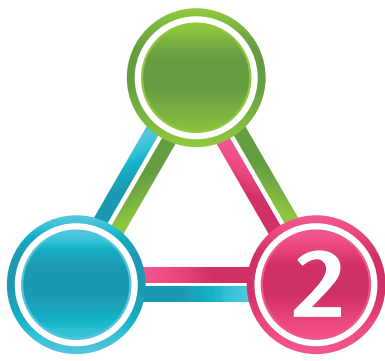


scale  
up

Solutions



business plan  
corporate greenhouse  
performance targets  
separate company



## Barrier 2

# Strategic and operational misalignment

### Solution 1 – Start with the business plan

Companies report that it is easiest to avoid strategic and operational misalignment in the first place by understanding their country priorities and growth strategies and pursuing inclusive business initiatives that support them. If doing business with base of the pyramid suppliers, distributors, retailers, and/or consumers helps a company achieve existing goals, then it automatically aligns with existing operating structures, processes, performance targets and incentives set up to drive progress toward those goals.

In Indonesia, the Philippines, and eight other countries, home construction retail stores are already **Lafarge's** biggest channel for sales of bagged cement. However, competition for shelf space is high, and it is important for the company to maintain its positioning. In response, it is working to open up a new customer segment for those stores by hiring home improvement counselors to provide people at the base of the pyramid with construction advice, referrals to architects and masons, and access to microfinance for their building materials purchases. This is improving Lafarge's sales and its retailer relationships, both key priorities for the business.<sup>9</sup>

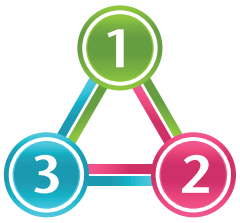
The **Coca-Cola Company's** Project Nurture, a long-term investment, responds to a long-term goal: to double the size of its juice business by the year 2020. In Central, East & West Africa, where juice consumption started from a low base, the goal is to grow the business by a factor of ten. With the Company's demand for fruit set to rise so significantly, prices can also be expected to rise unless sustainable access to much larger supplies of fruit can be secured – providing the basis for strategic and operational alignment in support of Project Nurture across the company's Central, East & West Africa Business Unit, its Grove 2 Glass juice trading subsidiary, and its local bottling partners in Kenya and Uganda.<sup>10</sup>

Multinational brewing company **SABMiller's** efforts to source from local smallholder farmers in Africa are tied in with its efforts to grow the market for beer by introducing new, more affordable options made with local ingredients like sorghum and cassava. Local sourcing reduces the company's supply cost compared to brewing only with malted barley. Governments are sometimes willing to set excise for beers brewed with local crops at a lower rate than those using imported crops, because they recognize that if the company is able to bring consumers into the formal drinks market with affordable beers, it creates new revenues for smallholders and the state – in addition to the company – and reduces demand for unregulated, often unsafe brews.

Indian conglomerate **ITC Limited's** "e-Choupal" network leverages information technology and sustainable agricultural practices to empower small-scale farmers by raising rural incomes, while ensuring competitive sourcing for ITC's foods business. e-Choupal goes beyond the conventional risk-return business model in that it would have been easier for the company to procure from the general markets. Instead, it invested in a comprehensive rural program to raise farm productivity, align agri-production to market needs based on consumer preferences, increasing value for farmers and enabling identity-preserved procurement for the company. As ITC's food brands grew in popularity, so did the scale of the e-Choupal network, empowering over four million Indian farmers.

9. Simanis and Duke, forthcoming.

10. Jenkins and Fries, 2013.



## Solution 2 – Get out of the corporate greenhouse

Many inclusive business models get started in protected environments of one form or another. These “corporate greenhouses” may include special innovation units and CSR or sustainability departments. The protection they offer can be essential for inclusive business models that are very experimental. But protection typically comes with limited resources, and models that show promise need to be integrated in order to scale. Those that remain protected for too long risk growing disconnected from core business goals and strategies, falling prey to “not invented here” syndrome, or being pigeonholed as CSR.

While **CEMEX’s** Patrimonio Hoy has always operated as a business, for a number of years it operated out of the CSR department with the Vice-Presidency of Institutional Relations. The model had attracted considerable attention from the development community and CEMEX wanted to protect it to ensure that external stakeholder expectations were met. However, the company eventually found that this form of protection constrained growth. Internally, Patrimonio Hoy was not perceived to be a business activity, and fewer resources were allocated to grow the model as a result. The model was moved into the Commercial Vice-Presidency in 2012. Now there is alignment with the general business strategy of CEMEX. There are also higher expectations of the team – but it is also easier to get investment and assistance from functional units such as distribution and marketing.

When **Vodafone** conceived of M-PESA, Safaricom’s business was growing rapidly and staff were focused on reaching customers with standard voice and text offerings. As a result, Vodafone’s sustainable development department in London provided initial leadership and resource. But Safaricom staff were engaged early on to run the pilot, with an eye to integrating the service into their core portfolio. Transitioning both operations and leadership has been critical to the scale M-PESA enjoys today.

## Solution 3 – Adjust performance targets

As companies begin to scale their inclusive business models and it becomes apparent where in the system incentives are misaligned, one approach is to change them. Some companies may wish to introduce impact-related performance targets as part of the process of changing incentives. This solution has a very high degree of difficulty, since departments and staff ranging from procurement to manufacturing to distribution to sales and marketing may all be involved – and all have to be aligned. Organizational change of this magnitude requires senior leadership support from across the company.

We are aware of at least one company that is working to adjust staff performance targets to make it easier for its inclusive business models to scale. It is early days, but we hope to be able to share lessons learned in due course.

While adjusting staff performance targets is very difficult, it is also critical. Inclusive business models will not scale very often if staff must go above and beyond (or even counter to) already demanding performance targets to do it.



## Solution 4 – Establish a separate company

If strategic and operational misalignment is too great, a final option is to develop an inclusive business model through a separate company – such as a subsidiary or joint venture set up for that purpose. That company could eventually be spun off or sold. Alternatively, if the business model evolves and becomes closer to that of the parent, the company could be reintegrated.

CleanStar Mozambique is a radically different business model for **Novozymes**. It is business-to-consumer (B2C) rather than business-to-business (B2B); it offers a new product type, clean cookstoves, in addition to biofuels; and it engages a new supplier segment – smallholder farmers – in the biofuels supply chain. While the model has significant revenue potential, the potential is long term, and Novozymes' existing structures and value chains could not be leveraged to capture it. As a result, the company chose to set up a separate company with its joint venture partner CleanStar Ventures.

**Grundfos**, one of the world's largest makers of pump solutions, motors, and control devices, made a similar decision when it set up Grundfos Lifelink (Kenya) Ltd with the Danish Investment Fund for Developing Countries. The venture, which makes safe drinking water available in rural and peri-urban communities, would enable Grundfos to try its hand at providing an end-to-end,

sustainable water solution for the BoP segment. The first pilot project was installed in March 2009, followed by additional 39 pilot projects. By 2012, it had become clear that in order to scale, Lifelink had to be able to take advantage of Grundfos' structure and network of distributors and partners around the world. Lifelink is now being integrated into the company with a new B2B model that sells water supply and water management systems to utilities, donors, and civil society groups, backed by a network of local professional service partners to support implementation and operations on the ground. Simultaneously, the Grundfos Lifelink team engages with its customers in facilitating cross-sector partnerships and developing new business models for sustainable and scalable operations of water supply.

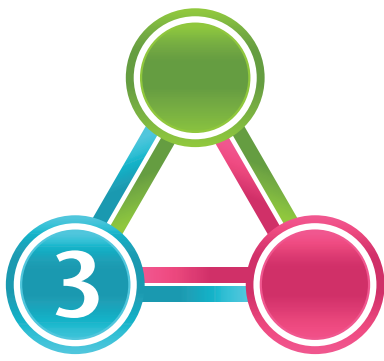
scale  
up

Solutions



external partners  
**capabilities in-house**  
professional development  
**centers of excellence**





### Barrier 3

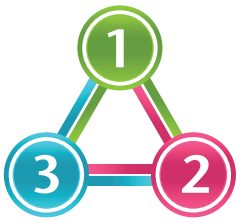
## Capability gaps

### Solution 1 – Utilize external partners

Companies can fill capability gaps by partnering with organizations with complementary assets, resources, skills, and expertise. Those organizations can include other companies, civil society groups, donors, development finance institutions, and governments. “Partnering” can be as simple as contracting services on a fee basis or as complex as sharing costs, risks, and rewards on the basis of complementary objectives.

Colombia’s **Grupo Corona**, a leader in home improvement and construction products, has developed a business model that makes ceramic tiles available to low-income customers. At the beginning, partnering with a social entrepreneur enabled the company to obtain market information and build its reputation and relationships in low-income communities. The company also partnered with community organizations that could identify and manage networks of local women to market and sell its products, and with local hardware stores that could distribute them. These partnerships enabled Corona to acquire the capabilities it needed to serve a new market segment more quickly and cheaply than the company could have done on its own.

Most of the world’s cocoa is produced in West Africa, on small family farms less than four hectares in size. As one of the world’s biggest buyers of cocoa, **Nestlé** has had to better integrate these farms into its supply chain. Partnerships with major supply chain actors such as Cargill and Olam have enabled the company to do so, by sharing the responsibility for establishing supply chain traceability, providing better yielding plants and farmer training, certifying cooperatives and other farmers’ groups, and performing purchasing and processing functions. These partnerships have created shared value for Nestlé’s business its supply chain partners and for cocoa farmers by increasing yield, quality, and environmental sustainability as well as reducing complexity in the supply chain.



## Solution 2 – Bring core capabilities in-house

While external partnership can be a good way to fill capability gaps, it is critical to know when to bring some capabilities in-house. As an inclusive business model moves from start-up to scale, issues like efficiency, quality control, and competitive advantage become more important. Can these issues be addressed working through partners, or does the task of scaling require the company to internalize some core capabilities?

While partnerships were essential to **Grupo Corona** in the early days of its low-income distribution and sales channel, the company found it had to streamline them, internalizing some functions, in order to scale. The local women that market and sell its products are now managed by a single organization under contract with Corona, instead of multiple community organizations that needed to play a role in business decision-making. Having found customers willing to pay for their tiles to be delivered, Corona took over the distribution function from local hardware stores. Interestingly, the company decided that consumer finance was not a core capability, and initiated new partnerships with utility companies for this purpose – while continuing to extend some credit itself.<sup>11</sup>

**Masisa**, a leading producer of wood board for furniture and interior architecture in Latin America, is working through a network of small and medium carpentry businesses in 10 countries to bring those earning between \$5,000 and \$10,000 per year into its end consumer base, with the twin goals of increasing its sales and improving consumers' quality of life. It aims to reach 35,000 carpentry businesses by 2014. To develop the right solutions, the company has had to develop in-depth, in-house knowledge of those businesses and their customers. Masisa has used ethnographic techniques such as accompanying people in different personal and professional contexts in order to understand their habits and needs.

11. Gutierrez, Roberto, Patricia Marquez, and Ezequiel Reficco. Forthcoming. "Configuration and Development of Alliance Portfolios: A Comparison of Strategic and Cross-Sector Alliances."

## Solution 3 – Support professional development

When it is clear what core capabilities a company needs to build in order to bring an inclusive business model to scale – or when a company would like to encourage inclusive business solutions to emerge in other parts of the business or other parts of the world – one approach is to create professional development experiences for staff. "Learning-by-doing" experiences, like special stretch projects and immersion in base of the pyramid markets, may be preferred, though not many formal education or training programs exist as alternatives. How to make such experiences more widely available is an open question.

**Novartis** has taken a "learning-by-doing" approach to professional development for inclusive business with its Entrepreneurial Leadership Program. Started in 2010, the program matches teams of mid- to senior-level managers from across the business with local teams in low- to middle-income countries to develop inclusive business solutions to pre-identified healthcare challenges. Each year, a total of 16 participants were recruited and assigned to specific projects based on the skills they offer. After two

months of virtual preparation, teams spent one month in-country, and finally presented their recommendations to local management for approval and investment. As a result of the program, an adapted version of Arogya Parivar was launched in Vietnam in the second half of 2012.



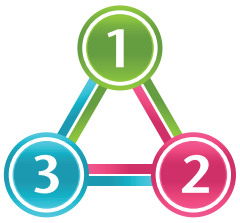
## Solution 4 – Establish centers of excellence

Some companies grappling with the question of how to build capabilities more widely have opted to establish dedicated, central teams in charge of raising awareness, developing and sharing knowledge and tools, facilitating internal and external networking, and transferring technology. These centers of excellence can serve both functional and regional units. They can provide support on a push basis when inclusive business is a relatively new or longer-term strategic proposition or on a pull basis when the return on a particular approach has been proven.

The **Coca-Cola Company** is spreading key learnings and good practice from Project Nurture throughout the Company to inform its efforts to scale key sustainable agriculture initiatives. The Company's Chief Sustainability Office, Public Affairs and Procurement teams, Global Juice Center, business units, and other relevant units are working collaboratively to develop tools and processes for disseminating lessons. In particular, the Global Juice Center plays an important role. Established in 2007 the Global Juice Center is charged with driving the growth of its global juice business by developing brand strategy and integrated marketing campaigns, training teams through its Juice University, and coordinating procurement of key

ingredients through its Grove 2 Glass Trading Services subsidiary. Grove 2 Glass is responsible for working with fruit growers and processors to ensure access to sustainable supplies of fruit – and it will play a key role building those groups' capacity to work with small-scale farmers in the supply chain, too.

**Lafarge** is supporting its portfolio of inclusive business investments around the world through a dedicated affordable housing unit based at its Paris headquarters. This unit works with local country teams to identify, develop, test, and refine inclusive business solutions to the strategic and operational challenges they face.



# Taking action

**Inclusive business models will not scale without a solid understanding of what works and what doesn't – and when it comes to addressing the internal barriers companies face, this brief is just the beginning. We hope it frames and catalyzes greater and more open dialogue on these barriers, and on solutions companies can use to tackle them.**

We also hope this brief paints a picture of the intrapreneurial challenge facing managers working to start and scale inclusive business models within large companies. These individuals are playing vital roles in harnessing the resources, capabilities, skills, and sheer reach of their employers to develop profitable, scalable solutions to some of the world's most pressing problems, from health to education to the environment. Yet their roles are all too often unsung and unsupported. As Gib Bulloch, Executive Director of Accenture Development Partnerships, points out, "the big disadvantage which intrapreneurs have over entrepreneurs is having to deal with the corporate immune system – the cultural anti-bodies which the corporate will unleash in the form of risk management processes, bureaucracy, short term performance management, and 'growth-only' appraisal systems."<sup>12</sup>

A growing body of research on intrapreneurship suggests that pioneering companies are beginning to counter these anti-bodies and support managers starting and scaling inclusive business models.<sup>13</sup>

Outside inspiration and allies are also essential to start and scale inclusive business solutions. First, they are important sources of moral support and persuasive capacity for tackling the internal barriers described in this brief. And second, outside allies are critical when it comes to the more entrepreneurial challenge of aligning and strengthening the "ecosystems" of interconnected, interdependent players whose actions determine whether or not the

company's inclusive business model will succeed. These players typically include other companies, governments, intermediaries, NGOs, public and private donors, the media, and others. Of course, inclusive business models do not scale in a vacuum. As our colleagues at the CSR Initiative at the Harvard Kennedy School have noted, in the past 10 years, "we have seen companies be deliberate, strategic, and often very creative in developing inclusive business models. To tackle the barriers to scale, companies must be equally deliberate, strategic, and creative about cultivating the inclusive business ecosystems on which those models depend."<sup>14</sup>

## The road ahead

Business, governments, and civil society have a collective responsibility to ensure that markets work for all within the limits of the world's carrying capacity, thereby making globalization truly inclusive and sustainable. In the context of its Action2020 work focused on scaling up business solutions to sustainability challenges, the WBCSD will continue to promote private sector innovation, technology, networks, and problem solving skills in a manner that makes business sense and supports inclusive growth. The Council looks forward to continuing to provide its member companies with a platform for catalyzing further action, gaining greater insights, and creating an environment that is more conducive to scaling inclusive business solutions.

12. Adapted from Grayson, David et al. 2013. "Creating Sustainable Businesses through Social Intrapreneurism." A Doughty Center for Corporate Responsibility Occasional Paper, Cranfield University School of Management.

13. See, among others, Grayson et al 2013 and Scott D. Anthony. 2012. "The New Corporate Garage." Harvard Business Review, September 2012.

14. Gradl, Christina and Beth Jenkins. 2011. "Tackling Barriers to Scale: From Inclusive Business Models to Inclusive Business Ecosystems." Cambridge, MA: The CSR Initiative at the Harvard Kennedy School.

## Annex

### Tackling external barriers to scaling inclusive business ventures

Challenge	Enablers	Solution	Solution description	
Expanding reach	Technology	Partnership	Distribution channel-sharing	Partnering with organizations with existing channels to quickly expand reach
			Informal channels	Using small and micro enterprises operating in the informal economy as channels
			Business-in-a-box	Standardized “franchise” opportunity for micro-entrepreneurs
			Field agents	Network of individuals hired to provide sales or services to dispersed populations
			Hub and spoke	Centralized hub supports and shares costs with satellite centers
Facilitating access to finance			Cash loan	Providing cash financing or facilitating access through a subsidiary or third party
			In-kind working capital loan	Provision of inputs or inventory on credit
			Micro-leasing	Productive assets sold up front with repayment in periodic installments
			Changing mindsets and behaviors	Aspirational marketing
Value demonstration				Enabling individuals to see or experience the value proposition
Community networks				Triggering word-of-mouth endorsement through relationships of trust
Training				Building necessary knowledge and skills
Sense of ownership				Motivating by giving financial, operational, or emotional stakes in the business
Designing appropriate products and services			Sachet	Small (even single use) packaging
			Modular	Components, valuable alone or in combination with others, sold individually
			Shared access	Asset used by multiple parties in order to share fixed cost
			No frills	Designed to meet a specific need at the lowest possible cost to consumer
			Process simplification	Tasks standardized and broken down for lower-cost, lower-skill workers
			Pricing and payment	Prepaid
Pay-per-use				Customers pay only for the quantity used
Tiered pricing	Differential pricing based on ability to pay			
Subsidy	Direct subsidy or assistance accessing subsidies available for relevant purchases			

Source: IFC (International Finance Corporation). 2010. “Inclusive Business Solutions: Expanding Opportunity and Access at the Base of the Pyramid.” Washington, DC: IFC.

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### **Disclaimer**

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